



Federal Trade Commission Protecting America's Consumers

Utility Credit

Of all the many different types of credit - for example, retail credit, loans, charge cards, and mortgages - utility credit may be the one that most people cannot do without. Utility credit is the credit extended to users of gas, electricity, and water services. Phone service also can be considered a utility.

Having an account with a utility provider is a lot like having any other credit account: You get service now and pay for it later. And, like other creditors, utility companies keep a record of your payment patterns. This record becomes your utility credit history. It's important to have a good utility credit history because it becomes part of your entire credit history, which often is a determining factor in your ability to get credit - including utility services - and sometimes even a job, in the future.

To ensure fairness, federal law prohibits utility and other companies from engaging in discriminatory practices. Specifically, under the Equal Credit Opportunity Act (ECOA), these companies cannot discriminate against consumers on the basis of sex, marital status, race, national origin, religion, or age. They also cannot discriminate against people who receive public assistance.

Here's a look at how the law works when it comes to utility services:

Deposits

Utility companies frequently require new customers to make a deposit or get a letter of guarantee from a person who agrees to pay the bill if the customer does not. Under the law, requiring only some customers to pay a deposit or get a letter of guarantee is offering them credit on less favorable terms. If done on a discriminatory basis, it is illegal.

The utility company generally can require you to make a deposit or obtain a letter of guarantee if you are a new customer and all new customers are required to pay a deposit, or if you have a bad utility credit history.

The utility company cannot require you to pay a deposit because any previous utility services you received were under your spouse's name and not yours. If you can show that you had utility service in a spouse's name, the utility company must consider the utility credit history yours. If you share your spouse's utility credit history, it could be unlawful for the utility company to require you - but not your spouse - to pay a deposit.

Determining Your Credit History

What if your spouse had a bad utility credit history? Could that reflect on you? In some circumstances, it could.

If your spouse's credit history is bad, the utility company could consider that credit history yours and ask you to pay a deposit or get a letter of guarantee. However, the ECOA gives consumers the opportunity to prove that their spouse's bad credit history does not reflect their own unwillingness or inability to pay.

For example, if you were seeking utility services in your own name but your bad credit history reflects your former spouse's credit practices, not yours, the utility company would have to consider any evidence you provide that you were not part of your former spouse's bad credit practices. That might include information demonstrating that you did not live with the spouse when the account was overdue, that you never saw the bills, or that you paid the bills once you discovered they were overdue.

However, your spouse's utility credit history can be considered yours if your spouse lived with you or you benefited from using the account. If you live in a community property state, the utility company can consider any information about your spouse that it can

consider about you when determining your credit history - even if you were not living together and did not share the account while it was open. To learn whether you live in a community property state, check with your state consumer protection agency.

If you cannot convince the utility company that the bad credit history is not yours, you may have to pay a deposit or get a letter of guarantee. Or, you may be asked to pay your spouse's old debts before your service is connected. In the latter case, the company's right to take such action is governed by state law, not the ECOA. Contact your city or county consumer protection office for more information.

Get It In Writing

If you are denied utility credit (or any credit) or offered less favorable credit terms than you applied for and you reject the offer, you have the right to know the reasons for the company's action. If your application is denied, or if you reject the company's offer of less favorable terms, the company must send you a notice stating either the specific reasons for the action or stating your right to get the reasons within 30 days (if you make your request within 60 days of the company's notice to you). Always put your request in writing.

Learning the reason may help you become more creditworthy, correct errors, or detect unlawful discrimination.

For More Information

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a [complaint](#) or to get [free information on consumer issues](#), visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the [Consumer Sentinel Network](#), a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.