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Inuit sued over TurboTax Security and Identity Theft, Class Action Status Sought

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Robert Wood, April 23, 2015

Overview:

This article reports Intuit Inc. being sued by many lawyers on the case that their TurboTax software helped enable fraudulent tax returns. Fraudulent tax returns are a form of Identity Theft around the world. Intuit's security around the "TurboTax" software was clearly not good enough, as hackers were able to get a hold of user's personal information and change the contents of their tax returns. The depth of this issue not only caused the TurboTax filings, but also even caused an FBI investigation after spreading to the federal filings. The lawyers at the time hoped to turn the case into a class action lawsuit, which is a large scale lawsuit involving anyone who wants to speak up about their similar problem, which could cause massive damage and defamation to the company. The two main cases follow two women, named Ms. Diaz and Ms. Fugatt. Ms. Diaz found that after using the web service four years earlier, she was billed by the company for using it in 2015. This clearly was not the case and someone else used her personal identification. Ms. Fugatt's case was very similar, except she had never even used the online service for TurboTax.

Analysis

Major Ethical Issue:

The major ethical issue in this situation would be Intuit Inc.'s false claims of "a secure and easy to use experience". This was proven false, as clearly, fake people were able to take advantage of the system in place and create a larger ethical issue of Identity Theft. The reason this problem happened is because Intuit's security systems were far too simple.

Stakeholders:

There are a lot of stakeholders involved with this scenario. The first being Ms. Fugatt and Ms. Diaz and everyone else with similar problems, the second being Intuit Inc., and the third being the US Government.

In the side of everyone affected by fraudulent tax returns filed by the TurboTax software, their stake is losing lots of money and being charged for fraud. This can really ruin somebody's life, as the sentence for tax fraud and false statements is a maximum fine of $250,000 or a maximum of 3 years in jail.

The next side, being that of Intuit Inc., faces severe penalties, as well as huge defamation against their company and the software they use.

The final side is that of the US Government. Even though the government can recognize and penalize most false statements, there are some that slip by and they do end up paying. This can cause the government to lose a large amount of money per year from tax revenue, and inherently decrease the country's GDP.

<u>Decision Makers/who is affected:</u>

The decision makers would definitely be the court. The judge could rule in favor of the prosecutors, thus making Intuit Inc. pay an incredible amount of money to the people that had the issue, and even more money to the government for submitting these false claims. If the judge were to rule in favor of the defendants, then the case would likely be dropped, or a counter case would have been created to sue the prosecutors for slander and defamation.

<u>Relevant Theory:</u>

The relevant theory broken you could apply to this scenario could be either Social Contract, or Kantianism. Under Social Contract, it could be argued that the company hired security professionals to create a system that was safe, but that contract was broken. Under Kantianism, this situation would show that since the system allows some people to file false claims, it is right for everyone to file false tax returns, which it clearly is not.

<u>Solutions:</u>

The only solution to this problem would be for Intuit Inc. to fix the security around their TurboTax software. This could help the company rebound from this lawsuit and help people be confident with using their service again.