

Data, Privacy & Cybersecurity

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FTC “Click-To-Cancel” Rule Coming Soon

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The Federal Trade Commission’s final “click-to-cancel” rule, which goes into effect on May 14, 2025, attempts to address the difficulties consumers may face when trying to cancel an automatically renewing subscription. The rule establishes new requirements for companies offering subscription-based products and services on an auto-renewal basis. The rule will now make the process more transparent and less confusing for customers seeking to withdraw from products and services.

The “click-to-cancel” rule applies across industries to transactions occurring online, in person, or over the phone, and to both business-to-business and business-to-consumer relationships.

Various challenges to the rule filed by industry and trade associations, private companies, and the Chamber of Commerce, alleging that the rule is “arbitrary, capricious, and an abuse of discretion,” have been consolidated into one petition that is currently under review by the Court of Appeals for the Eighth Circuit. Consumers may not bring legal action against service providers under the rule—only the FTC or state attorneys general. If a violation is determined, per violation civil penalties of up to \$51,744 may be imposed.

The rule aligns with the state laws in just less than half of the states, including Washington, D.C., California, and Florida, that were enacted to impose legal guardrails around a consumer’s inferred acceptance of an ongoing commitment based on silence, that is a part of auto-renew services. It also complements the principle of transparency, which has become a generally accepted standard in other laws governing the provision of services to consumers, including privacy.

The rule defers to state law requirements that are more protective so businesses will need to track compliance against both the federal rule and any applicable state laws.

As we wrote in [Bloomberg Law](#) in November, 2024, the key compliance requirements under the rule include:

“Disclosures. Prior to obtaining a consumer’s billing information for any auto-renewal, service providers must clearly and conspicuously disclose the fee for the service or membership, the timeline for the recurring charge, when cancellation must occur to prevent or stop charges, and how to cancel.

Consent. Service providers must obtain the consumer’s consent. The consent request must relate only to acceptance of the auto-renewal and be clearly worded. Under the rule, adhering to this requirement can protect service providers from potential liability or penalties for noncompliance with the rule. The consent mechanism must appear adjacent to the disclosures and after the placement of the disclosures. Consent records must also be retained for at least three years.

Cancellation. Service providers must provide an easy-to-execute cancellation method that stops the consumer from being charged (or being charged a higher amount) and immediately stops any recurring charges. The

cancellation mechanism must be easy as the consent mechanism and be provided through the same medium used to obtain consent.

Canceling must be as simple as subscribing or enrolling is and be unencumbered by survey questions regarding the reason for cancellation. In the age of AI, keep in mind, if a chatbot was not used for initial enrollment, it cannot be used to facilitate the cancellation.”

In light of the existence of many state automatic renewal laws that align with the FTC Rule to which companies must adhere, now is a good time for businesses to review their terms and conditions and address any areas of noncompliance, notwithstanding a pending ruling from the Eighth Circuit.

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