HUDSON COOK

Keeping Your Eye on the Ball: Federal Cancellation Policy Settlements and New York Updates to Auto Renewal Law

September 30, 2025 | Thomas P. Quinn, Jr. and Kristen Yarows

While much focus has recently been paid to the Massachusetts Attorney General's "junk fee" regulation, which includes newly effective negative option requirements, focus on automatic renewal cancellation policies remains a point of emphasis elsewhere. At the federal level, the Federal Trade Commission (FTC) has remained vigilant in its regulation of cancelation policies, and New York has amended its laws governing automatic renewal plans. So, what's going on?

In August, the FTC took action against two companies over their cancellation policies. First, the FTC settled a case with an online dating company that involved alleged unlawful practices regarding its advertising, cancellation, and billing. The FTC alleged that the dating company imposed onerous requirements to cancel the subscriptions including requiring consumers to click through two pages of survey questions before reaching the cancellation confirmation page. The dating company agreed to pay $14 million and provide simple cancellation mechanisms, among other terms, to resolve the lawsuit.

About a week later, the FTC sued a large, nationwide gym over its cancellation policy. The complaint alleged that consumers who sought to cancel their memberships were required to cancel either in-person or via mail. The in-person cancellation required consumers to cancel through specific gym employees, who often were available only during limited hours. The FTC alleged that the gym told consumers who sought to cancel their membership via mail that they needed to download and print the cancellation form and send it via certified or registered mail, which caused consumers to incur additional costs. The complaint alleged that these cancellation policies and practices violated the FTC Act's prohibition on unfair acts or practices. Both enforcement actions come after the Eighth Circuit vacated the FTC's "click to cancel" rule in July, and show that the FTC is continuing to prioritize enforcement of cases involving cancellation policies.

Meanwhile in the states, in May of this year, New York amended its law governing automatic renewal plans. Under the revised New York law, which will become effective on November 5, 2025, a party who offers a consumer a product with an automatic renewal feature, a subscription, or purchase agreement that continues until the consumer cancels it (a "continuous service" plan) will be subject to new and more prescriptive disclosures. Before the consumer consents to the offer or before billing information has been requested the party making such offer must provide a clear and conspicuous upfront disclosure of the material terms of the offer, including:

- A description of the product or service that is subject to the renewal;
- The cost;
- The frequency of the charges;
- The deadline by which the consumer must act to prevent further charges; and
- How the consumer may cancel.

The statute still requires the consumer to provide his/her affirmative consent to an agreement containing the terms of the automatic renewal or continuous service offer, clarifying that this must occur before s/he may be charged for the initial term of such a product or service. However, this is now coupled with new requirements governing price increases. Under the new requirements, a provider making an automatic renewal or continuous service offer must either obtain the consumer's affirmative consent to the price increase or permit him/her to cancel within 14 days of the increased price, providing the consumer with a pro rata refund.

Once the consumer provides his/her consent, the party offering the product must provide the consumer with a notice that contains the material terms of the offer. It should be highlighted that, as part of the process of providing consumers with this notice, the party offering such a product ideally should have a mechanism to capture the consumer's preference of notification channel (text, email, app notification, or other notification channels the business offers). This is because the revised law requires prior notification of material changes to the automatic renewal/continuous service plan (including price increases) via the consumer's preferred communication channel. The change in terms notice must be provided at least 5 business days (but no more than 30 days) before the effective date of the change.

The revised laws also provide for enhanced pre-renewal notices. For automatic renewal or continuous service plans with an initial paid term of a year or more, that will renew for a paid term of 6 months or more, consumers must receive a notice of the renewal charge at least 15 days before (but not more than 45 days before) the cancellation deadline. This notice must be provided to the consumer via his/her preferred notification channel and must provide the consumer with instructions on how to cancel the renewal charge.

Similarly, providers must notify consumers of an upcoming automatic renewal or continuous service charge for any such plan that offers a free gift or trial for a period more than 1 month, if that will be followed by an automatic renewal or continuous service charge. This notice must be sent at least 3 days (but no more than 21 days) before the cancellation deadline for the first period in which the consumer will be charged, via the consumer's preferred communication channel. This notice must include instructions on how the consumer may cancel the renewal charge.

The centerpiece of the new statutory provisions, however, deal with cancellation mechanisms. Under the revised law, consumers have a continuing right to cancel using a simple mechanism. This means that the cancellation mechanism must be as simple as - and through the same medium as - the means by which the consumer provided his/her consent to enroll. If the consumer enrolled in the automatic renewal of continuous service in person, then the business offering such service must, in addition to offering in-person cancellation, also offer (at a minimum) cancellation through either an online mechanism or over the phone.

Ease of cancellation is also a two-sided coin, as the law conversely prohibits businesses from imposing unreasonable or unlawful conditions on cancellation, as well as refusing to acknowledge, obstructing or delaying cancellation attempts. For example, a business may not hang up on consumers who call in to cancel, provide consumers with false information about how to cancel, or misrepresent the consequences or cost of cancellation or the reasons why cancellation requests have been delayed. The statute permits businesses to counteroffer a cancellation request by presenting the consumer with a discounted offer, retention benefit, or information regarding the effect of cancellation.

So, effective early November, businesses offering automatic renewal and continuous service products will be subject to a series of new disclosure requirements and cancellation options. However, unlike other rules - the Massachusetts junk fee regulation being a good example - the New York statute is not an economy-wide regulation. The law includes exemptions for (among other parties) banks and credit unions; parties subject to regulation by the New York Department of Financial Services; and sellers and administrators of service contracts, as regulated under the New York insurance laws.

Businesses offering automatic renewal and continuous services who do not enjoy an exception should start thinking about how they will comply with these updated New York requirements. The effective date will be upon us before you know it.

HUDSON
COOK

Hudson Cook, LLP is a national law firm representing the financial services industry in compliance, privacy, litigation, regulatory and enforcement matters.

7037 Ridge Road, Suite 300, Hanover, Maryland 21076
410.684.3200

hudsoncook.com