

# FTC'S NEW CLICK-TO-CANCEL RULE MEANS YOUR BUSINESS NEEDS TO SIMPLIFY THE CANCELLATION PROCESS: 5 STEPS TO STAY COMPLIANT

Insights  
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The federal government just fundamentally changed how businesses need to handle recurring subscriptions by unveiling its new "Click-to-Cancel" rule and making it mandatory to simplify cancellation processes. Designed to eliminate so-called "tricks and traps" in subscription cancellation, this new rule released by the Federal Trade Commission (FTC) on October 16 addresses consumer complaints about confusing and restrictive procedures. For businesses with a digital presence, it's essential to understand the compliance requirements, potential penalties, and immediate steps to take before the rule takes effect in April 2025. Below, you'll find a breakdown of the rule and a five-step plan to keep your business in the clear.

## Understanding the FTC's Click-to-Cancel Rule

[The Click-to-Cancel rule](#) is part of the FTC's amendments to its long-standing Negative Option Rule, modernized to combat deceptive practices in subscription-based services. Here's what you need to know about the final rule:

### *Simplified Cancellation Process*

Businesses must make the process of canceling a subscription just as simple as signing up. The core idea is that if a customer signed up online, they should be able to cancel online, using the same number of steps or fewer. Some examples:

- **Online Sign-Up:** If your business allows online sign-ups, the cancellation must be accessible through the same

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website and require a similarly streamlined process.

- **In-Person Sign-Up:** If sign-ups are in person, businesses must provide an option to cancel either online or over the phone. They can also offer an in-person cancellation option if practical.

### ***Clear and Conspicuous Disclosure of Material Terms***

Businesses will be required to disclose all relevant terms related to their subscription services clearly and prominently before charging a customer. This includes:

- Information on recurring charges and any increases after a trial period
- Deadlines by which a customer must cancel to avoid additional charges
- Explicit descriptions of fees, billing schedules, and other critical information

### ***Express Informed Consent***

Businesses must obtain clear and explicit consent from customers before charging them, ensuring that they agree to all material terms.

- Consent must be **unambiguous** and cannot be combined with other terms
- Verification of consent must be kept on record for **three years**, or, if the seller demonstrates robust protections, the FTC allows an exception from recordkeeping

### ***Prohibition Against Misleading Information***

The rule broadens the FTC's authority to penalize businesses for any misrepresentation of products or services sold under subscription models. This includes:

- Misleading details about the subscription itself or associated products
- Misleading information about the price, benefits, or risks of any recurring service

### ***Violations and Penalties***

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Non-compliance with the rule exposes businesses to FTC enforcement actions, which may result in civil penalties or required customer refunds.

### ***Effective Date and Potential Litigation***

The rule is set to take effect 180 days from the date that it is formally published in the Federal Register, which should be in the next few days. We expect the effective date to be in April 2025, and will provide an update when more information is available. While we expect opposition groups to launch litigation in an effort to sidetrack the rule, you can't count on such attacks to be successful and thus need to prepare as if the rule will take effect as scheduled. We will update readers on any relevant litigation or court rulings that change the effective date, so make sure you are subscribed to [Fisher Phillips' Insight System](#) to get the most up-to-date information direct to your inbox.

### **5-Step Action Plan: How Your Business Can Stay Compliant**

To comply with the FTC's new rule and avoid penalties, businesses should follow these five steps:

#### **1. Conduct a Compliance Audit**

Review your current subscription practices:

- Ensure that the cancellation process **matches the ease of sign-up**.
- Confirm that your platform includes **simple, online cancellation options** for online sign-ups.
- Assess the **clarity of your subscription disclosures**, checking that all material terms are clear, prominent, and accurate.

#### **2. Redesign Cancellation Processes**

Modify your subscription interfaces to eliminate hurdles in cancellation:

- Avoid requiring customers to **interact with live agents or chatbots** unless they interacted similarly when signing up.
- **Streamline online cancellation options**, ideally with a visible and easily navigable cancellation button or page.

- If you offer telephone cancellations, **ensure the lines are available** during business hours and easy to access.

### 3. Update Disclosures and Obtain Clear Consent

Update your website, marketing materials, and payment flows:

- Ensure all subscription-related disclosures (pricing, recurring charges, cancellation terms) are presented **clearly and prominently**. Customers must understand exactly what they're agreeing to from the start – there will be no more room for vague or hidden terms.
- Secure **express consent** from customers before processing their billing information, using unambiguous checkboxes or agreements separated from other terms.
- Store consent records securely, ensuring retention for the required **three-year period**.
- Update your **recordkeeping protocols** to ensure you retain explicit proof of customers' agreement to all terms to safeguard against disputes in compliance of the rule.

### 4. Train Customer Service Staff and Align Marketing Language

Educate your customer support teams and review all promotional content:

- Make sure customer service **understands that their role is to facilitate, not hinder, cancellations**.
- **Align all marketing language** – from website language to advertisements to sales calls scripts – with the rule's transparency requirements, avoiding misleading language about subscriptions, discounts, or cancellation terms.

### 5. Monitor Compliance and Prepare for Potential State Law Differences

Given that state regulations may impose even stricter requirements, businesses should remain vigilant:

- **Track regulatory changes** at the state level that may impose additional protections.
- **Consider regular audits and customer feedback loops** to catch compliance issues early.

## Conclusion

For businesses, this new regulation will mark a significant shift, particularly if you rely on subscription models. While the changes may involve restructuring processes, they also offer an opportunity to improve trust and loyalty among customers by adopting user-friendly practices.

Fisher Phillips will continue to monitor the situation and provide updates as warranted, so make sure you are subscribed to [Fisher Phillips' Insight System](#) to get the most up-to-date information direct to your inbox. For further information, contact your Fisher Phillips attorney, the authors of this Insight, or an attorney on the firm's [Consumer Privacy Team](#) or [Privacy and Cyber Team](#).