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Junk Fees Under Scrutiny: FTC Issues Proposed Rulemaking



Key Updates:

- On October 11, 2023, the FTC [proposed a new rule](#) that it claims will end deceptive "junk fees." The FTC defines junk fees as "bait-and-switch pricing tactics" that conceal required charges while misleading consumers about the actual price of items.
- The FTC claims the proposed rule is expected to save consumers more than 50 million hours each year in the search for total price of items, particularly in live event ticketing and short-term lodging.

Two types of fees are prohibited by the proposed rule:

- **Hidden fees.** The proposed rule prohibits concealing mandatory fees in order to mislead consumers about the total price in both advertising and during the checkout process.
- **Bogus fees.** The proposed rule will require sellers to disclose the amount and purpose of fees upfront, as well as whether they are refundable.

The Commission voted 3-0 to approve the publication of the notice of proposed rulemaking. Consumers have 60 days after the notice is published in the *Federal Register* to submit comments electronically.

The FTC proposal is part of a larger effort to combat hidden and deceptive fees. It is joined by the Consumer Financial Protection Bureau's plan to prohibit major banks from charging excessive fees for basic customer services and President Biden's promise to abolish "junk fees" in his State of the Union address earlier this year.

State laws are also being enacted to prohibit advertising that does not include all mandatory fees. In California, the [Consumer Legal Remedies Act: Advertisements](#) is amended to eliminate hidden fees and provide transparency to consumers. The law goes into effect on July 1, 2024.

Authors

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