

Alert | Financial Regulatory & Compliance



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California Bans Hidden Fees, Effective July 1, 2024

Go-To Guide:

- California **Senate Bill 478** (SB 478) will amend the California Consumers Legal Remedies Act (CLRA) to generally ban so-called “junk fees.”
- While the focus on “junk fees” has thus far been led by federal agencies, California’s SB 487 may signal a new phase in the effort, with state legislatures joining in with a variety of junk-fee-focused legislation.

On Oct. 7, 2023, California Governor Gavin Newsom signed SB 478 into law. When it becomes effective July 1, 2024, the law will amend the CLRA to generally ban so-called “junk fees.”

California’s effort sits along the Biden administration’s focus on “junk fees,” which multiple federal agencies have now addressed via various advisory opinions, guidance documents, and enforcement actions.

The New Prohibition

In a [press release on SB 478](#), California Attorney General Rob Bonta, who sponsored the legislation, stated that California “now has the most effective piece of legislation in the nation to tackle” the problem of hidden fees. “Today, California is eliminating hidden fees,” Bonta said. “These deceptive fees prevent us from knowing how much we will be charged at the outset. They are bad for consumers and bad for

competition. They cost Americans tens of billions of dollars each year. They hit families who are just trying to make ends meet the hardest. And, because a growing list of websites, apps, and brick-and-mortar businesses are using them, they penalize companies that are upfront and transparent with their prices.”

SB 478 expressly purports to ban “drip pricing,” which the legislation describes as “advertising a price that is less than the actual price that a consumer will have to pay for a good or service.” It does so by amending the CLRA.

As amended, the CLRA will declare that it is an unfair method of competition or an unfair or deceptive act or practice to advertise, display, or offer “a price for a good or service that does not include all mandatory fees or charges other than” “taxes and fees imposed by a government” and “reasonably and actually incurred” postage or shipping charges.

Certain transactions in already regulated industries are exempt from SB 487’s new prohibition, including certain transactions between consumers and certain financial entities.

Takeaways

We expect a continued federal and state focus on eliminating allegedly hidden or misleading fees. To date, the efforts to curb “junk fees” generally have been carried out primarily by federal agencies, including the Consumer Financial Protection Bureau (CFPB) and the Federal Trade Commission (FTC), as we reported in our GT Alerts on the [CFPB’s advisory opinion](#) and the [FTC’s proposed rule to ban junk fees](#). California’s SB 487 may signal a new phase in the ongoing effort, with state legislatures now joining in with a variety of junk-fee-focused legislation.

Authors

This GT Alert was prepared by:

- [Timothy A. Butler](#) | +1 678.553.2326 | Tim.Butler@gtlaw.com
- [Matthew M. White](#) | +1 678.553.2111 | Matthew.White@gtlaw.com
- [Tessa L. Cierny](#) | +1 678.553.2130 | Tessa.Cierny@gtlaw.com
- [Zeba Pirani](#) [~] | Law Clerk/JD | Atlanta

[~] Not admitted to the practice of law.

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