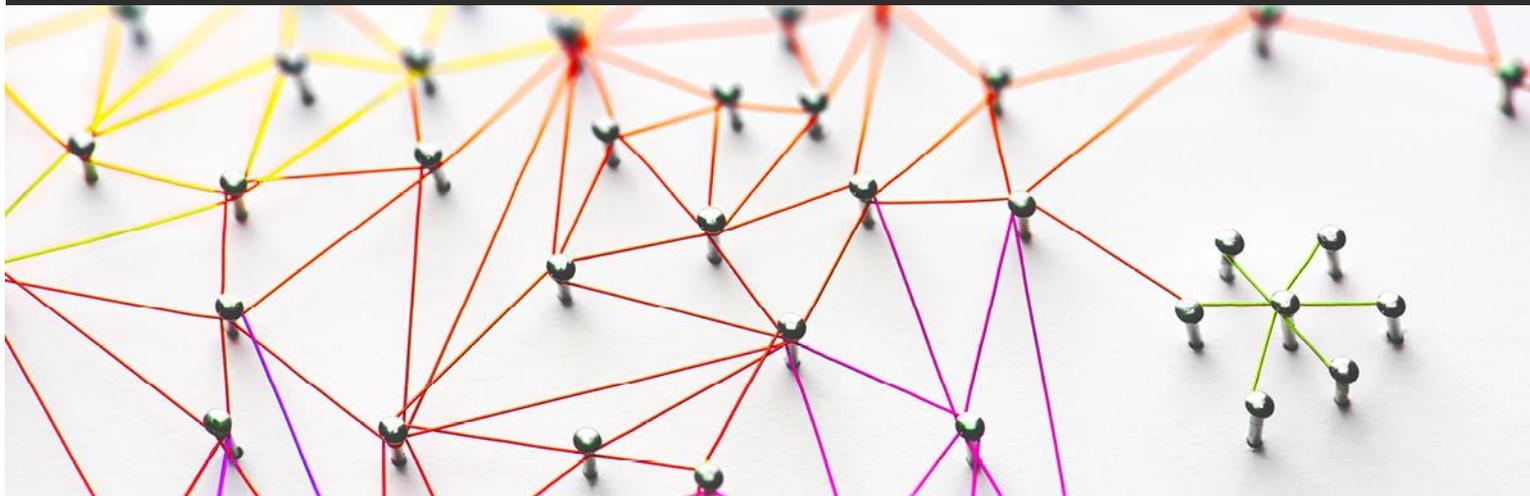


Alert | Regulatory & Compliance



May 2025

FTC Extends ‘Click-to-Cancel’ Rule Deadline

On May 9, 2025, the Federal Trade Commission (FTC) voted to extend the compliance deadline for the Negative Option Rule by 60 days. The Rule, sometimes called the “[Click-to-Cancel Rule](#),” will now be effective July 14, 2025.

In a [statement](#) regarding the extension, the FTC explained that, in its view, companies need additional time to address the complexities of the Click-to-Cancel Rule. “Having conducted a fresh assessment of the burdens that forcing compliance by [May 14, 2025] would impose, the Commission has determined that the original deferral period insufficiently accounted for the complexity of compliance.”

Background

On Oct. 16, 2024, the FTC announced its final “Click-to-Cancel” Rule for subscription services and other negative option offers. The rule requires sellers to make it as easy for consumers to cancel subscriptions as it was to sign up for them. The rule also changes businesses’ marketing, disclosure, consent, and recordkeeping requirements and gives the FTC the authority to seek redress and civil penalties for rule violations.

The rule amends the FTC’s 1973 Negative Option Rule. In a [press release](#) issued at the time the final rule was issued, the Commission explained it was “modernizing” the Negative Option Rule “to combat unfair or deceptive practices related to subscriptions, memberships, and other recurring-payment programs in an increasingly digital economy where it’s easier than ever for businesses to sign up consumers for their products and services.” The Commission also explained that it “receives thousands of complaints about

negative option and recurring subscription practices each year,” with the number of complaints “steadily increasing over the past five years.”

The Rule

Negative Option Features

The rule applies to “negative option features.” Negative option features are contract provisions “under which a consumer’s silence or failure to take affirmative action to reject a good or service or to cancel the agreement is interpreted by the negative option seller as acceptance or continuing acceptance of the offer.”

Negative option features are widely used. They include “prenotification plans,” like book-of-the-month clubs, in which sellers first offer and then send—and charge for—a good if the consumer takes no action to decline the offer. They include “continuity plans,” like bottled-water delivery, in which consumers agree in advance to receive period shipments of goods or provision of services until they cancel the agreement. They include “automatic renewals,” like magazine and streaming service subscriptions, in which sellers automatically renew consumers’ subscriptions when they expire, unless consumers affirmatively cancel the subscriptions. And they include “free trials” in which goods or services are offered for free (or at a reduced price) for a trial period and, after the trial period, at a higher price unless consumers affirmatively cancel or return the goods or services.

Compliance Requirements

The rule defines four practices as unfair and deceptive within the meaning of Section 5 of the FTC Act.

1. *Misrepresentations.* The rule prohibits negative option sellers from misrepresenting, expressly or by implication, any material fact, including any fact regarding the negative option feature or the cost, purpose or efficacy, health, or safety of the underlying good or service.
2. *Disclosures.* The rule requires negative option sellers to clearly and conspicuously disclose, prior to obtaining the consumer’s billing information, all material terms, including, but not limited to, the material terms relating to the negative option offer.
3. *Consent.* The rule requires negative option sellers to obtain the consumer’s express, informed consent to the negative option feature, separately from any other portion of the transaction and before charging the consumer—for instance, via a separately presented check box.
4. *Easy Cancellation.* The rule requires negative option sellers to provide a simple cancellation mechanism for consumers to cancel the negative option feature, with that mechanism being “at least as easy to use as the mechanism the consumer used to consent” to the negative option feature. Moreover, the cancellation mechanism must be provided through the same medium the consumer used to sign up for the negative option feature, and cannot be only a live or virtual representative, like a chatbot. That is, if consumers sign up for a service online, they cannot be required to interact with a live or virtual representative, like a chatbot, to cancel.

Takeaways

With the rule's new compliance deadline now set for **July 14, 2025**, businesses should take this additional time to review their current negative option offers and develop remediation plans, if necessary, to comply with the rule—and with additional state law requirements that apply to negative option features.

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