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NYC Takes the Lead on Municipal Enforcement of Consumer Financial Protection Laws and Rulemaking

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Since the change in Administration and the weakening of the Consumer Financial Protection Bureau (CFPB), the financial services industry has seen states step in to fill the regulatory and enforcement gaps left by the CFPB. What the industry may not have anticipated is that cities would also move to fill the federal gap.

Recently, the New York City Council and the New York City Department of Consumer and Worker Protection (DCWP) have taken steps to increase the availability of consumer protection claims and tools for enforcement at the municipal level. Through proposed ordinances, rulemaking, and enforcement activity, New York City (NYC) is leading the way on municipal consumer financial protection efforts. Below is a recap of recent regulatory and enforcement developments in NYC.

Expanded Enforcement Tools Proposed

In early October 2026, a bill was introduced to the NYC Council to amend the administrative code to prohibit (i) unfair methods of competition, (ii) unfair, deceptive, abusive acts or practices (UDAAPs), and (iii) unlawful acts or practices. Called the POWER Act, Int. No. 1105-2026 would also create a private right of action for certain persons and nonprofits to enforce the new prohibitions and would award reasonable attorneys' fees and costs to prevailing plaintiffs.

Commentary accompanying the bill explains that "enactment of this law is necessary to assure that there are just mechanisms in effect to remedy" unfair and improper business practices, recognizing that—by failing to provide for a private right of action—current New York state law places limitations on

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enforcing the state UDAAP prohibition. The POWER Act's preamble instructs that the proposed law be interpreted broadly and "applied to accomplish the remedial purposes thereof and to authorize a private right of action to maximize deterrence of prohibited conduct."

Some provisions to highlight from this proposed local law include:

The prohibition on unfair competition, UDAAPs, and unlawful acts or practices is not limited to consumer transactions. However, the POWER Act's private right of action does not apply to claims against "small business," as defined in the proposed law.

The definition of UDAAPs in the proposed law is similar to the definition under federal law. The definition of "unfair competition" is expansive covering a variety of acts or practices. The proposed law does not define "unlawful acts or practices" leaving that term up for interpretation.

In addition to attorneys' fees, the proposed law would permit actual damages, $2,500 per violation, and injunctive and declaratory relief for violations. The proposed law does not explain what constitutes a single violation and does not cap monetary damages.

The POWER Act would provide for a three-year statute of limitations, beginning on the date that the individual or group knew or should have known of the alleged violation. The Act also requires a plaintiff to send notice to a company before filing a lawsuit and gives the company 10 business days to respond. The POWER Act does not give a company any specific benefit or relief for responding to a pre-suit notice.

If passed, the POWER Act would expand both the consumer protection claims that may be brought against financial services providers and the individuals and organizations that could bring the claims.

Recent Enforcement Action

The DCWP is not waiting for the POWER Act to pass to advance its enforcement agenda. In early October, DCWP filed a lawsuit against an online comparison-shopping platform for cars. The DCWP alleged that the platform engaged in deceptive acts or practices by posting low prices for cars that excluded additional fees, down payments, and trade-in requirements. The website also allegedly used misleading pricing labels indicating that a car is a "great deal" or "good deal" or that the asking price is "below market" while concealing or deemphasizing the total costs to consumers. According to the DCWP, the platform hid the true price of the cars from consumers. The DCWP alleged that the company misrepresented itself as a neutral third-party platform to help consumers find car deals and

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misrepresented that it required dealers to follow pricing guidelines when posting cars on the platform.

The DCWP is seeking penalties for "knowing violations" of municipal laws related to deceptive advertising and vehicle pricing because the DCWP said it had been working with the company for three years to address the misleading practices.

Other Proposed and Enacted Rules

At the end of October, the DCWP issued a proposed automated customer service systems rule to set general standards for providing customer service to consumers and standards for using "automated customer service systems" to interact with consumers. The term "automated customer service system" is broadly defined and could include chatbots and other AI-enabled systems. Among other things, the proposed rule would require a clear and conspicuous disclosure at the beginning of customer service communications notifying the consumer she is interacting with an automated customer service system. The proposed rule is also designed to give consumers engaging with an automated customer service system an easy option to interact with a human representative in one of the ways outlined in the rule. Comments on the proposed rule are due on December 18, 2026, and a hearing is scheduled for the same date.

NYC's "Click to Cancel" rule also took effect in October, adding to state legislative efforts to regulate subscription cancellations in the absence of a final federal rule. NYC's "Click to Cancel" rule will be enforced by the DCWP and violations of the rule are deemed deceptive and unconscionable trade practices. The rule contains similar requirements found in other state autorenewal laws, like California's, but has some special standards related to cancelling subscriptions. The DCWP's website invites consumers to file complaints with the DCWP against businesses that make it hard to cancel subscriptions.

In July, the DCWP proposed a "junk fees" rule that would require a person offering, displaying, or advertising the price of a good or service to a NYC consumer to disclose the total costs including all mandatory fees and charges in a clear and conspicuous manner as set forth in the rule. The definition of "mandatory fees and charges" covers required fees, fees that are not reasonably avoidable by the consumer, and any separate fees for aspects of the good or service that a reasonable person would expect to be included in the purchase of the goods or services being advertised. Comments to the proposed "junk fees" rule were due on August 7, but the rule has not been finalized.

Other Municipal Consumer Protection Enforcement Actions

NYC is not the only municipality increasing its consumer protection enforcement activity. The City of Baltimore (Maryland) and Montgomery County (Pennsylvania) have each initiated lawsuits

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challenging earned wage access providers. In addition to increased state activity, financial services providers should pay attention to municipal enforcement and regulatory developments, particularly in New York City.

Contact Us

We regularly handle responses to consumer finance enforcement investigations and supervisory exams at all levels of government, including working with clients to identify areas of risk and advise on compliance changes to proactively avoid enforcement actions and litigation. Contact Susan Seaman, Ryan DiClemente, Rachel Myers, or your Husch Blackwell attorney if you want to discuss municipal enforcement or regulatory developments.

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