

# AG Watch: Calif. Fills Federal Consumer Protection Void

By **Kate Goodman and Dana Levin** (January 20, 2026)

*This article is part of a regular column in which each installment features observations on one state's attorney general enforcement news and trends, and the compliance implications.*

As consumer protection enforcement at the federal level continues to ebb, state attorneys general are positioning themselves to fill the void, with California leading the way.

This was a pervasive theme at the National Association of Attorneys General Consumer Protection Conference in October, where participants discussed enforcement priorities such as price transparency (including efforts to regulate junk fees), student loans and data privacy.[1]

Discussions indicated a willingness by state attorneys general to use traditional prohibitions on unfair and deceptive acts and practices, or UDAP, to tackle these and other priorities. Panelists highlighted the importance of multistate coordination in particular, as enforcement priorities continue to shift at the U.S. Department of Justice, Consumer Financial Protection Bureau and Federal Trade Commission.



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## California Leading the Pack

California has historically been at the forefront of state-level implementation of federal consumer protection priorities, and these efforts seem to be intensifying as federal oversight wanes. In January, ahead of the change in administration, the CFPB published a guide encouraging states to shore up consumer protection efforts in light of anticipated federal retrenchment.[2]

The guide served as a road map with recommendations on where to target investigations and how to structure state-level oversight. In particular, it emphasized expanding the scope of state UDAP laws and creating increased authority to enforce such laws, as well as enhancing consumer protections related to data privacy and junk fees.

Consistent with this guidance, state leaders in California have pursued a two-track strategy of (1) legislative and regulatory expansion of state consumer protection authority and (2) enhanced investigative and enforcement scope with respect to consumer protection matters, including issues the CFPB has championed over the last several years.

On the legislative side, in October, California Gov. Gavin Newsom signed S.B. 825 into law, which further clarifies the California Department of Financial Protection and Innovation's authority to halt unfair, deceptive or abusive practices across the marketplace, expressly citing diminished CFPB enforcement as the impetus.[3]

The DFPI also recently passed rules focused on debt collection, credit reporting, income-based advances, and education financing.[4] Among other things, these rules require providers of such services to register with the DFPI and file regular reports concerning their

activities.

The DFPI focused on these particular activities because it claims providers necessarily serve "economically vulnerable populations," and protecting these populations is a focal point of the department's consumer protection agenda.[5]

In parallel, the office of California Attorney General Rob Bonta is signaling an increased focus on enforcing consumer protection laws, and appears to be taking a broad view of the area those laws govern, including in the financial services space.

As described below, Bonta has recently taken actions related to buy now, pay later products, credit reporting and medical debt, consumer credit discrimination, and the use of artificial intelligence in consumer services.

### **Recent Areas of Focus for Bonta**

#### ***Credit Reporting and Medical Debt***

On Nov. 13, the Bonta issued a consumer alert reaffirming that California law prohibits medical debt from appearing on consumer credit reports.[6] The alert was issued in response to claims from the CFPB that federal law preempts state medical debt laws, which the California attorney general disputes.

Instead, the attorney general warned of enforcement against healthcare providers and reporting agencies for noncompliance, and he encouraged consumers to learn their rights, closely monitor credit reports, and report any improper entries.

The announcement also emphasized the downstream consequences of improper medical debt reporting on access to credit, housing and employment, which signals the interconnected nature of the state's recent consumer protection efforts.

#### ***AI and State Authority***

On Nov. 25, Bonta joined a bipartisan coalition of state attorneys general urging Congress to enact baseline federal AI safeguards without preempting state enforcement.[7]

The request to Congress framed state attorneys general as first responders to AI-related harms, spanning discrimination, deception and unfair data practices, and warned that federal curtailing or preemption of state authority in this area would impede the abilities of attorneys general to protect state consumers.

Pragmatically, Bonta and other state attorneys general may be telegraphing the intent to apply UDAP, privacy and civil rights statutes to AI tool development and deployment, including companion chatbots and other consumer-facing AI applications.

#### ***Buy Now, Pay Later***

On Dec. 1, Bonta announced a multistate inquiry into major buy now, pay later providers, seeking detailed information on underwriting, billing and dispute handling, late-fee and interest practices, credit reporting, and consumer support when goods are returned or not delivered.[8]

Framed as a response to rising delinquencies and opaque terms at the point of sale, the

inquiry aims to test whether buy now, pay later lenders are complying with state consumer protection requirements, and whether their core servicing and dispute processes provide consumer protections equivalent to traditional credit products.

### ***Credit Discrimination***

On Dec. 3, in light of what the attorney general's office called "the Trump Administration's continued gutting of the [CFPB]," Bonta cautioned lenders and financial institutions that credit discrimination remains illegal and is a priority for civil rights and consumer protection enforcement.[9]

The consumer alert highlighted persistent risks across underwriting, pricing and adverse action practices, and it signaled that Bonta would continue to focus on preventing and enforcing against discriminatory credit actions based on protected status.

### **Emerging Themes Across California Attorney General Activity**

There are several topics and themes common to Bonta's recent actions.

The first is parity: If a product functions like traditional credit or makes consequential decisions using consumer data, the attorney general expects equivalent transparency, dispute rights and nondiscrimination safeguards.

The second is data security: These announcements emphasize the importance of practices related to data flows, retention, consumer choice mechanisms, and the sharing of sensitive information, reflecting state privacy obligations.

The third is disclosures and transparency: Where consumer choices are channeled through interfaces or decisions are made without consumer visibility, the state is focused on whether companies are providing adequate information to allow consumers to make informed decisions and understand their outcomes.

Finally, the tone is cooperative but firm: Multistate letters and public advisories often precede enforcement, but they may be quickly followed by action if practices don't change.

### **Looking Ahead**

Looking ahead, all signs indicate that state attorneys general, and California's in particular, are likely to continue operationalizing an enhanced consumer protection agenda at the state level.

Industry participants can expect continued multistate inquiries into emerging consumer finance products, more prescriptive expectations around price transparency and fee disclosures, and a sustained focus on the accuracy and completeness of credit reporting data.

On AI, participants can anticipate parallel efforts, with policy advocacy in Washington for nonpreemptive standards and state-level enforcement applying existing UDAP, privacy and civil rights rules to automated decision-making. And, when federal standards stall or are rescinded, California will likely legislate or regulate to preserve similar protections for its residents.

Increasing state-level enforcement combined with federal retrenchment creates a

challenging compliance landscape for businesses. State laws are numerous, can vary significantly, and may conflict, meaning that companies operating nationally will need to calibrate programs to the strictest applicable state standards.

As coordination among attorneys general accelerates, however, California's posture increasingly serves as a playbook for the states, and a preview of the next wave of consumer protection enforcement.

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[1] Cooley Finsights, Attorneys General Share Updates on State Priorities, (Oct. 29, 2025), available at: <https://finsights.cooley.com/attorneys-general-share-updates-on-state-priorities/>.

[2] CFPB, Strengthening State-Level Consumer Protections, (Jan. 2025), available at: [https://files.consumerfinance.gov/f/documents/cfpb\\_strengthening-state-level-consumer-protections\\_2025-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_strengthening-state-level-consumer-protections_2025-01.pdf).

[3] California Senate, California Moves to Protect California Consumers, (Oct. 6, 2025), available at: <https://sd21.senate.ca.gov/news/2025/october/california-moves-protect-california-consumers-new-state-enforcement-powers>.

[4] DFPI, DFPI Announces New Rules to Expand Protections for California Consumers, (Oct. 22, 2024) [https://dfpi.ca.gov/press\\_release/dfpi-announces-new-rules-to-expand-protections-for-california-consumers/](https://dfpi.ca.gov/press_release/dfpi-announces-new-rules-to-expand-protections-for-california-consumers/).

[5] DFPI, Initial Statement of Reasons PRO 01-21, (2023), available at: <https://dfpi.ca.gov/wp-content/uploads/sites/337/2023/03/PRO-01-21-ISOR.pdf>.

[6] Office of the Attorney General, In California, It Remains Illegal for Medical Debt to Appear on Credit Reports: Attorney General Bonta Issues Consumer Alert, (Nov. 13, 2025), available at: <https://oag.ca.gov/news/press-releases/california-it-remains-illegal-medical-debt-appear-credit-reports-attorney>.

[7] Office of the Attorney General, Attorney General Bonta, Bipartisan Coalition Urge Congress to Stand Up for States' Authority to Safeguard Residents from AI Risks, available at: <https://oag.ca.gov/news/press-releases/attorney-general-bonta-bipartisan-coalition-urge-congress-stand-states%E2%80%99>.

[8] Office of the Attorney General, Borrow Now, Pay Later? Attorney General Bonta Has Questions, (Dec. 1, 2025), available at: <https://oag.ca.gov/news/press-releases/borrow-now-pay-later-attorney-general-bonta-has-questions>; Cooley Finsights, State Attorneys General Step Up Oversight of BNPL Programs, (Dec. 5, 2025), available at: <https://finsights.cooley.com/state-attorneys-general-step-up-oversight-of-bnpl-programs/>.

[9] Office of the Attorney General, Attorney General Bonta Issues Consumer Alert: Credit Discrimination Remains Illegal Under California and Federal Law, (Dec. 3, 2025), available at: <https://oag.ca.gov/news/press-releases/attorney-general-bonta-issues-consumer-alert-credit-discrimination-remains>.