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California DFPI Issues Annual Report Detailing Key Consumer Protection Accomplishments

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The California Department of Financial Protection and Innovation (DFPI) released its fourth annual report highlighting key accomplishments from 2024 pursuant to its authority under the California Consumer Financial Protection Law (CCFPL). The report describes new DFPI regulations and highlights the DFPI's increased efforts to conduct public outreach, investigate consumer complaints and bring public enforcement actions for consumer protection violations.

The CCFPL grants the DFPI the authority to regulate providers of consumer financial products and services governed by California consumer protection laws[1] and to take action against covered persons or service providers who commit unfair, deceptive, or abusive acts or practices when offering or providing consumer financial products or services.[2]

The DFPI has continued to expand its consumer protection efforts, particularly to fill the void as the federal government has scaled back enforcement actions and adjusts its supervisory priorities. The report notes that the DFPI remains committed to protecting against unfair, deceptive and abusive acts within the state, "regardless of federal policy changes."

DFPI's key accomplishments

The report highlights the DFPI's key regulatory, enforcement and outreach accomplishments in 2024.

Rulemaking

In October 2024, the DFPI finalized regulations that require, for the first time, registration for the following four financial products and services:

1. Income-based advances, including earned wage advance (EWA) products
2. Private postsecondary education financing
3. Debt settlement services
4. Student debt relief services

The new regulations, which took effect in February, impose registration, reporting, examination and other oversight requirements on providers of these financial products and services. The regulations also clarify that income-based advances and education financing products are loans under the California Financing Law (CFL), and that tips for these services are "charges" subject to the CFL's rate limits.

The DFPI continued developing the infrastructure and materials needed to collect and analyze data received pursuant to regulations effective in 2023 requiring small business financing providers to submit annual reports.

Enforcement and investigations

The DFPI's Enforcement Division remained active, opening nearly 700 CCFPL-related investigations, issuing more than 200 public CCFPL actions (a 12% increase over the prior year) and collecting $2.7 million in CCFPL penalties. These actions pursuant to the CCFPL comprised approximately one-third of the DFPI's 2024 public enforcement activities.

The report also highlights several notable enforcement cases – including a $2.5 million consent order with a banking as a service (BaaS) provider related to customer service practices; actions against three student loan debt relief companies for practices related to charging fees and loan forgiveness; and mortgage fraud and junk

fee-related settlements, one of which entailed a collaboration with the federal Consumer Financial Protection Bureau (CFPB) and 10 state attorneys general.

Consumer complaints and outreach

The DFPI received 2,388 CCFPL-related complaints, which represents 16% of all complaints received by the DFPI and a 6% increase from the CCFPL-related complaints received in 2023. The top two categories of CCFPL-related complaints involved crypto assets (42%) and debt collection (31%). The DFPI also received a high number of complaints against credit reporting agencies and student loan servicing companies.

The report also describes the DFPI's outreach and innovation efforts, including increasing stakeholder engagement by the Office of Financial Technology Innovation, hosting community-based events to educate underserved and underbanked groups, cultivating outreach partnerships with state and federal entities, and prioritizing digital marketing and communication strategies.

Looking ahead

The DFPI notes that it will continue to implement the CCFPL through rulemaking, enforcement and complaint handling, and we expect its activity to increase given changing priorities at the federal level, including at the CFPB. We expect the 2024 enforcement trends to continue with a focus on bank partnerships, debt relief services, crypto scams, and unlicensed lending and debt collection. In addition, we expect the DFPI to increase scrutiny, and therefore enforcement, in areas where the federal government has pulled back, including peer-to-peer lending, student lending, remittances and digital payments.

Notably, the DFPI indicated that it expects to initiate formal rulemaking to require registration for additional consumer financial products and services in 2025. In October 2024, the DFPI requested public comment on additional industries that should be required to register under the CCFPL, with comments due in December 2024. We will continue to monitor California state developments and rulemakings that impact industry participants.

Notes

1. Cal. Fin. Code § 90006(a).
2. Id. § 90003(a)(1); id. § 90012(a).

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