

FTC Sues Uber for Unlawful Subscription Practices

If you run a subscription-based SaaS or tech business and have not reviewed your subscription practices lately, the FTC is again putting you on notice that subscription practices are an oversight and enforcement priority for the federal agency.

The FTC just recently filed suit against Uber Technologies, Inc. and Uber USA, LLC in the Northern District of California on April 21, 2025, alleging that the defendant utilized deceptive billing and cancellation practices. A copy of the FTC complaint is attached at this **link**. A copy of the press release issued by the FTC on the case is **linked here**.

The key factual allegations of the complaint include as follows:

- Consumers were promised a specific amount of savings that did not take into account the monthly price of the subscription.
- Consumers say they were charged without their consent, and in some cases were charged when they did not even have an account.
- Consumers say they were charged before their billing date, including before their free trials ended, despite being promised by Uber that they could cancel at no charge during their free trials.
- Consumers say that it was extremely difficult to cancel, and that they were often charged the renewal subscription fee while they were waiting on customer service to respond and grant the cancellation.

The FTC alleges that Uber's deceptive billing and cancellation practices violate the FTC Act and the Restore Online Shoppers' Confidence Act ("ROSCA"). According to the FTC, these

regulations require online retailers to do the following:

- clearly disclose the terms of the service;
- obtain consumer's consent before charging them for a service; and
- provide a simple method to cancel recurring subscriptions.

In particular, the FTC alleges in its complaint that Uber failed to clearly and conspicuously disclose before obtaining consumer billing information all the material terms of the transaction, including

- that they are being enrolled in a recurring paid subscription;
- the amount of money that consumers in these subscriptions actually save;
- when they will be billed or charged; and
- the method of cancellation.

According to the FTC, Section 4 of ROSCA, 15 U.S.C. § 8403, prohibits charging consumers for goods or services sold in transactions effected on the Internet through a negative option feature, as that term is defined in the Commission's Telemarketing Sales Rule ("TSR"), 16 C.F.R. § 310.2(w), unless the seller provides text that "clearly and conspicuously discloses all material terms of the transaction before obtaining the consumer's billing information, obtains the consumer's express informed consent for the charges, and provides simple mechanisms for a consumer to stop recurring charges."

Also, the FTC claims that the TSR defines "negative option feature" to constitute a term in an offer or agreement for goods or services "under which the customer's silence or failure to take an affirmative action to reject goods or services or to cancel the agreement is interpreted by the seller as acceptance of the offer."

What are the lessons to be learned from the Uber case by companies operating under a subscription model—particularly SaaS and other technology companies?

First, prior to obtaining credit card information from a consumer, provide clear and very obvious notice of all the material terms of the subscription, including:

- the fact that the consumer is enrolling in a recurring paid subscription;
- the cost of the subscription;
- the frequency of the billing;
- how to cancel.

Second, make sure you have records that this notice was provided to the consumer.

Third, make sure that you have a very simple method for cancellation, i.e. the “click to cancel button,” and refrain from engaging in conduct that appears to frustrate cancellation.

Fourth, refrain from making promises or other statements that are not true about promotions or discounts.

These same lessons apply to any subscription or membership; however, SaaS and tech companies providing software to consumers via a subscription model should review their subscription practices today to ensure that they are in compliance with these best practices. If you have questions or concerns about your company’s current subscription or membership practices, **schedule a consultation** today with The Prinz Law Office to discuss.