

FTC Files Lawsuit to Stop Subscription Schemes

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Following the FTC's announcement of a [\\$35 million settlement](#) with Shutterstock over its automatic renewal and cancellation practices last month, the Commission recently announced that a federal court has temporarily halted an enterprise—comprised of 15 corporations and eight individuals—from running “deceptive subscription schemes.”

According to the FTC's complaint, the enterprise continually launched new product offerings, registered new Delaware shell companies, and opened fresh merchant accounts to hide its true identity from consumers and evade fraud-monitoring programs.

The FTC's allegations highlight three core tactics that serve as a textbook list of what not to do if you offer recurring subscriptions:

- **Failure to Disclose Material Terms:** The FTC alleges that the defendants advertised apps and services as free or available for a low, one-time cost, frequently touting a money-back guarantee. However, the companies buried information about automatic renewals and recurring charges in fine print.
- **Unauthorized Billing:** Beyond the undisclosed recurring fees, the complaint alleges that the companies double-charged consumers for the same product or added unauthorized add-on items to transactions without consumer knowledge or affirmative consent.
- **Difficult Cancellation:** The FTC alleges that the companies made it difficult to cancel. Many of their websites and apps allegedly omitted online cancellation mechanisms, forced consumers to navigate lengthy exit-interview questionnaires, or simply continued to charge credit cards even after confirming cancellation.

The FTC alleges these practices violate both Section 5 of the FTC Act and the Restore Online Shoppers' Confidence Act.

While this case involves an extreme example of an alleged multi-layered fraud scheme, the core tenets of the FTC's enforcement strategy apply to all legitimate companies utilizing automatic renewals. Companies need to clearly and conspicuously disclose all material terms, get affirmative consent from consumers, and make cancellation simple.

We'll continue to track these subscription cases. In the meantime, now is a good time to audit your signup flows, disclosure placement, and cancellation paths to ensure they match current legal requirements.