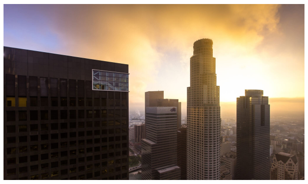

Former CFPB Director Rohit Chopra Sworn in to Lead New California Business and Consumer Services Agency

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On July 1, 2026, former Consumer Financial Protection Bureau (CFPB) Director and former Federal Trade Commission (FTC) Commissioner Rohit Chopra was sworn in by California Governor Gavin Newsom as secretary of California's newly created Business and Consumer Services Agency (BCSA). The BCSA officially began its operations that same day, as the result of the governor's 2025 reorganization plan, which dissolved the state's former Business, Consumer Services, and Housing Agency and created two new agencies: the BCSA and the California Housing and Homelessness Agency, the latter of which will focus on housing, homelessness, and civil rights.

Governor Newsom's appointment of Chopra in May to lead the agency placed one of the nation's most well-known consumer protection regulators at the helm of a new state agency dedicated to business regulation and consumer protection. According to the governor's office, the BCSA will be "stepping up" as a leader in consumer protection at a time when federal protections are being rolled back.

In a press release, the governor's office stated that the BCSA is expected to build on California's efforts to be at the forefront of protecting consumers and lowering costs, including cracking down on junk fees and hidden charges; strengthening online privacy and consumer data protections; expanding enforcement against scams and predatory practices; and increasing corporate transparency and accountability.

Financial institutions and industry trade groups may have a different assessment of Chopra's appointment, given their longstanding criticism of what they characterize as regulatory overreach during his tenure as CFPB director. California-chartered banks have also expressed frustration with rising regulatory assessment costs and the state's increasingly burdensome regulatory environment, which they believe could intensify under Chopra's leadership.

Although the new BCSA has been likened to a "California CFPB," it is important to note that unlike the CFPB, the BCSA is not a standalone enforcement bureau with its own rulemaking or direct supervisory authority. Instead, the BCSA is a cabinet-level umbrella agency that will oversee existing consumer protection boards, bureaus, and departments, such as the Department of Financial Protection and Innovation (DFPI), the Department of Consumer Affairs, the Department of Real Estate, and the Department of Cannabis Control, all of which will retain their independent statutory authority and rulemaking powers. The DFPI, for example, has broad authority under California law to regulate, supervise, and bring enforcement actions against state-chartered banks and credit unions, mortgage lenders, fintech companies, payday lenders, money transmitters, debt collectors, and other providers of financial products and services operating in California. Governor Newsom's office and BCSA leadership expect that the BCSA will streamline and enhance the oversight of these other agencies by consolidating them all under one roof.

Despite its lack of authority to act as a direct regulator, the BCSA has the potential to significantly shape California's regulatory agenda by influencing the state's supervisory priorities, directing the focus of the agencies it oversees, and determining how resources are deployed. The BCSA's influence is also likely to extend well beyond California. California has been among the most active states in adopting and enforcing consumer protection laws, due to the size of its economy and the breadth of its consumer protection statutes and regulations. With the appointment of Chopra, who indicated in a July 23 blog post that the BCSA will work closely with other states to advance its efforts, this influence is likely to be extended even further. Although the agency has only been operational for around a month, its early actions are consistent with the priorities highlighted at its launch.

Junk Fees and Fee Transparency

Consistent with the BCSA's focus on so-called "junk fees" and hidden charges, one of Chopra's signature initiatives at the CFPB was his campaign against junk fees, including overdraft fees, fees for non-sufficient funds, credit card late fees, payment convenience fees for loan servicing and debt collection, auto loan add-on product fees, and hidden international remittance transfer fees. Chopra called these fees "unavoidable, surprise, excessive, or unnecessary charges imposed for fake or even worthless services." The CFPB's focus on junk fees drew sustained opposition from the banking and financial services industry, with trade associations, such as the American Bankers Association and the Bank Policy Institute, arguing that certain fee-related initiatives exceeded the CFPB's statutory authority. Industry groups also challenged two major CFPB fee-related rulemakings in court — the overdraft rule and credit card late fee rule — illustrating broader industry concerns about the CFPB's approach to regulation.

In the same July 23 blog post, Chopra wrote that the agency would crack down on inflated fees and charges, undisclosed kickbacks, and manipulative schemes by companies. In a separate July 14 blog post, he wrote that the BCSA would enforce regulations that protect small and independent businesses from "unnecessary fees, onerous terms and predatory practices."

In the July 23 blog post, Chopra also clarified that the BCSA would focus its audit and inspection resources on entities that pose the greatest risks, rather than on smaller companies that present little to no risk to consumers. Although Chopra's statement offers some insight into how the BCSA intends to allocate its resources, given Chopra's longstanding focus on junk fees and California's recent legislative efforts in this area, all financial institutions offering products and services to California consumers should expect junk fees, fee disclosures, and related business practices to remain an important focus of lawmakers and regulators in California.

Consumer Privacy and Data Protection

Another stated priority of the BCSA is strengthening online privacy and consumer data protections. As its first official action on July 6, the BCSA submitted a letter to the FTC opposing a recent petition filed by X Corp. (formerly known as Twitter) to set aside or modify a 2022 FTC consent order. The order arose from allegations that Twitter had deceptively used consumer account data for targeted advertising and violated a previous consent order prohibiting it from misrepresenting how it maintains and protects the security, privacy, confidentiality, and integrity of nonpublic consumer information. The order imposes ongoing compliance and reporting obligations on the company and is scheduled to remain in effect for 20 years following its issuance.

Citing the importance of safeguarding personal data on social media platforms, the BCSA urged the FTC to deny the petition, arguing that the FTC put important safeguards in the order to prevent further privacy and data security violations. In the letter, the BCSA also emphasized its strong interest in the FTC's work, noting that California law gives the BCSA's Department of Consumer Affairs authority to investigate complaints involving "unfair methods of competition" and "unfair or deceptive acts or practices," similar to the prohibitions outlined in the Federal Trade Commission Act. In addition, the BCSA noted that other agencies under its oversight enforce certain privacy and data security requirements.

The July 6 letter to the FTC suggests that the BCSA may take a more proactive approach in protecting consumers and advancing its objectives rather than serving merely as an administrative umbrella.

Corporate Accountability, Transparency, and Corruption

In its letter to the FTC, the BCSA also emphasized the deeply corrosive effects that corruption can have on competitive markets, arguing that setting aside the 2022 consent order would be a "politically motivated" action, "raising the appearance of political favoritism." The letter's discussion of favoritism and accountability reflects another BCSA priority: combating harmful, anticompetitive, and corrupt business practices. This was made even more explicit in the agency's July 23 blog post, which stated, "The new agency will be especially attuned to corrupt practices, including undisclosed kickbacks and manipulative schemes, to exploit the public. We will also pay close attention to individuals and companies who have been able to evade accountability under federal law through political connections and favoritism."

The focus on corporate accountability is consistent with Chopra's record at the CFPB. Under his leadership, the CFPB brought enforcement actions against some of the country's largest financial institutions for recurring violations and similar patterns of unlawful conduct. He also established the CFPB's now-rescinded Repeat Offender Registry and created a dedicated Repeat Offender Unit at the CFPB to more closely monitor entities that consistently failed to comply with consumer financial laws. Companies might expect that a history of prior state or federal enforcement actions, particularly where similar violations recur, will receive more heightened scrutiny and be treated as an aggravating factor in California regulatory examinations and investigations going forward.

Looking Ahead

While it remains too early to predict the full scope of the BCSA's regulatory agenda, the agency's early actions and public statements suggest a strong focus on issues that have long been associated with Chopra's regulatory philosophy, including junk fees, consumer privacy and data protection, corporate accountability, and protecting consumers and small businesses from harmful and anticompetitive practices. Proponents of this approach, including Governor Newsom's office, view this as a necessary backstop to the perceived retreat from federal consumer protection enforcement, while banking and financial industry participants point to Chopra's record at the CFPB as a reason for concern about regulatory uncertainty and increased compliance costs.

Although the agency lacks direct supervisory, rulemaking, and enforcement authority, we expect it to coordinate closely with the agencies under its oversight, including the DFPI, on regulatory and enforcement priorities. Companies doing business with California consumers should closely monitor the agency's announcements, guidance, and public statements, as well as the activities of their direct regulators.

We will continue to monitor developments and provide updates as they emerge. Should you have questions or concerns about how the BCSA's evolving priorities may affect your operations, compliance obligations, or risk exposure, please contact the author or any attorney with the firm's Regional & Community Banks team or Consumer Financial Services & Protection practice group for assistance.

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