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CLIENT ALERT

California's New Business and Consumer Services Agency: What Businesses Need to Know

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I. Introduction and Overview

On July 1, 2026, California's newly created Business and Consumer Services Agency ("BCSA") officially began operations. It represents one of the most significant reorganizations of state regulatory authority in over a decade and consolidates oversight of multiple departments responsible for financial services, consumer protection, real estate, cannabis, and alcoholic beverage regulation under a single coordinating agency that is led by former Consumer Financial Protection Bureau ("CFPB") Director Rohit Chopra as its inaugural Secretary.

The formation of the BCSA comes at a time of substantial federal retrenchment in consumer protection enforcement. With the CFPB's operations substantially curtailed since February 2025 and Federal Trade Commission ("FTC") resources significantly reduced under the current federal administration, California has positioned the BCSA as the state-level successor to what had been a robust federal consumer-protection apparatus. Governor Gavin Newsom and Secretary Chopra have both publicly described the agency as a direct response to reduced federal enforcement.

For businesses operating in California — or serving California consumers from out of state — the BCSA signals a new era of coordinated, strategic enforcement activity across multiple regulatory domains. This alert provides an overview of the agency's origins, anticipated enforcement priorities, and practical guidance for businesses seeking to mitigate regulatory risk.

II. Overview

A. Leadership: Appointment of Rohit Chopra

On May 12, 2026, Governor Newsom announced the appointment of Rohit Chopra as the BCSA's inaugural Secretary. Chopra was sworn in on July 1, 2026 — the same day the agency commenced operations. In this announcement, the Governor's office declared that BCSA would strengthen oversight, improve coordination across departments, and modernize California's consumer protection framework "amid growing threats from weakened federal government."[1]

Chopra brings significant federal regulatory experience: he served as Director of the CFPB from 2021 to 2025, during which time the agency recovered nearly $10 billion in refunds and penalties – over $6 billion returned to consumers and more than $3.2 billion issued in civil money penalties.[2] Prior to that, he served as a Commissioner of the Federal Trade Commission from 2018 to 2021, where he pushed an agenda of stronger antitrust enforcement, focus on repeat offenders, and a more aggressive scrutiny towards the large tech companies.[3] Chopra also comes to his new role with over seven months' experience leading the Consumer Protection and Affordability Working Group of the Democratic Attorneys General Association ("DAGA").[4]

Chopra's appointment signals an aggressive posture on consumer protection enforcement and suggests that the BCSA will import federal-level enforcement ambitions into the state regulatory framework.

B. Constituent Departments

The BCSA consolidates oversight of the following departments and entities: Department of Financial Protection and Innovation ("DFPI"), Department of Consumer Affairs ("DCA"), Department of Real Estate ("DRE"), Department of Alcoholic Beverage Control ("ABC"), Alcoholic Beverage Control Appeals Board, Department of Cannabis Control ("DCC"), Cannabis Control Appeals Panel and California Horse Racing Board ("CHRB"). Importantly, rulemaking, enforcement, and other statutory authorities continue to reside with the constituent departments; Chopra's role as Secretary is to coordinate and set strategic priorities across these entities.

The DFPI, as the primary financial services regulator, is expected to serve as the agency's most significant enforcement arm, wielding authority under the California Consumer Financial Protection Law ("CCFPL"), the

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1 https://www.gov.ca.gov/2026/05/12/governor-newsom-appoints-former-federal-regulator-rohit-chopra-to-head-new-business-and-consumer-services-agency-amid-trump-era-rollbacks/.

2 https://www.nclc.org/wp-content/uploads/2025/05/CFPB-Fact-Sheet-Enforcement-under-Director-Chopra-Rolling-Updates.pdf.

3 https://www.ftc.gov/about-ftc/commissioners-staff/rohit-chopra.

4 Emily Flitter, Wall Street Agitator to Lead Blue State Consumer Protection Drive, Bloomberg (December 2, 2025 at 11:00 AM PST), https://www.bloomberg.com/news/articles/2025-12-02/wall-street-agitator-to-lead-blue-state-consumer-protection-drive.

California Financing Law ("CFL"), and the Digital Financial Assets Law ("DFAL"). The DFPI is responsible for regulating all financial institutions and professionals offering consumer financial products and/or services in the state.

C. Anticipated Priority Areas of Early Enforcement

Based on public statements by Secretary Chopra[5] and Governor Newsom,[6] early agency activity, and Chopra's track record at the CFPB,[7] the BCSA is expected to concentrate its early enforcement efforts in four interrelated areas:

1. **Consumer Pricing and Fee Transparency.** Chopra made the elimination of "junk fees" a signature issue at the CFPB, and the BCSA is expected to bring that same focus to California. Priority targets include:

    - Dishonest pricing schemes, undisclosed surcharges, and inflated fees across financial services, hospitality, ticketing, and telecommunications.

    - Undisclosed kickbacks, steering arrangements, and anti-competitive conduct that artificially inflate consumer costs.

    - Fee disclosure adequacy and pricing transparency across all industries under BCSA oversight.

2. **Financial Services, Digital Assets, and Emerging Payments.** The DFPI — the BCSA's primary enforcement arm — gives the agency deep authority over financial products and services. Key focus areas include:

    - Digital financial assets — DFAL licensing requirements took effect July 1, 2026, and the DFPI has already pursued enforcement against an unlicensed crypto kiosk operator.

    - Revenue-based financing, merchant cash advances, and alternative lending products marketed to small and medium-sized businesses under the California Financing Law.

    - "Buy Now, Pay Later" products and Big Tech entry into consumer payment services —both subjects of significant CFPB attention under Chopra's leadership.

3. **Data Privacy and Consumer Fraud.** The BCSA will coordinate data protection and fraud prevention efforts across its constituent departments, with particular attention to:

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[5] Rohit Chopra, California's New Agency Will Crack Down on Harmful and Corrupt Practices, Bus. & Consumer Servs. Agency (July 23, 2026), https://bcsa.ca.gov/newsroom/2026/07/20260723.html.

[6] Lauren Berg, Calif.'s New Biz Agency Set To Target 'Corrupt Practices,' Law360 (July 24, 2026, 6:19 PM EDT), https://www.law360.com/articles/2505560.

[7] https://www.nclc.org/wp-content/uploads/2025/05/CFPB-Fact-Sheet-Enforcement-under-Director-Chopra-Rolling-Updates.pdf.

- Consumer data collection, processing, and monetization — especially in fintech and digital advertising — at the intersection of CCPA and financial regulation.

- Scams, predatory lending, and fraud schemes targeting vulnerable populations —industries generating high complaint volumes will face priority scrutiny.

4. **Corporate Accountability and Enforcement Strategy.** The BCSA has signaled an enforcement posture focused on high-risk actors, repeat offenders, and cross-jurisdictional coordination:

   - Targeting repeat offenders and entities that have evaded accountability — Chopra's July 23, 2026 blog post called on consumers to submit tips about "harmful and corrupt practices".

   - Complaint- and tip-driven investigations, with audit and inspection resources focused on entities posing the greatest risk rather than smaller firms.

   - Multi-state enforcement coordination and partnership with the California DOJ — BCSA departments can enforce federal as well as state law, amplifying California's regulatory reach beyond its borders.

III. Key Considerations and Takeaways for Business Clients

The launch of the BCSA does not create new statutory authority or establish a "California CFPB." Rather, it represents a more coordinated and strategic use of existing consumer protection tools under unified leadership. Nevertheless, the practical implications for businesses are significant:

1. **Assess Compliance Readiness.** Companies should conduct a thorough review of their current compliance posture across all regulatory domains touched by the BCSA's constituent departments. This includes financial services licensing, consumer disclosures, fee practices, data privacy, and advertising. Businesses should not wait for enforcement actions to conduct internal assessments.

2. **Monitor Regulatory Signals.** Companies should closely track public statements, blog posts, guidance documents, and enforcement actions from both the BCSA and the DFPI. Early signals — including Chopra's July 23 blog post soliciting consumer tips — indicate that the agency is actively identifying targets and building cases.

3. **Review Customer-Facing Practices Across Regulatory Lanes.** The BCSA's jurisdiction extends beyond financial services to healthcare, technology, real estate, retail, hospitality, and other regulated sectors. Companies with operations spanning multiple regulatory lanes should review customer-facing practices holistically rather than in silos.

4. **Immediate Digital Asset Compliance.** Companies engaged in digital financial asset business activity with California residents face immediate compliance deadlines. DFAL licensing requirements became effective July 1, 2026, and the DFPI has already demonstrated willingness to pursue enforcement in this space.

5. **Prepare for California as a De Facto National Regulator.** Companies operating nationwide with a California nexus—whether through physical presence, customer base, or digital reach—should prepare for California to function as a de facto national regulator for consumer-facing practices. Given the federal enforcement vacuum, the BCSA is likely to assert jurisdiction broadly over any business serving California consumers.

6. **Anticipate Coordinated and Multi-State Actions.** The BCSA has signaled its intent to coordinate with the California DOJ and with other state regulators. Companies should expect that enforcement actions may be multi-pronged—involving simultaneous investigations by multiple agencies—and that settlements with one regulator may not resolve exposure to others.

7. **Evaluate Complaint and Tip Exposure.** Because the BCSA will rely heavily on consumer complaints and tips to drive enforcement, companies should proactively evaluate their complaint volumes, response times, and resolution rates. High complaint volumes in areas the BCSA has identified as priorities substantially increase enforcement risk.

8. **Document Compliance Efforts.** Given the agency’s focus on repeat offenders and corporate accountability, companies should ensure that compliance efforts are well-documented. A demonstrable track record of good-faith compliance may serve as a mitigating factor in any enforcement context.

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

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