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California Seeks to Expand DFPI's Consumer Finance Enforcement Authority with Senate Bill 825

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California Senate Bill 825 is aimed at expanding the state's authority to enforce its consumer finance laws by eliminating an existing exemption for persons licensed by the Department of Financial Protection and Innovation (DFPI) if they engage in certain prohibited practices in connection with consumer financial products or services.

The bill was approved by the Senate Banking and Financial Institutions Committee on April 2, 2025, and is currently pending review by the Senate Judiciary Committee.

This update will provide an overview of SB 825, detailing its key provisions, examining the expanded enforcement authority it grants to the DFPI, and exploring how this legislation may address potential gaps in consumer finance enforcement authority left by the recent shift in regulatory priorities on the federal level.

A Summary of Key Provisions and Impact

California Senate Bill 825 (SB 825), introduced in the 2025-2026 Regular Session with the title "Consumers: financial protection" and amended on March 24, 2025, seeks to amend Section 90002(b) of the California Financial Code, which is part of the California Consumer Financial Protection Law (CCFPL).

The core focus of the amendment is revising an existing exemption within the CCFPL, which generally empowers the DFPI to regulate consumer financial products and services. Specifically, Section 90002(b) which currently provides an exemption from the CCFPL for certain DFPI licensees like finance lenders, escrow agents, residential mortgage lenders and brokers, or investment advisers, when acting under the authority of their respective licenses.

SB 825 would amend Section 90002(b) to explicitly provide that this exemption does not prevent the DFPI from using the authority granted by the CCFPL to enforce Section 90003 thereof, and in particular, that section's prohibition against unlawful, unfair, deceptive, or abusive acts or practices (UUDAAP).

Generally, Section 90003 of the CCFPL prohibits covered persons from doing any of the following:

- Engaging (or proposing to engage) in unlawful, unfair, deceptive, or abusive acts or practices with respect to consumer financial products or services;
- Offering or providing to a consumer any financial product or service not in conformity with any consumer financial law; or
- Failing to make certain information available to the DFPI when required.

This means that even if a financial services provider is licensed by the DFPI under a different part of the Financial Code, or under certain divisions of the Corporations Code, they could still be held accountable by the DFPI if they engage in conduct prohibited under Section 90003 related to consumer financial products or services.

Impact on Financial Services Providers and Related Participants

This amendment would have a significant implication for a wide range of financial services providers licensed to operate in California. They will need to be aware that their licensing status alone may no longer shield them from DFPI scrutiny regarding UUDAAP.

If SB 825 is enacted, the amended Section 90002(b) would require that, regardless of their licensee status and exemption from other portions of the CCFPL, financial services providers must ensure their conduct in offering consumer finance products does not violate Section 90003 of the CCFPL. This may necessitate reviewing their internal compliance procedures, marketing materials, and customer interactions to ensure they align with the CCFPL's standards for fair and transparent practices.

Moreover, Section 90003(b) of the CCFPL provides that "any person who knowingly or recklessly provides *substantial assistance* to a covered person or service provider" in violation of Section 90003(a) "shall be deemed to be in violation of that section to the same extent as the person to whom that assistance is provided."

This means that third-party service providers to licensed covered persons (who are currently exempted from CCFPL compliance under Section 90002(b)) would have to ensure they are not providing assistance to such persons in a manner that would violate Section 90003, as that third party would be deemed liable.

Industry participants will need to stay abreast of the DFPI's interpretations and enforcement priorities under this clarified authority.

The Federal Backdrop: CFPB Under the Trump Administration

To fully appreciate the significance of state legislation like SB 825, one must consider the current federal regulatory landscape and, in particular, the approach taken by the Trump administration towards the Consumer Financial Protection Bureau (CFPB). Within the first several months of the second Trump administration, there have been significant efforts taken to restrain the enforcement authority of the CFPB, an agency established in the wake of the 2008 financial crisis to protect consumers from financial fraud and deceptive practices. These efforts included the firing of the previous director and installation of a temporary replacement who ordered a suspension of agency operations, raising concerns about the Bureau's ability to fulfill its mandate.

Notably, the Trump administration's CFPB paused or dropped several pending enforcement cases against financial institutions and service providers, including actions alleging misleading practices. There have also been proposals calling for the rollback of existing consumer protection rules and regulations. These actions, coupled with strong criticisms of the CFPB's regulatory priorities, signaled a significant shift in the federal approach to consumer finance regulation and enforcement.

These actions at the federal level had the potential to weaken or create uncertainty in consumer financial services enforcement nationwide. This shift in federal regulatory focus is likely to place a greater burden on state financial services regulators and attorneys general to step in to fill the void in enforcement within their jurisdictions.

Filling the Void: How Laws Like SB 825 Address Enforcement Gaps

In light of the Trump administration's attempts to restrain the CFPB, California's SB 825 is an example of the type of proactive legislative measures expected to be forthcoming to strengthen consumer finance enforcement authority at the state level.

The amended SB 825 directly addresses potential gaps in enforcement by ensuring that the DFPI's authority to combat UUDAAP in consumer financial services is not limited by the exemptions currently granted under Section 90002(b) of the Financial Code. California's Attorney General has recently raised concerns about the potential impact of the Trump administration's attempts to weaken the CFPB's enforcement authority, suggesting California – and potentially other states – may pursue broader state-level commitment to enforce consumer finance laws regardless of federal action (or inaction). SB 825 would align with this approach by providing the DFPI a broader mandate to independently pursue enforcement actions against UUDAAP, filling a potential void left by a less active federal regulator in this area.

California's rationale for seeking to expand its financial services enforcement authority at this time is encapsulated by the following excerpt from the SB 825 bill analysis prepared by sponsor Senator Monique Limon:

> California need not shackle its consumer protection efforts by relying on federal law when clear authority can be provided in state law. By relying on federal law, California cedes its sovereignty and invites a hostile CFPB to intervene in an action, potentially moving the case to a more favorable forum in a federal district court likely to favor corporate interests over those of consumers. The very threat of this outcome could cast a chilling effect over the state's enforcement strategies and priorities, leaving consumers less protected than they would be if the state stood more independent from an antagonistic federal administration.

Conclusion

California's Senate Bill 825 represents a targeted legislative effort to strengthen consumer finance enforcement authority within the state. By clarifying that the CCFPL exemption for certain DFPI licensees does not limit the DFPI's authority to enforce its prohibitions on unlawful, unfair, deceptive, or abusive acts or practices, the bill would bolster the state's ability to regulate a wider range of financial services providers.

This amendment is particularly impactful in the context of recent shifts in federal regulatory priorities. It reflects California's desire to maintain a strong and independent framework for enforcing its consumer financial protection laws at a time when the CFPB's ability to enforce similar federal laws is restrained under its current leadership. This amendment would reinforce the DFPI's role as a key state consumer finance regulatory agency,

and if history is any guide, other states may soon follow suit with similar legislation to strengthen their enforcement authority.

Financial services providers licensed by the DFPI to operate in California should take note of this enhanced enforcement authority and ensure their practices align with the requirements of Section 90003 of the CCFPL. We will continue to monitor for any related developments in California and other states, and will provide updates on our Consumer Financial Services Blog.