

**Written Testimony on
2024 Joint Legislative Budget Hearing on Economic Development:
New York State Consumer Protection Laws**

**Presented to
New York State Senate Finance and Assembly Ways and Means Committees**

**Presented by
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Hispanic Federation submits this testimony specifically about the Consumer Protection Act (“CPA”), which is Part JJ of the Transportation, Economic Development and Environmental Conservation Article VII bill in the FY 2025 Executive Budget. While we commend the Governor for her commitment to modernizing New York’s consumer protection law, we assert that the Consumer and Small business Protection Act (S.795/A.7138) sponsored by Senator Leroy Comrie and Assemblymember Helene Weinstein contains essential safeguards that more effectively align with the governor’s objectives of protecting New Yorkers and bringing them in line with national standards.

The mission of Hispanic Federation is to empower and advance the Hispanic community. Hispanic Federation provides grants and services to a broad network of Latino nonprofits serving the community’s most vulnerable members and advocates nationally with respect to the vital issues of immigration, health, education, economic empowerment, civic engagement, and the environment.

I. Why New York’s Consumer Protection Law is One of the Worst in the Nation

Bans on unfair, deceptive, and abusive practices, known as “UDAP” laws, are the prevailing consumer protection standard. They are flexible enough to protect against evolving and unforeseeable schemes so that people who are harmed can be made whole and they also serve as a deterrent to bad behavior in the first place. Although UDAP statutes vary widely from state to state, their basic premise is that unfair and deceptive tactics in the marketplace are

inappropriate, and they nearly all agree that the “U” that stands for unfair is at least as important as the “D” that stands for “deceptive.”

Yet New York is one of only eight states whose consumer protection law, General Business Law § 349, does not ban unfair or abusive practices. In other words, whereas 43 jurisdictions have a fulsome “UDAP,” New Yorkers are only protected by a puny “DAP.” This glaring oversight allows unscrupulous businesses to scam people as long as they are brazen enough not to lie about it. It also places honest companies that treat their customers fairly at a competitive disadvantage. This vacuum allows bad actors to target communities of color with predatory products while denying them basic services; without an unfairness ban, schemes that extract wealth from Black and Brown communities flourish.

Hispanic Federation has a history of providing culturally and linguistically relevant education to Latinos about fraud and scams that plague our community such as immigration scams, fraudulent car sales, discriminatory and predatory lending, and other unfair and abusive tactics. At the height of the COVID-19 pandemic, Hispanic Federation continued to educate Latinos on emerging frauds and scams related to pandemic relief efforts and learned that many members of our community were being taken advantage of when seeking help to apply for assistance and had minimal legal recourse to address predatory business practices they encountered in New York State. HF advocates for a stronger consumer protection law in response to these unfair acts.

The following examples of unfair but not necessarily deceptive conduct illustrate how important a broad unfairness ban is in protecting New Yorkers from predatory business practices:

- A student loan servicer steers borrowers to the most expensive repayment options.
- A nursing home shakes down relatives to pay patients’ bills.
- A debt collector manipulates seniors into giving up their limited, protected income.
- An auto dealer refuses to return a customer’s trade-in vehicle until a deal is finalized.
- A credit reporting agency recklessly exposes people’s personal information to theft.
- A landlord refuses to make repairs to push out its rent-stabilized tenants.
- Homeowners in gentrifying neighborhoods are swindled out of their homes because of deed theft scams.

New Yorkers, including small business owners, deserve a fair marketplace where entities that exploit people are held accountable and the people harmed can be made whole.

General Business Law § 349 is ineffective in other ways as well. The penalty for violating the law is \$50—a slap on the wrist—and damages are capped at \$1,000 for the worst repeat offenders. The current law does not authorize statutory damages in class actions, which are a crucial deterrent. In addition, courts have further watered down the law with an untenable requirement that the bad acts affect the public at large.

II. How to Make New York's Consumer Protection Law the Best in the Nation

We welcome the Governor's proposal to strengthen New York's current weak law. The CPA covers much-needed reforms, including prohibiting unfair and abusive practices, strengthening the ability of the Attorney General and individuals to seek redress, increasing statutory damages to \$1,000, and mandating attorney's fees. However, the CPA omits several key reforms that are necessary to modernize New York law.

We are deeply troubled that the bill as drafted does not eliminate the requirement that a harmed consumer show that a business's bad acts affect the public at large; imposing this burden on consumers makes no sense for a law specifically intended to remedy individual harms. Furthermore, the CPA's requirement that a harmed person provide notice to the offender and an opportunity to cure before filing suit is confusingly drafted and lacks any exceptions. The CPA's definition of "abusive" is inconsistent with and weaker than the prevailing definitions. The CPA also does not explicitly cover small business owners that are abused by defining "person." Regarding remedies, the CPA misses several opportunities to modernize and strengthen General Business Law § 349 by updating the damages framework, increasing damages for the worst violations, failing to authorize state court class action lawsuits seeking statutory damages, and not allowing tester standing.

A simple way to fix the problems of the CPA is to adopt the comprehensive Consumer and Small Business Protection Act (S.795/A.7138), which shares the same goal as the CPA, and much of the same language, but with important differences:

- CSPA explicitly covers unfair, deceptive, or abusive acts or practices regardless of whether the conduct is consumer-oriented, directly addressing the court's narrowing of the existing law, whereas the CPA is silent on this issue;
- CSPA allows New Yorkers to recover actual damages and statutory damages, whereas the CPA limits recovery to the greater of the two. CSPA mirrors federal consumer protection law and would help make harmed consumers whole;
- When unlawful behavior is done willfully and knowingly, CSPA allows judges to determine what punitive damages are appropriate, whereas the CPA would cap these damages at \$1000, the same amount as permitted for violations that are not done willfully or knowingly. Limiting courts' ability to impose damages that are commensurate with the underlying offense prevents the penalty from having any meaningful deterrent effect against future misconduct;
- CSPA includes a definition of "abusive" that mirrors the federal standard and maximizes protections for New Yorkers;
- CSPA clarifies small businesses' right to sue under the law, codifying a general practice and reducing any uncertainty about the law's applicability;
- CSPA explicitly authorizes class action penalties, as required under New York law, whereas the CPA is silent and would likely be interpreted as not authorizing these damages;

- CSPA would allow non-profit organizations that engage in consumer testing and mystery shopping to bring lawsuits when they uncover unlawful conduct, rather than waiting for an actual consumer to experience harm, whereas the CPA does not include a “tester standing” provision; and
- CSPA includes a notice and opportunity to cure provision for actions seeking injunctive relief only, whereas the CPA’s notice provision would apply to actions seeking monetary relief.

Adopting CSPA or amending the CPA to reflect its more robust protections, will ensure that the Governor fulfills her goal of providing New Yorkers with meaningful consumer protections.

Thank you for the opportunity to provide this testimony; to discuss the issues raised in more detail or if you have any questions, please contact Diana Caba, Vice President for Community & Economic Development, dcaba@hispanicfederation.org.