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## **Fed up with junk fees? A new Federal Trade Commission rule ushers in a new era - by Joshua Bowman**

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On December 17, 2024, the Federal Trade Commission (FTC) announced the finalization of the Junk Fees Rule. The Rule, formally titled the Trade Regulation Rule on Unfair or Deceptive Fees, is scheduled to take effect on May 10, 2025. The Rule requires businesses that offer a price for live-event tickets or short-term lodging (e.g., hotels, vacation homes, and other short-term rentals) to clearly and conspicuously disclose all mandatory fees associated with any good or service offered, and to do so more prominently than other pricing information. It also generally prohibits businesses from misrepresenting fees or charges in any offer, display, or advertisement for live events and short-term lodging. The Rule does not prohibit any specific type of fee or pricing practices, such as itemization of fees or dynamic pricing. Instead, the Rule focuses on ensuring that all charges, other than taxes, are clearly disclosed at the outset of the consumer's purchasing journey. For the hospitality industry in particular, this Rule ushers in a new era of pricing transparency.

**Junk Fees in the Hospitality Industry.** Anyone who has recently stayed at a hotel or short term rental is familiar with the mandatory charges added to the base price of accommodations, such as resort fees, destination fees, amenity charges, cleaning fees (most common in short-term rentals), and other amorphous "service fees." Sometimes referred to as "drip pricing", such junk fees are frequently revealed late in the booking process, or worse, only at checkout, leading to guest complaints about "bait-and-switch" tactics. Who hasn't experienced the joy of having a hotel room listed for \$299 per night on a website costing well over \$350 after all of the fees are added to the bill? According to the FTC, such practices are not just annoying - they are deceptive. Their view is that guests should be able to make purchasing decisions based on the actual price they will pay, not on a base rate that does not initially reveal the true cost of the room.

**Rule Follows A Spate of Lawsuits.** The FTC acted after a spate of lawsuits, many initiated by state attorney generals, around the country were filed to combat junk fees.

- Marriott International was one of the first major brands to face legal action over resort fees. The 2019 lawsuit *District of Columbia v. Marriott International, Inc.*, alleged that Marriott misled consumers by failing to include mandatory fees in its advertised room rates. The case was settled in 2021, with Marriott agreeing to disclose resort fees more transparently. This experience likely positioned Marriott to adapt more quickly to the FTC's Rule.
- Hilton Hotels found itself in similar hot water in 2023, when Travelers United filed *Travelers United v. Hilton Worldwide Holdings, Inc. et al*, claiming Hilton engaged in deceptive pricing by omitting mandatory fees from its displayed rates. The suit highlighted growing scrutiny of the hospitality industry's pricing practices and added pressure on Hilton to revise its disclosure standards.
- Hyatt Hotels Corp. was also sued by the Texas Attorney General in August 2023 in the case of *State of Texas v. Hyatt Corporation et al*, for allegedly failing to adequately disclose resort and amenity fees. The complaint noted that Hyatt charged consumers unavoidable fees that were not

clearly advertised, reinforcing concerns that consumers were being misled.

- Finally, in September 2023, the Pennsylvania Attorney General, along with other states, reached a settlement with Choice Hotels, following the case of Commonwealth of Pennsylvania v. Choice Hotels International, Inc., requiring the brand to disclose all mandatory fees upfront as part of the total room rate. As part of the agreement, Choice committed to displaying these charges clearly on the first page of its booking site.

What Does the Rule Require? The Junk Fees Rule Requires:

- **Total Price Disclosure:** The total price, including all mandatory fees, must be presented clearly and conspicuously whenever a price is displayed, whether online, in print, or through a travel agent;
- **Prominent Display:** The total price must be shown more prominently than most other pricing information;
- **Fee Transparency:** If fees are broken out (e.g., resort fees or cleaning charges), they must be labeled clearly, with accurate descriptions of what they cover;
- **Consistency Across Platforms:** The total price must be disclosed on all platforms – from the hotel’s website to third-party booking sites;
- **No Misstatements:** Businesses must not misstate the cost or fees associated with lodging, or misrepresent the identity of any goods or services offered.

The Rule does not prohibit specific fees, it merely proscribes the manner in which they must be disclosed.

**Violations.** Violations of the rule may result in civil penalties of up to \$51,744 per violation, with the cap adjusted annually for inflation. For hotel chains and independent operators alike, ensuring compliance is essential to avoiding potentially costly enforcement actions.

**State and Federal Reinforcement.** The FTC’s action is part of a broader governmental crackdown on deceptive pricing practices, including state governments. Most states have authority under their own consumer protection laws, many of which mirror or reference the FTC’s rules. In fact, many states automatically treat a violation of the FTC’s rules as a violation of state law. The result is a coordinated state and federal framework.

**Benefits.** While regulation can be burdensome, there are benefits to the Rule as well. The Rule allows all hotels to compete on an “apples to apples” pricing model. Absent the Rule, there was no assurance that if one hotelier shifted to transparent pricing (voluntarily or as the result of litigation), others would not gain a competitive advantage by continuing to charge opaque junk fees late in the booking process. Transparent pricing may also lead to fewer negative reviews and chargebacks, as guests who feel “nickel-and-dimed” are more likely to leave poor ratings or dispute charges. Pricing

clarity can mitigate these risks, foster long-term guest loyalty, and reduce wear and tear on hotel staff. On the consumer side, the FTC estimates that the rule will save consumers up to 53 million hours annually in time they would otherwise spend deciphering hotel pricing.

Final Thoughts. The FTC's Junk Fees Rule represents a major turning point for the hospitality industry. As of May 10, 2025, all lodging providers must disclose the total cost of a stay upfront, including all mandatory fees. The Rule has costs and benefits, but one thing is clear - the hospitality industry is entering a new era in which pricing transparency is no longer optional.

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