

January 14, 2026

IMPACT OF THE KFTC'S "SUBSCRIPTION ECONOMY" POLICY REPORT ON BUSINESSES

In December 2025, the Korea Fair Trade Commission ("KFTC") published a policy report titled "Subscription Economy and Consumer Issues" ("Report"), addressing the key issues emerging in the rapidly expanding subscription services market.

The Report examines, based on a market-wide survey, consumer experiences and recurring problem areas across each stage of the subscription lifecycle, and outlines potential regulatory measures to address these risks. In particular, the Report highlights four areas that repeatedly raise consumer concerns: (i) pre-contractual information disclosure, (ii) dark patterns and advertising practices, (iii) cancellation and refunds for unused periods, and (iv) unilateral changes to subscription terms. These areas are likely to remain a key focus of regulatory attention and therefore merit careful consideration by subscription service providers.

Key aspects of the Report are summarized below.

I. KEY FINDINGS

1. Pre-contract stage: Ensuring accurate disclosure of transaction terms

The Report finds that consumers most frequently experience problems during the pre-contract stage, including unexpected additional charges at the payment stage (34.0%) and insufficient disclosure of transaction-related information (31.0%).

For subscription-based digital services such as video streaming platforms and music streaming services, subscription fees often vary depending on factors such as advertising exposure, content availability and quality, and payment channels. However, these differences are not always apparent before proceeding to the payment stage, leading consumers to make purchasing decisions based on incomplete or inaccurate information about pricing.

To address these concerns, the Report proposes, among other measures: (i) strengthening the requirement to display the final total price inclusive of value-added tax ("VAT"), and (ii) ensuring clear and accurate disclosure of optional features and add-ons to the primary subscription plan.

Article 21-2(1)(i) of the Act on Consumer Protection in Electronic Commerce ("E-Commerce Act"), which took effect in February 2025 as part of broader efforts to regulate dark patterns, requires businesses to display the total price payable on the initial screen where prices are first shown. The Report notes, however, that some businesses may not be fully complying with this requirement and calls for enhanced monitoring and more detailed guidance on price disclosure practices.

The Report also highlights situations where add-ons are provided as optional but are practically necessary for meaningful use of the service. In such cases, it suggests that these add-ons should be subject to regulatory treatments as if they are mandatory subscription plans, even though these situations are not expressly addressed under the current rules.

In addition, while Article 13(2) of the E-Commerce Act requires businesses to disclose transaction terms before entering into a contract, the Report observes that membership services often emphasize favorable information (such as discounts or rewards) while failing to disclose the detailed conditions required to obtain such benefits before purchasing the subscription. As a result, consumers may be unable to access the promised benefits after joining if they fail to meet such conditions. Against this backdrop, the Report stresses that detailed information regarding discounts, coupons, and rewards applicable after enrollment should also be disclosed before the contract is entered into, and that compliance with these disclosure obligations should be subject to ongoing oversight.

2. Performance and renewal stage: Strengthening consumer consent for service changes

The Report identifies key consumer concerns during the contract performance and renewal stages, including inadequate notice of changes to contract terms (25.3%) and unilateral changes implemented without prior consumer consent (21.4%). It finds that a significant number of consumers have experienced unfavorable changes to service content or contractual terms during the subscription period. In particular, even where material elements of the service (such as restrictions on account sharing) were modified, consumer notification was often insufficient.

Under the current legal framework, changes to service delivery methods that do not involve a price increase or conversion to a paid service generally require advance notice of the revised terms (typically at least 30 days beforehand), but do not require the consumers' prior consent. In response, the Report proposes measures to strengthen consumer protection, including: (i) enhanced notice requirements for material service changes, and (ii) improvements to procedures governing changes that are unfavorable to consumers.

While existing guidelines recommend that businesses provide notice at least 30 days prior to implementing unfavorable changes to its terms and conditions, the Report suggests that these safeguards should be further strengthened. In particular, the Report emphasizes the importance of giving consumers a meaningful opportunity to respond, and communicating changes clearly.

The Report further proposes that changes to the service that are unfavorable to consumers should, in certain cases, be treated on par with price increases or conversion to paid services. On this basis, it suggests introducing a legal obligation to obtain consumers' explicit prior consent before implementing such changes.

3. Cancellation stage: Addressing overly complex cancellation procedures

The Report identifies the cancellation stage as the point at which consumers experience the greatest inconvenience in using subscription services. Key issues include difficulty

locating cancellation options or deliberately complex procedures (37.5%), as well as practices that hinder or obstruct cancellation (26.0%). Common examples include services that allow cancellation only through PC-based websites rather than mobile interfaces, or that require consumers to complete multiple steps (such as identity verification, review of usage history, and surveys) before cancellation can be finalized. The Report also notes inconsistencies in refund policies depending on the payment channel used.

The E-Commerce Act prohibits designing cancellation procedures that are more burdensome than enrollment procedures, or that require cancellation to be completed through channels different from those used for enrollment. In this context, the Report calls for enhanced monitoring of compliance with these provisions and the development of more detailed guidance on “easy cancellation.”

In addition, the Report proposes improvement measures addressing mid-term cancellation and refund practices, including enabling consumers to easily change payment channels, applying uniform refund standards regardless of the payment method, and clearly disclosing refund policies across PC and mobile websites and applications.

4. Regulatory gaps and the need for a new framework for subscription services

The Report notes that subscription services in Korea are currently subject to overlapping regulations. Online subscription services still meet the definition of “continuous transactions” under the Act on Door-to-Door Sales (“Door-to-Door Sales Act”), a category originally designed to regulate long-term consumer contracts involving the periodic supply of goods or services and enhanced protection for mid-term cancellation. However, subscription services also fall within the scope of the E-Commerce Act, as they are provided through online or other non in-person channels.

Since the concept of a “continuous transaction” under the Door-to-Door Sales Act was developed with traditional offline, periodically supplied subscription models in mind, the Report points out that this framework does not fully reflect the characteristics of digital subscription services (such as video streaming platforms or cloud services) that provide users with unlimited access to content or functionality during the subscription period.

The Report further observes that rigidly applying the continuous transaction criteria under the Door-to-Door Sales Act to digital subscription services may give rise to unintended consequences. For example, in services that allow unrestricted access to content during the subscription period, such as music streaming or e-book services, consumers may engage in short-term intensive use of content followed by repeated cancellation, a practice often referred to as “cherry-picking.”

In light of these structural limitations, the Report suggests that, over the longer term, consideration should be given to introducing subscription-specific provisions under the E-Commerce Act that better reflect the characteristics of digital subscription services, or alternatively, to enacting standalone legislation tailored to this sector.

II. COMPLIANCE CHECKLIST FOR SUBSCRIPTION SERVICE PROVIDERS

Based on the findings of the Report, the following checklist highlights key issues that subscription service providers may wish to review as an initial step in assessing potential consumer protection and regulatory risks.

Transaction Stage	Compliance Item	Review Criteria
Pre-contract	Total price disclosure (drip pricing)	Is the total price, inclusive of VAT, clearly displayed on the initial screen where pricing information is first presented?
Pre-contract	Option structure	Do optional features or add-ons function as de facto mandatory components for meaningful use of the service?
Pre-contract	Pricing transparency	Does the emphasis on base pricing create a misleading impression that understates the actual cost to consumers?
Pre-contract	Pre-contract disclosure obligations	Are the conditions for discounts, coupons, or reward points associated with membership subscriptions clearly disclosed before enrollment?
Pre-contract	Dark pattern risks	Could the user interface or wording be viewed as inducing consumer error or misunderstanding when assessed as a whole?
Performance & renewal	Notice of changes	Are consumers provided with sufficient advance notice of changes to service or contractual terms?
Performance & renewal	Unfavorable changes	Are changes that may be unfavorable to consumers clearly identified and managed as such within the organization?
Performance & renewal	Prior consent	Are procedures in place to obtain explicit prior consent where changes may be considered materially unfavorable to consumers?
Performance & renewal	Dark pattern risks	When presenting performance or renewal options, are any options pre-selected in a manner that could disadvantage consumers?
Cancellation	Procedural symmetry	Are cancellation procedures no more burdensome than enrollment procedures?
Cancellation	Interference with cancellation	Are there any elements (such as surveys, pop-ups, or repeated prompts) that could be viewed as interfering with consumers' ability to cancel?
Cancellation	Dark pattern risks	Is the cancellation pathway clearly visible and easily accessible, rather than being hidden or obscured?
Cancellation	Refund policies	Are refund standards reasonable and applied consistently and without discrimination, regardless of the payment channel used?

III. IMPLICATIONS

The Report reflects the KFTC's proactive efforts to identify recurring consumer issues across the full lifecycle of subscription services, drawing on actual consumer experiences, and sets out concrete improvement measures for each transaction stage.

The consumer issues highlighted at each stage of the subscription process are areas that are likely to receive closer attention in future regulatory and supervisory activities. Subscription service providers should therefore look beyond formal compliance with terms and internal policies, and carefully consider the issues identified in the Report across the broader scope of service planning, development, and day-to-day operations.

In particular, the Report focuses on six key sectors that are closely linked to consumers' daily lives: video streaming, music streaming, e-books, AI and cloud services, software, and membership services. Given this targeted analysis, these sectors may be subject to heightened regulatory scrutiny based on the findings of the Report.

The Report also goes beyond identifying problem areas by setting out specific improvement measures. From a business perspective, this underscores the importance of reviewing whether such measures have already been implemented internally. Moreover, as the number of subscription service users continues to grow and regulatory oversight of subscription services intensifies globally, the enhanced monitoring and legislative discussions referenced in the Report may translate into concrete regulatory reforms in the future.

Accordingly, to mitigate regulatory risks relating to subscription services, businesses would be well advised to proactively assess compliance with applicable laws and guidelines and to strengthen internal compliance frameworks as part of their overall risk management efforts.

Related Professionals

Hongki Kim

Partner

T 82.2.3404.0489

E hongki.kim@bkl.co.kr

Kee Won Shin

Senior Foreign Attorney (New York)

T 82.2.3404.0272

E keewon.shin@bkl.co.kr

Boyen Kim

Partner

T 82.2.3404.6550

E boyen.kim@bkl.co.kr

Jennifer Yein Kwon contributed to this update.

This publication is provided for general informational purposes only, and should not be construed as legal or professional advice on any particular matter, nor create an attorney-client relationship. Before you take any action that may have legal implications, please inquire with your contact at Bae, Kim & Lee LLC, or the authors of this publication.