

**SENATE JUDICIARY COMMITTEE**  
**Senator Thomas Umberg, Chair**  
**2025-2026 Regular Session**

AB 483 (Irwin)  
Version: June 12, 2025  
Hearing Date: June 24, 2025  
Fiscal: No  
Urgency: No  
CK

**SUBJECT**

Fixed term installment contracts: early termination fees

**DIGEST**

This bill prohibits early termination fees unless the relevant fixed term installment contract includes a clear explanation of the total cost of the termination fee or the formula used to calculate the fee, except as provided. The bill caps the termination fee at 20 percent of the total cost of the installment contract.

**EXECUTIVE SUMMARY**

The issue of “junk” fees and other pricing schemes gained more prominence nationally when President Joe Biden took aim at them in his State of the Union address in February 2023. There are various types of pricing schemes generally deemed unfair or unlawful business practices and California has a host of laws aimed at rooting them out. This includes recent statutes that require pricing transparency and reasonable methods for cancellation of automatic renewal and continuous service offers.

One practice that has drawn attention across the country is the charging of “early termination fees” that penalize consumers for cancelling a contract for a good or service early. The concern is focused on the transparency of such fees and their onerous amounts, that may imprison consumers in contracts they no longer need or can no longer afford.

Following the lead of regulatory action taken at the federal level, this bill prohibits such fees unless the contract includes a clear and conspicuous explanation of the total cost of the fee or a formula used to calculate the fee, as specified. The total early termination fee is capped at 20 percent of the total contract. This bill is author-sponsored. It is supported by the Consumer Attorneys of California. It is opposed by a coalition of industry groups, including the California Grocers Association.

## **PROPOSED CHANGES TO THE LAW**

Existing law:

- 1) Provides that every contract for health studio services shall contain a clause providing that if the person agreeing to receive health studio services moves further than 25 miles from the health studio and is unable to transfer the contract to a comparable facility, such person shall be relieved from the obligation of making payment for services other than those received prior to the move. A contract for health studio services may contain a clause providing that if such a condition occurs, such person may be charged a predetermined fee not exceeding \$100, or, if more than half the life of the contract has expired, such person may be charged a predetermined fee not exceeding \$50. (Civ. Code § 1812.89.)

This bill:

- 1) Prohibits a seller that uses a fixed term installment contract entered into or modified on or after July 1, 2026, from charging a fee to a consumer who terminates the fixed term installment contract unless, at the time of entering the initial contract, the contract includes either of the following, which shall be viewable by the consumer without reliance upon a tooltip, additional hyperlink, or any other feature that requires additional user interaction:
  - a) A clear and conspicuous explanation of the total cost of the early termination fee in writing.
  - b) The formula used to calculate the early termination fee, including a sample calculation demonstrating the highest possible early termination fee under the contract.
- 2) Provides that a provider of broadband internet access service on its own, or as part of a bundle, that complies with federal broadband consumer requirements, including the broadband consumer label, codified in 47 C.F.R. § 8.2(a), shall be deemed compliant herewith.
- 3) Prohibits a fixed term installment contract entered into or modified on or after July 1, 2026, from charging an early termination fee or any similar fee in an amount greater than 20 percent of the total cost of the fixed term installment contract.
- 4) Clarifies that it shall not be interpreted to prohibit a contract from requiring the return of a good if the fixed term installment contract is terminated.
- 5) Exempts a fixed term installment contract that is regulated by state or federal law providing greater protections to consumers than those provided hereby,

including, but not limited to, a prohibition on early termination fees or a lower limit on early termination fee amounts.

6) Defines the relevant terms, including:

- a) “Early termination fee” means an additional fee charged to a consumer as a result of a consumer’s election to apply a term or clause included in the contract that authorizes a consumer to suspend making installment payments and to end access to the good or receipt of the service before the end of the period of time during which installment payments are required to be made by the consumer.
- b) “Fixed term installment contract” means any contract for the sale of goods or the furnishing of services by a seller to a consumer for a deferred payment price payable in installments required to be made by the consumer during a fixed period of time until the price is paid in full.
- c) “Terminate” means that the consumer has elected to apply a term or clause included in the contract that authorizes a consumer to suspend making installment payments and to end access to the good or receipt of the service. “Terminate” does not include a general failure of a consumer to perform an obligation of the contract, including a failure to make installment payments.

### COMMENTS

#### 1. Consumer protection and early termination fees

Drip pricing and hidden junk fees have been an increased focus of government regulators both at the federal level and here in California.

SB 478 (Dodd, Ch. 400, Stats. 2023) made it an unlawful business practice under the Consumer Legal Remedies Act to advertise, display, or offer a price for a good or service that does not include all mandatory fees or charges, except as provided or exempted. Last year, AB 2863 (Schiavo, Ch. 515, Stats. 2024) bolstered the consumer protections within the law governing automatic renewal and continuous services offers, including prohibitions on failing to obtain affirmative consent to the offer separate from the other terms of the contract. It required more notice to consumers and a method for cancellation in the same medium as used in the initial transaction.

One particularly troubling practice is the charging of “early termination fees” on consumers who wish to cancel a subscription or other ongoing contract. Concerns have been raised about the transparency and excessive level of these fees, and the attendant impacts on consumers.

In 2021, President Biden issued an executive order “in order to promote the interests of American workers, businesses, and consumers.” Relevant here, the EO included the following edict:

To promote competition, lower prices, and a vibrant and innovative telecommunications ecosystem, the Chair of the Federal Communications Commission is encouraged to work with the rest of the Commission, as appropriate and consistent with applicable law, to consider . . . prohibiting **unjust or unreasonable early termination fees** for end-user communications contracts, enabling consumers to more easily switch providers.<sup>1</sup>

The FCC responded and took action against these very practices in the video service sector:

The Federal Communications Commission today adopted a Notice of Proposed Rulemaking that proposes to eliminate video service junk fees from cable operators and direct broadcast satellite (DBS) providers and to study the impact of these practices on consumer choices.

TV video service subscribers may terminate service for any number of reasons, including moving, financial hardship, or poor service. Early termination fees require subscribers to pay a fee for terminating a video service contract prior to its expiration date, making it costly for consumers to switch services. Because these fees may have the effect of limiting consumer choice, they may reduce competition for video service. Additionally, billing cycle fees require TV video service subscribers to pay for a complete billing cycle even if the subscriber terminates service prior to the end of that billing cycle. These fees penalize consumers for terminating service by requiring them to pay for services they choose not to receive.<sup>2</sup>

Just last year, the Federal Trade Commission filed suit against Adobe for its subscription practices, alleging that a reasonable consumer would be misled by Adobe’s disclosure of its early termination fee, including what it is, when it applies, how much it is, and how that amount is calculated.<sup>3</sup> A federal court recently denied Adobe’s motion to dismiss the case.<sup>4</sup>

---

<sup>1</sup> *Executive Order 14036 – Promoting Competition in the American Economy* (July 9, 2021) President Joseph Biden, <https://www.govinfo.gov/link/cpd/executiveorder/14036> (emphasis added). All internet citations are current as of June 10, 2025.

<sup>2</sup> *FCC Takes Action Against Video Service Junk Fees to Protect Consumers and Promote Competition* (December 13, 2023) FCC, <https://www.fcc.gov/document/fcc-proposes-rules-eliminate-video-service-junk-fees>.

<sup>3</sup> *United States v. Adobe, Inc.* (2025) 2025 U.S. Dist. LEXIS 87777, \*28.

<sup>4</sup> *Ibid.*

## 2. Tackling issues with early termination fees

This bill seeks to address these issues by ensuring transparency and limiting the egregiousness of such fees.

First, the bill prohibits a seller that uses a fixed term installment contract entered into or modified on or after July 1, 2026, from charging a fee to a consumer who terminates the fixed term installment contract unless, at the time of entering the initial contract, the contract includes either of the following:

- A clear and conspicuous explanation of the total cost of the early termination fee in writing.
- The formula used to calculate the early termination fee, including a sample calculation demonstrating the highest possible early termination fee under the contract.

To ensure such information is not hidden behind links or other mechanisms, the bill requires the explanation or formula to be viewable by the consumer without reliance upon a tooltip, additional hyperlink, or any other feature that requires additional user interaction.

Second, to prevent usurious rates, the bill caps early termination fees to 20 percent of the total cost of the fixed term installment contract.

To address concerns from the broadband industry, the bill provides that broadband internet access service providers that comply with federal broadband consumer requirements, including the broadband consumer label, codified in 47 C.F.R. § 8.2(a), shall be deemed compliant herewith, as provided. In addition, the bill exempts a fixed term installment contract that is regulated by state or federal law providing greater protections to consumers than those provided by this bill, including, but not limited to, a prohibition on early termination fees or a lower limit on early termination fee amounts.

According to the author:

Despite the successes of recent consumer protection legislation regarding drip pricing and automated subscriptions, early termination fees for installment contracts continue to be rampant. These are fees that stand between a consumer and the decision to stop using a service early to save money. Businesses often argue that early termination fees act as a mechanism to balance out the discount a consumer may have received in exchange for their long-term commitment. While this justification has merit, it too frequently exists to the detriment of consumers, and it is not clear when fees go beyond recoupment of discounts. Without clear communication to a consumer on what potential early termination fees

they may face, consumers may be enticed into a long-term commitment they cannot afford. Additionally, cancellation fees frequently make it more financially painful to cancel a service someone can no longer afford, preventing them from being able to respond to rising cost of living expenses.

AB 483 will protect consumers from these predatory cancellation fees on their fixed term installment contracts by requiring distinct transparency for cancellation fee terms when the consumer first agrees to the contract. The bill also caps any potential cancellation fee to 20% of the total contract cost. This will ensure the fee is proportional to what the consumer expects to pay and avoids consumers feeling financially trapped.

### 3. Stakeholder positions

A coalition in opposition, including the California Chamber of Commerce, writes:

In a variety of industries, consumers benefit from arrangements that allow them to receive a significant portion of the benefit of that installment contract initially – or a discount for a longer commitment. For example: in the case of an ongoing service, a consumer may be given a lower total price due to the length of their commitment. However, AB 483 would disincentivize such a discount, because any such discount implicitly limits the recoverable amount if the consumer breached the agreement to 20% of the total value of the contract. That limitation creates an implicit risk for any contract where the cost of the good or service provided is greater than 20% of the contract value for the vendor.

Notably, we have been in ongoing discussions with the author related to these concerns, and appreciate the repeated discussions in good faith. We also appreciate the recent amendments adding a July 1, 2026 implementation date for covered contracts.

Writing in support, the Consumer Attorneys of California state:

Despite the successes of recent consumer protection legislation regarding drip pricing and automated subscriptions, early termination fees continue to be rampant. Businesses often argue that early termination fees act as a mechanism to balance out the discount a consumer may have received in exchange for their long-term commitment. However, it is not clear when fees go beyond recoupment of discounts. Businesses who do not clearly disclose and explain how cancellation fees are calculated prioritize their

own profits over the understanding of the consumer and general notions of fairness.

### **SUPPORT**

Consumer Attorneys of California

### **OPPOSITION**

Calbroadband

California Chamber of Commerce

California Grocers Association

California Retailers Association

### **RELATED LEGISLATION**

Pending Legislation: AB 1374 (Berman, 2025) updates the existing pricing transparency law applying to rental vehicle companies to require these companies to provide the total charges estimate for the entire rental, including all taxes and fees imposed by a government, as soon as dates, location, and vehicle type or class for the rental are provided to the rental company or third party. Third parties are also incorporated into the regulatory scheme. AB 1374 is currently in this Committee.

#### Prior Legislation:

AB 2863 (Schiavo, Ch. 515, Stats. 2024) *See* Comment 1.

SB 478 (Dodd, Ch. 400, Stats. 2023) *See* Comment 1.

### **PRIOR VOTES:**

Assembly Floor (Ayes 47, Noes 12)

Assembly Privacy and Consumer Protection Committee (Ayes 9, Noes 4)

\*\*\*\*\*