

CONCURRENCE IN SENATE AMENDMENTS

AB 483 (Irwin)

As Amended September 3, 2025

Majority vote

SUMMARY

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. This bill caps the termination fee at 30% of the total cost of the installment contract.

Senate Amendments

- 1) Delay implementation to August 1, 2026.
- 2) Increase the maximum amount of an early termination fee to 30 percent.
- 3) States that the legislation shall not be interpreted to prevent a buyer from paying the full remaining balance of a fixed term contract before its maturity.
- 4) Exempts home improvement contracts.
- 5) Exempts fixed term installment contracts that are regulated by a state or federal law that provides greater consumer protections.
- 6) Technical and clarifying changes.

COMMENTS

California's consumer protections related to subscription contracts and up-front pricing. In recent years, the California Legislature and the Governor have taken a number of steps to protect consumers from deceptive practices such as making it difficult to cancel contracts that automatically renew or using drip pricing to deceive consumers about the true cost of goods and services they are purchasing. Specifically, AB 2863 (Schiavo, Chapter 515, Statutes of 2024) implemented consumer protection measures for automated renewal subscriptions. Additionally, SB 478 (Dodd, Chapter 400, Statutes of 2023) prohibits businesses from advertising prices that do not include all mandatory fees and charges.

Early termination fees are not covered by either of these recent policy changes. SB 478 implements protections on one-time purchases and AB 2863 implements protections on monthly subscriptions. Early termination fees are not mandatory fees, meaning that most consumers do not pay them, unlike processing or transaction fees, which are mandatory add-on fees. This means that early termination fees are not required to be disclosed under SB 478. Additionally, these contracts typically do not auto-renew into a monthly subscription, meaning they do not fall under AB 2863's protections.

The author points to Civil Code Section 1812.89 as precedent for imposing a cap on early termination fees. That section specifies that, for gyms or health studios, if the consumer is cancelling the contract due to moving away and is unable to transfer the contract to a comparable

facility, a cancellation fee cannot exceed \$100 or \$50 if more than half the life of the contract has expired.

This proposal appears to be in keeping with the precedents set by recent federal government actions and the Legislature's approval of additional protections for consumers who may fall prey to deceptive practices.

Federal Communications Commission (FCC) proposed rulemaking on early termination fees. In December 2023, the FCC voted to propose a ban on early terminations fees charged by cable operators and direct broadcast satellite service providers. In announcing the proposal, the FCC noted that "subscribers may terminate service for any number of reasons, including moving, financial hardship, or poor service" and charging an early termination fee "makes it costly for consumers to switch services."¹ As a result, consumer choice may be limited, reducing competition for video services. In addition to eliminating early termination fees, the FCC noted that "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." As a result, consumers are further penalized by being required to pay for services they no longer want.²

The pending FCC proposed rule includes the following:

- 1) Prohibiting service providers from imposing a fee for early termination.
- 2) Rendering any existing agreements related to an early termination fee unenforceable.
- 3) Requiring service providers to grant subscribers a prorated credit or rebate for the remaining days in the billing cycle after the service has been cancelled.³

United States v. Adobe, Inc. In July 2024, the Federal Trade Commission (FTC) filed a suit against software developer Adobe,⁴ the maker of Photoshop and Acrobat for "deceiving consumers by hiding the early termination fee for its most popular subscription plan and making it difficult for consumers to cancel their subscriptions."⁵ The complaint charges that "Adobe pushed consumers toward the 'annual paid monthly' subscription without adequately disclosing that cancelling the plan in the first year could cost hundreds of dollars."⁶ Among the unethical practices highlighted in the FTC complaint was Adobe's use of tooltips and a number of additional hyperlinks to make it difficult for consumers to find contract terms. The complaint also mentions that one Adobe executive admitted "the hidden ETF [early termination fee] is 'a bit like heroin for Adobe' and 'there is absolutely no way to kill off ETF or talk about it more obviously [without] taking a big business hit[.]'"⁷ It is unclear whether the new federal administration will continue to pursue this case. As of this hearing, its status is still pending.

¹ FCC Press Release: FCC TAKES ACTION AGAINST VIDEO SERVICE JUNK FEES TO PROTECT CONSUMERS AND PROMOTE COMPETITION (Dec. 13, 2025) <https://www.fcc.gov/document/fcc-proposes-rules-eliminate-video-service-junk-fees>.

² *Ibid.*

³ Federal Communications Commission 47 CFR Parts 25 and 76 [MB Docket No. 23-405; FCC 23-106; FRS ID 192513] <https://www.fcc.gov/document/fcc-proposes-rules-eliminate-video-service-junk-fees>.

⁴ *United States v. Adobe, Inc.*, 24-cv-03630-BLF (N.D. Cal. Jul. 23, 2024)

⁵ *United State v. Adobe, Inc.* Case Summary (Jul. 25, 2024) <https://www.ftc.gov/legal-library/browse/cases-proceedings/222-3055-adobe-inc-us-v>

⁶ *Ibid.*

⁷ *United States v. Adobe, Inc.*, 24-cv-03630-BLF (N.D. Cal. Jul. 23, 2024).

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 30% 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.

Arguments in Support

The Consumer Attorneys of California write in support:

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.

Arguments in Opposition**FISCAL COMMENTS**

As currently in print, this bill is keyed nonfiscal.

VOTES:**ASM PRIVACY AND CONSUMER PROTECTION: 9-4-2**

YES: Berman, Bryan, Irwin, Lowenthal, Ortega, Pellerin, Petrie-Norris, Ward, Wilson

NO: Dixon, DeMaio, Macedo, Patterson

ABS, ABST OR NV: Bauer-Kahan, McKinnor

ASSEMBLY FLOOR: 47-12-20

YES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Kalra, Krell, Lowenthal, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Schiavo, Schultz, Sharp-Collins, Stefani, Ward, Wicks, Wilson, Zbur, Rivas
NO: Alanis, Chen, Davies, DeMaio, Dixon, Ellis, Hadwick, Hoover, Lackey, Macedo, Patterson, Tangipa

ABS, ABST OR NV: Bains, Bauer-Kahan, Castillo, Flora, Gabriel, Gallagher, Jeff Gonzalez, Jackson, Lee, McKinnor, Muratsuchi, Nguyen, Ramos, Blanca Rubio, Sanchez, Solache, Soria, Ta, Valencia, Wallis

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