
**SENATE COMMITTEE ON
BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT**
Senator Angelique Ashby, Chair
2025 - 2026 Regular

Bill No:	AB 578	Hearing Date:	July 14, 2025
Author:	Bauer-Kahan		
Version:	July 3, 2025		
Urgency:	No	Fiscal:	No
Consultant:	Sarah Mason		

Subject: Food delivery platforms: customer service

SUMMARY: Makes various updates to employee compensation and customer refund requirements for food delivery platforms.

NOTE: This measure was previously heard in the Senate Committee on Judiciary on July 1, 2025. The bill passed with a vote of 11-0.

Existing law:

- 1) Prohibits food delivery platforms, as defined, from arranging for the delivery of an order from a food facility, as defined, without first obtaining an agreement with the food facility expressly authorizing the food delivery platform to take orders and deliver meals prepared by the food facility. (Business and Professions Code (BPC) § 22599)
- 2) Prohibits a food delivery platform from charging a customer a higher food or beverage purchase price than the price posted on the food delivery platform's website by the food facility at the time of the order. (BPC § 22599.1)
- 3) Prohibits a food delivery platform from retaining any portion of amounts designated as a tip or gratuity. Requires a food delivery platform to pay the person delivering food or beverage any tip or gratuity, in its entirety, for a delivery order. Specifies that a food delivery platform must pay a food facility any tip or gratuity, in its entirety, for a pickup order.(Id.)
- 4) Requires a food delivery platform to disclose an accurate, clearly identified, and itemized cost breakdown of each transaction to the customer and to the food facility that includes, but is not limited to:
 - a) The purchase price of the food and beverage. Defines purchase price as the price, as listed on the menu, for the items contained in an online order, excluding taxes or gratuities that may make up the total amount charged to the customer of an online order.
 - b) A notice, if applicable, that the food delivery platform charges a fee, commission, or cost to the food facility, unless the food facility directs that the food delivery platform disclose to customers the delivery fee charged to the food facility and each fee, commission, or cost charged to the food facility.

- c) Each fee, commission, or cost the food delivery platform charges the customer.
 - d) Any tip or gratuity. (Id.)
- 5) Requires a food delivery platform to clearly and regularly disclose the status of the order to the food facility and the customer, including the method of delivery; the anticipated date and time the order will be delivered and; confirmation that the order has been successfully delivered or that the delivery cannot be completed.
 - 6) Establishes the Unfair Competition Law, which provides a statutory cause of action for any unlawful, unfair, or fraudulent business act or practice and unfair, deceptive, untrue, or misleading advertising, including over the internet. (BPC § 17200 et seq.)

This bill:

- 1) Specifies that it is unlawful for a food delivery platform to maintain a payment model that uses any amount designated as tips or gratuity to offset the base pay to the person delivering the food or beverage.
- 2) Requires a food delivery platform to prominently disclose to the person delivering the food or beverage an accurate, clearly identified, and itemized breakdown of the pay received for a delivery, including, but not limited to, the base pay, gratuity or tips, and any promotional bonuses.
- 3) Requires a food delivery platform to include a clear and conspicuous customer service feature that allows a customer to contact a natural person. Authorizes the food delivery platform to use an automated system to address customer service concerns but specifies if the automated system is unable to address the customer's concerns, the food delivery platform must ensure that the customer is able to promptly connect with the natural person in order to address the concern.
- 4) Requires a food delivery platform to provide a full refund, including all taxes, commissions, fees, and gratuities, to the customer if an order is not delivered or the wrong order is delivered. Specifies that while the customer can receive a refund for the amount of the original gratuity they paid, the food delivery platform is prohibited from taking or deducting the original gratuity amount from the delivery driver.
- 5) Clarifies that if it is not feasible for the food delivery platform to refund the paid gratuity to the customer in the original method of payment, the food delivery platform must provide an alternate refund method for the paid gratuity.
- 6) Requires, in the event that a customer receives a partial order, the food delivery platform to:
 - a) Only charge the customer for the amount delivered and prorate all taxes, commissions, and fees so they are commensurate with the amount the customer pays for the partial order.

- b) Provide a mechanism that allows the customer to adjust any gratuity that was included in the order prior to its delivery.
- 7) Requires a food delivery platform to, along with any other refund options, provide a mechanism that allows the customer to request that the amount of the refund be returned to the original method of payment.
- 8) Specifies that a food delivery platform is still authorized to remove a customer from the platform if the platform has a reasonable suspicion that the customer has committed or is committing fraud.

FISCAL EFFECT: Unknown. This bill is not keyed fiscal by Legislative Counsel.

COMMENTS:

1. **Purpose.** The Author is the Sponsor of this bill. According to the Author, “The rise of food delivery platforms has led to increased consumer complaints about undelivered orders, lack of refunds, and unreliable customer service. Many customers struggle to get their money back when orders are incomplete or never arrive, while automated customer service systems leave them without assistance. This legislation ensures full refunds for failed deliveries. Simply providing credits is neither sufficient nor fair, as customers are rightfully entitled to recover their money rather than accepting a substitute. Further, AB 578 mandates live customer support representatives to assist with issues, which improves accessibility and user experience. Finally, to ensure gratuities reflect service quality, this bill allows tips to be adjusted after failed deliveries. These changes promote fairness and transparency to ensure consumer protection.”

The Author states that “This bill seeks to address common issues with food delivery services, including lack of accountability for undelivered orders, difficulty reaching customer service, and inflexible tipping policies. When their orders do not arrive, customers struggle to obtain a full refund because of unfair and unclear policies. Additionally, customer service options are often limited to an automated system, making it difficult to resolve issues. Furthermore, tipping is typically required at time of transaction often leaving customers unable to adjust gratuity based on service quality.”

2. **Background.** Food delivery platforms provide an alternative for restaurants that may not wish to employ their own delivery professionals, but want to be able to serve customers at home. Delivery platforms are businesses and attach fees to deliveries—for consumers and for restaurants alike. Different apps have different approaches to setting prices both for consumers and in terms of the fees they charge businesses. Restaurants experienced significant hardship throughout the COVID-19 pandemic and have continued to struggle, particularly with rising costs at every level of operating a small business as so many California restaurants are. Sales through third-party online delivery services grew dramatically in 2020, growing by 122% in an industry that saw major growth even prior to the pandemic.

Third-party delivery platforms faced heightened scrutiny for a number of practices as they became more prevalent during and following the COVID-19 pandemic,

including unauthorized listings, or "ghost" restaurant pages created without a restaurant's consent; excessive commissions and fees, sometimes exceeding 30 percent; lack of data sharing, limiting restaurants' ability to market to their customers and; impacts on delivery drivers. Local jurisdictions passed ordinances limiting or prohibiting certain food delivery platform practices and in 2020, the Legislature passed the Fair Food Delivery Act (Act) (AB 2149, Gonzalez, Chapter 125, Statutes of 2020). The law prohibits a food delivery platform from arranging for the delivery of an order from a food facility without first obtaining an agreement with the food facility expressly authorizing the food delivery platform to take orders and deliver meals prepared by the food facility. A violation of the law constitutes an unfair business practice under the Unfair Competition Law.

The Act has been amended several times since then to address ongoing concerns about specific practices. AB 286 (Gonzalez, Chapter 513, Statutes of 2021) dealt with pricing and wages by prohibiting a food delivery platform from marking up the price of the food and beverages it delivers or retaining tips or gratuities it receives. AB 286 required food delivery platforms to provide itemized cost breakdowns to customers and food facilities that includes the purchase price of the food and beverage; a notice, if applicable, that the food delivery platform charges a fee, commission, or cost to the food facility, except as specified; each fee, commission, or cost charged to the customer by the food delivery platform; and any tip or gratuity. AB 502 (Lee, Chapter 164, Statutes of 2023) addressed issues with consumer communications intended for food facilities that are placed through a listing website. It prohibits such websites from associating methods of communication with a food facility where they know that use of that method will result in a "forwarded call," as defined. AB 502 also established certain disclosures with respect to fees, commissions, and other costs in connection with orders placed through such websites. SB 1490 (Durazo, Chapter 898, Statutes of 2024) further addressed purchase prices by excluding fees and commissions from the definition of purchase price and allowing food facilities to have a mechanism to direct the platform to disclose to customers the delivery fee charged to the food facility and each fee, commission, or cost charged to the food facility. The bill further expanded information provided to a food facility prior to the facility signing an agreement with a platform. SB 2490 also required a food delivery platform to clearly and regularly disclose the status of the order to the food facility and the customer, including the method of delivery; the anticipated date and time the order will be delivered and; confirmation that the order has been successfully delivered or that the delivery cannot be completed.

3. **Arguments in Support.** Supporters write that "As food delivery has become a frequent part of daily life, consumers have grown increasingly reliant on third-party delivery platforms. Unfortunately, with that increase has come a growing number of concerns regarding business practices and the treatment of drivers. There has been an increase in complaints: missing items, incorrect orders, or undelivered meals. Some platforms offer only partial credits, refuse to issue refunds, or force consumers into automated customer services processes that often go unresolved...Consumers and drivers deserve the same protection when ordering food online as they would expect in a brick-and-mortar restaurant; if the meal is not delivered, they should not be charged. Drivers also deserve the labor protections

that cover restaurants and all other workers to ensure they are paid the tips they earned even after a refund.”

Uber Technologies, Inc., “writes in support of AB 578, which would establish minimum customer service standards for food delivery platforms such as those operated by Uber Eats. Among these standards are providing access to a live person, and offering a full or partial refund when an order isn’t received or is incorrect. In addition, the bill provides for a mechanism for a customer to request a refund to their original method of payment - all customer service standards that Uber proudly meets. We also appreciate your recent amendment that recognizes the importance of ensuring delivery drivers keep tips that have already been paid out to them.”

4. **Arguments in Opposition.** The California Chamber of Commerce and Technet are concerned that the bill does not address potential fraud by a customer who ordered food, in the refund provisions of the bill, and requests amendments to clarify that the bill is not intended to prohibit fraud prevention efforts in those rare cases where they are necessary. According to the organizations, at a functional level, some of the refund requirements related to fees are unworkable. They state that “some of the fees associated with delivery are not percentage-based and thus cannot be “pro-rated” ... notably there may be a flat fee to delivery orders below a certain total value. We also have concerns with the bill’s focus on refunding or altering gratuities. The gratuity for an order is customarily already provided to the delivery person by the time a refund or complaint is made – meaning that unpacking that transaction and re-claiming a gratuity may not be feasible for the delivery platform. They also cite concerns with operationalizing the requirement for someone to be promptly connected to a customer service and how to include a feature to allow customers to reach a natural person on the limited screen space of a mobile app.

The Cal Asian Chamber of Commerce, California African American Chamber of Commerce, California Black Chamber of Commerce, and California Hispanic Chambers of Commerce state that AB 578 includes a burdensome and complex requirement to prorate and refund delivery fees, which could drive up costs for both platforms and restaurants, making disputes harder to resolve and increasing administrative burdens and financial strain at a time when many are already operating on thin margins. According to the groups, delivery platforms are already incentivized to take a thoughtful and balanced approach to refund policies, considering both customer satisfaction and the interests of their restaurant partners. Mandating specific refund outcomes could disrupt this balance, reduce platforms’ ability to tailor policies to complex, real-world situations, and ultimately lead to administrative headaches and higher costs for restaurants. We are also concerned that, instead of improving service for consumers, this bill could introduce unnecessary complexity that would ripple through the entire food delivery ecosystem, harming restaurants, delivery drivers, and customers alike. AB 578 would also reward bad actors, incentivize abuse, and leave delivery platforms and restaurants liable for the behavior, driving up costs for everyone. For example, the bill requires platforms to provide a full refund when an order is not delivered, even when the consumer is at fault, including cases where the consumer fails to answer their door, enters the wrong address, or engages in suspected fraud. Similarly, the

bill mandates that a consumer's tip be provided to the delivery worker even when the worker's misconduct – for example, stealing the order – results in the failed delivery.

Grubhub writes that “the requirement for platforms to provide full refunds, including all taxes, commissions, fees, and gratuities, in the manner outlined in AB 578, in all cases where consumers report incorrect or non-delivery, could lead to increased operational costs for platforms and restaurants. These costs are likely to be passed on to consumers, resulting in higher prices for food delivery services.” Grubhub notes that the goals the bill are commendable, and urges the Author to consider the potential economic impact on consumers, couriers, and small businesses operating on and utilizing the food delivery marketplace. A more balanced approach, which includes input from all stakeholders, could achieve the desired outcomes without imposing undue burdens on the industry.”

5. **Author's amendments.** In order to ensure that platforms have a mechanism to address fraudulent refund requests and to clarify provisions related to prorating, the bill will be amended according to the following:

22599.2.

*(a) A food delivery platform shall provide a full refund, including all taxes, commissions, fees, and gratuities, to the customer if an order is not delivered or the wrong order is delivered **unless the food delivery platform determines that the customer was responsible for the non-delivery or finds evidence indicating the refund request may be fraudulent.***

(b) The food delivery platform shall refund the amount of the original paid gratuity to the customer but shall not take or deduct the original gratuity amount from the delivery driver.

(c) If it is not feasible for the food delivery platform to refund the paid gratuity to the customer in the original method of payment, the food delivery platform shall provide an alternate refund method for the paid gratuity.

*(d) In the event that a customer receives ~~a partial order~~ **an order that is only partially fulfilled**, the food delivery platform shall do the following:*

*(1) Charge the customer only for the ~~amount delivered and prorate all taxes, commissions, and fees so they are commensurate with the amount the customer pays for the partial order.~~ **portion of the order the customer received. Any taxes, fees, or gratuities directly associated with the undelivered items shall be adjusted to reflect the reduced order***

(2) Provide a mechanism that allows the customer to adjust any gratuity that was included in the order prior to its delivery.

(e) Along with any other refund options, the food delivery platform shall provide a mechanism that allows the customer to request that

the amount of the refund be returned to the original method of payment.

(f) This section does not prohibit a food delivery platform from removing a customer from the platform if the platform has a reasonable suspicion that the customer has committed or is committing fraud.

SUPPORT AND OPPOSITION:

Support:

California Federation of Labor Unions, AFL-CIO
California Low-income Consumer Coalition
Uber Technologies, INC.
UFCW- Western States Council

Opposition:

Bay Area Council
Cal Asian Chamber of Commerce
California African American Chamber of Commerce
California Black Chamber of Commerce
California Chamber of Commerce
California Hispanic Chambers of Commerce
Chamber of Progress
Grubhub
Technet

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