

CONCURRENCE IN SENATE AMENDMENTS

AB 578 (Bauer-Kahan)

As Amended July 16, 2025

Majority vote

SUMMARY

Food delivery platforms must implement a refund mechanism to address issues such as missed, partially delivered, or incorrect orders. They must also provide a clear way for consumers to contact a live customer service representative. Additionally, platforms are required to uphold fair payment practices for delivery personnel and ensure greater transparency regarding their earnings.

Senate Amendments

- 1) Clarify that it 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.
- 2) Clarify that refunds are subject to whether the food delivery platform is able to determine that either customer was responsible for the nondelivery or finds evidence indicating the refund request may be fraudulent.
- 3) Clarify that for a partially fulfilled order that the food delivery platform must charge the customer only for the 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.

COMMENTS

Unclear refund policies. Grubhub, DoorDash, and Uber Eats dominate the food delivery market, yet none of these platforms have a clear refund policy. All three state that sales are final, and refunds are issued at their discretion, with no obligation to provide reimbursement.^{1,2,3} Last year, a Rocklin resident was unable to receive a refund from DoorDash for virtual reality goggles he ordered through the platform because of their "no obligation to issue a refund".⁴ Although the retailer refunded DoorDash for the purchase, the platform failed to pass the refund on to the customer until after the case received public attention.

These unclear refund policies become increasingly complicated for deliveries that are either wrong or incomplete. Consumers typically pay tips, service charges, and other fees upfront, assuming their orders will be fulfilled correctly. If an order is incomplete, the consumer may receive a refund for the missing items, but may not be reimbursed for associated tips and fees.

¹ DoorDash, "Consumer Terms and Conditions," <https://help.doordash.com/legal/document?type=cx-terms-and-conditions®ion=US&locale=en-US>, Accessed on Mar. 10, 2025.

² Uber, "U.S. Terms of Use," <https://www.uber.com/legal/en/document/?name=general-terms-of-use&country=united-states&lang=en>, Accessed on Mar. 10, 2025.

³ Grubhub, "Terms of Use," <https://www.grubhub.com/legal/terms-of-use>, Accessed on Mar. 10, 2025

⁴ Kurtis Ming and Kevin Wing, "DoorDash now delivers electronics; viewer got stiffed on \$500 refund", *CBS News* (July 1, 2024), <https://www.cbsnews.com/sacramento/news/doordash-now-delivers-electronics-viewer-got-stiffed-on-500-refund-call-kurtis-investigates/>

For example, consider an order for ten pizzas totaling \$200 and the consumer pays an additional \$100 for the fees and tip. If only one of those pizzas is delivered, then the consumer would likely be refunded for the \$180 of pizza that was not delivered, but it is unclear with current policies in place if the consumer can be refunded any amount of the \$100 used for the tip and fees paid corresponding to the original \$200 order, not the \$20 order that was actually delivered.

This is further compounded by the increasing reliance on chatbots to assist with customer service. Many consumers find these automated systems frustrating, particularly when dealing with complex refund request. Reports from last year showed that 45% of American consumers had an unfavorable feeling toward the use of chatbots for customer service while only 19% were favorable.⁵ Chatbots can become increasingly difficult to work with if they are trained to respond in ways that align with the platform's policies, especially if the policies, such as those for refunds, are unclear. This is likely why about 60% of people prefer live chats with human customer service agents over a chatbot.⁶

Unfair payment practices. The scope of the bill was expanded to address unfair wage practices. The Attorneys General for both Illinois and New York have reached settlements with DoorDash regarding their use of tips to offset guaranteed pay.⁷ The New York AG's investigation found that DoorDash was using a deceptive pay model whereby delivery drivers were only able to see their tips if the tip was greater than the payment amount DoorDash guaranteed. For example, if a driver was guaranteed \$10 and the customer tipped \$4, the driver would be paid \$10 with the customer contributing \$4 and DoorDash contributing \$6. These cases resulted in a \$16.25 million settlement in NY and a \$11.25 million settlement in Illinois.^{8,9} These types of practices may exist in California because the law currently only prohibits the retaining of any tip or gratuity, and as the gratuity is not retained by DoorDash, it may not violate the law, but arguably it violates the Legislature's intent.

Please see the policy committee analysis for a full discussion 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

⁵ Jason Collins, "Customer Service Chatbots Earn Mixed Reviews as People Still Prefer Human Conversations," *Civic Science* (July 24, 2024), <https://civicscience.com/customer-service-chatbots-earn-mixed-reviews-as-people-still-prefer-human-conversations/#:~:text=Customer%20Service%20Satisfaction%20Across%20the%20Board%20Is%20Mixed&text=CivicScience%20learned%20that%2C%20in%20general,those%20who%20were%20not%20satisfied.>

⁶ Danielle Comisso, "Do Chatbots Live Up to the Hype? Consumers Weigh In," *Civic Science* (Apr. 28, 2022), <https://civicscience.com/do-chatbots-live-up-to-the-hype-consumers-weigh-in/>

⁷ New York State Attorney General, "Attorney General James Secures \$16.75 Million from DoorDash for Cheating Delivery Workers Out of Tips," <https://ag.ny.gov/press-release/2025/attorney-general-james-secures-1675-million-door-dash-cheating-delivery-workers> Accessed on Mar. 10, 2025.

⁸ *Ibid.*

⁹ Office of the Illinois Attorney General, "ATTORNEY GENERAL RAOUL ANNOUNCES \$11.25 MILLION SETTLEMENT AGREEMENT WITH DOORDASH OVER DELIVERY DRIVER TIPS," <https://illinoisattorneygeneral.gov/news/story/attorney-general-raoul-announces-1125-million-settlement-agreement-with-door-dash-over-delivery-driver-tips> Accessed on Mar. 10, 2025.

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.

Arguments in Support

The California Low-Income Consumer Coalition writes:

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 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 do not solve the problem.

Currently, customers bear the financial risk of failures that they did not cause. AB 578 ensures that consumers are provided with a refund in their original payment method, not just a credit to be used at a later time for a service they may no longer wish to use. AB 578 further ensures customers have access to a live customer service representative to address any issue with the order, not an inescapable chatbot labyrinth.

Consumers deserve the same protections when ordering food online that they would expect in a brick-and-mortar restaurant; if the meal is not delivered, they should not be charged. AB 578 provides a simple but crucial safeguard in an increasingly digital marketplace.

Arguments in Opposition

The Bay Area Council Writes:

AB 578 includes a burdensome and complex requirement to prorate and refund delivery fees — which could drive up costs for both platforms and restaurants, and could make disputes harder to resolve, increasing administrative burdens and adding financial strain at a time when many are already operating on thin margins. 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 add unnecessary complexity that would ripple through the entire food delivery ecosystem and harm restaurants, delivery drivers, and customers alike.

FISCAL COMMENTS

Not applicable.

VOTES:

ASM PRIVACY AND CONSUMER PROTECTION: 14-0-1

YES: Bauer-Kahan, Dixon, Bryan, DeMaio, Ellis, Irwin, Lowenthal, McKinnor, Ortega, Pellerin, Petrie-Norris, Ward, Wicks, Wilson

ABS, ABST OR NV: Patterson

ASSEMBLY FLOOR: 63-2-14

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, Elhawary, Ellis, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Stefani, Ta, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO: DeMaio, Macedo

ABS, ABST OR NV: Bains, Castillo, Dixon, Flora, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Lackey, Papan, Patterson, Sanchez, Soria, Tangipa

UPDATED

VERSION: July 16, 2025

CONSULTANT: John Bennett / P. & C.P. / (916) 319-2200

FN: 0001561