

SENATE THIRD READING
SB 766 (Allen)
As Amended August 29, 2025
Majority vote

SUMMARY

Establishes the California Combating Auto Retail Scams (CARS) Act to improve transparency, prohibit deceptive practices, and enhance consumer protections in the sale and lease of motor vehicles.

Major Provisions

- 1) Prohibits a dealer from making misrepresentations regarding any material key aspect of a vehicle transaction, including:
 - a) The total cost, financing, or lease terms of the vehicle;
 - b) Whether the transaction is a lease or a purchase;
 - c) The cost, benefit, or necessity of add-on products or services;
 - d) Whether a consumer has been or will be preapproved or guaranteed for any financing product or term;
 - e) The availability of a vehicle at an advertised total price;
 - f) Whether the dealer will retain a trade-in or initiate legal action if the transaction is not finalized;
 - g) Whether a trade-in will be paid off and what happens if the dealer fails to do so;
 - h) Any affiliation with a government agency, including the U.S. military;
 - i) The timing or finality of the transaction, repossession rights, or vehicle relocation limitations;
 - j) The remedy if the dealer fails to honor the advertised price;
 - k) Any required disclosures under the Act.
- 2) Requires dealers to make "clear and conspicuous" written disclosures of:
 - a) The "total price" of a vehicle in advertisements and initial written communications;
 - b) The fact that add-on services and products are optional and not required to purchase or lease a vehicle;
 - c) The total cost over the life of the financing or lease agreement when referencing monthly payments;
 - d) Any increase in total cost associated with lower monthly payment options.

- 3) Prohibits a dealer from charging for add-ons that do not provide a benefit to the buyer or lessee, including:
 - a) Nitrogen-filled tires with less than 95% nitrogen purity;
 - b) GAP agreements not compliant with California law;
 - c) Oil change packages for electric vehicles;
 - d) Surface protection that voids the manufacturer's warranty;
 - e) Catalytic converter etching for vehicles without such parts.
- 4) Requires timely payment to third-party providers of add-ons and prohibits charging for add-ons unless the consumer would benefit.
- 5) Establishes a mandatory three-day right to cancel for used vehicle retail sales and leases under \$50,000, allowing the consumer to return the vehicle for any reason if:
 - a) The vehicle is driven fewer than 400 miles;
 - b) It is returned in substantially the same condition, free of liens (other than those from the transaction);
 - c) Restocking fees and any applicable mileage fees are paid (not to exceed \$600 plus \$150);
 - d) The consumer returns any trade-in or compensation received.
- 6) Requires dealers to provide a standardized cancellation disclosure and prohibits obstructive conduct such as:
 - a) Overcharging restocking fees;
 - b) Failing to return down payments or trade-ins;
 - c) Misrepresenting damage to the returned vehicle;
 - d) Refusing to issue refunds or documentation as required.
- 7) Mandates that the three-day cancellation right be disclosed clearly on the first page of the contract and prominently posted at points of sale and lease.
- 8) Repeals the prior optional two-day cancellation contract for used cars and replaces it with the mandatory three-day cooling-off right.
- 9) Requires dealers to retain for at least two years records necessary to demonstrate compliance, including:
 - a) Advertisements and communications about vehicle pricing;
 - b) Sales and lease contracts, add-on disclosures, and service contracts;

- c) Records related to cancellations, refunds, and consumer complaints.
- 10) Applies new conditional sale and lease disclosure standards, including updates to Civil Code Sections 2982 and 2985.8, requiring enhanced itemization of charges, standard contract language, and consumer notices.
- 11) Declares that waivers of consumer rights under the Act are void, and that its provisions supplement and do not limit existing remedies under California law.
- 12) Provides that the Act shall be liberally construed to protect consumers and that any invalid provisions shall be severable.
- 13) Establishes delayed implementation of the CARS Act until October 1, 2026.

COMMENTS

In 2005, the Legislature enacted the Car Buyer's Bill of Rights (AB 68 (Montañez), Chapter 128, Statutes of 2005) to enhance protections related to the marketing, sale, and financing of motor vehicles in California. Despite those reforms, auto sales and service have consistently ranked as the number one source of consumer complaints to state and local enforcement agencies. In response to persistent consumer harm in this area, the author has introduced SB 766.

According to the Author

This important legislation increases protections for consumers purchasing a car by codifying the Federal Trade Commission's (FTC) CARS rule and by creating a three business-day "cooling-off" period to return used cars. Complaints about unfair and deceptive sales practices in the car purchasing process have been consistently at or near the top sources of consumer complaints across all sectors. Common complaints include lack of transparency on the full price of the vehicle, the monthly payment, the down payment, whether the car is for purchase or lease, and the availability of discounts and rebates. Other common complaints are misrepresentations about add-on services and features, along with misrepresentations about affiliations with the Department of Defense or US Armed Forces that target service members and veterans. To address these pervasive problems, the FTC developed rules to prohibit car dealers from misrepresenting the price of the car, require dealers to be transparent about optional add-on services and features, prohibit add-on services and features that do not benefit the consumer, and provide additional benefits for service members and veterans. However, these rules were prevented from being implemented on purely administrative grounds, unfortunately leaving consumers without these well-developed protections. In addition, it is common for consumers to face pressure to purchase a vehicle when they may have been misled on key details, particularly in the case of used cars where problems with the vehicle may not be initially obvious. While it is a standard practice for sellers to have 10 days to cancel a purchase agreement or change the terms, buyers under current law only have two days to return a vehicle and must pre-purchase this ability. To ensure consumers in California are protected from scams, misrepresentations, and have sufficient time to thoroughly read the purchase agreement, catch issues with the car, and mirror standard practices for sellers, SB 766 codifies the CARS Rule and creates a three business-day cooling-off period for used car buyers to return their vehicle and receive a refund if the value does not exceed \$48,000 and the miles driven do not exceed 400, while permitting sellers to charge a restocking fee to avoid potential losses.

Arguments in Support

A broad coalition of non-profit organizations, including CalPIRG, the National Consumer Law Center, and the Public Law Center explain that this bill will improve protections for millions of California new and used car buyers and their families:

At a time when the average price of a new vehicle has skyrocketed to over \$47,000 and the average price of a used vehicle has risen to over \$26,000, the Act is needed to address the #1 source of consumer complaints to state and local consumer protection agencies and the Better Business Bureau: auto sales.

According to the U.S. Federal Trade Commission, which promulgated the federal Combating Auto Retail Scams (CARS) Rule, implementation of the Rule would have saved American car buyers over \$3.4 billion each year, and another 72 million hours annually otherwise spent shopping and haggling over buying a car. The FTC's rule was recently overturned by a split decision in the Fifth Circuit Court of Appeal on procedural grounds, finding that 10 years was not sufficient time for the FTC to consider the Rule. However, the Court did not rule on the merits.

The FTC's proposed Rule was supported by over 25,000 individuals who commented in favor of the Rule, as well as attorneys general from 18 states (including California Attorney General Rob Bonta), economists, coalitions representing military servicemembers and veterans, and auto dealers who have a policy of being honest, open, and transparent about pricing and about the condition of the vehicles they offer for sale – finding it difficult to compete with dealers who engage in scamming the car buying public.

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One of the main benefits of the cooling-off period: it will help reduce the risk of "gotcha" scenarios where consumers are subjected to high-pressure sales tactics and / or misled about the condition of the car or the terms of the sale, or where they realize after buying the car it doesn't meet their family's needs, had prior major damage that was not disclosed, has a rolled-back odometer, fails to get the same mileage they were led to expect, would be unusable for a disabled child or parent, or otherwise fails to meet their needs and expectations.

By allowing car buyers to return used vehicles and obtain a refund without having to resort to litigation, the CARS Act will also help address the burden on the Courts due to auto-related litigation in California.

Arguments in Opposition

None on file

FISCAL COMMENTS

None

VOTES**SENATE FLOOR: 27-9-4**

YES: Allen, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener

NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Archuleta, Hurtado, Niello, Reyes

ASM JUDICIARY: 9-1-2

YES: Kalra, Bauer-Kahan, Bryan, Connolly, Harabedian, Pacheco, Papan, Stefani, Zbur

NO: Sanchez

ABS, ABST OR NV: Dixon, Macedo

ASM PRIVACY AND CONSUMER PROTECTION: 11-0-4

YES: Bauer-Kahan, Dixon, Irwin, Lowenthal, Macedo, McKinnor, Ortega, Pellerin, Petrie-Norris, Ward, Wilson

ABS, ABST OR NV: Bryan, DeMaio, Patterson, Wicks

UPDATED

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CONSULTANT: Shiran Zohar / JUD. / (916) 319-2334

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