
UNFINISHED BUSINESS

Bill No: SB 766
Author: Allen (D), et al.
Amended: 9/5/25
Vote: 21

SENATE TRANSPORTATION COMMITTEE: 9-3, 4/8/25

AYES: Cortese, Archuleta, Arreguín, Blakespear, Cervantes, Gonzalez, Limón,
Menjivar, Umberg

NOES: Strickland, Dahle, Valladares

NO VOTE RECORDED: Grayson, Richardson, Seyarto

SENATE JUDICIARY COMMITTEE: 11-0, 4/29/25

AYES: Umberg, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Wahab,
Weber Pierson, Wiener

NO VOTE RECORDED: Niello, Valladares

SENATE APPROPRIATIONS COMMITTEE: 5-1, 5/23/25

AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab

NOES: Seyarto

NO VOTE RECORDED: Dahle

SENATE FLOOR: 27-9, 6/2/25

AYES: 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

NOES: Alvarado-Gil, Choi, Dahle, Grove, Jones, Ochoa Bogh, Seyarto,
Strickland, Valladares

NO VOTE RECORDED: Archuleta, Hurtado, Niello, Reyes

ASSEMBLY FLOOR: 64-1, 9/10 /25 - Roll call not available.

SUBJECT: California Combating Auto Retail Scams (CARS) Act

SOURCE: Author

DIGEST: This bill 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.

Assembly Amendments of 9/5/25 delay implementation of the bill to October 1, 2026; clarify document retention requirements imposed on vehicle dealers; reduce the right to cancel to three calendar days; set the cap on vehicles eligible for the right to cancel at \$50,000; make numerous changes to the allowable cancellation restocking fee; clarify that deductions permitted under the cancellation option must be first deducted from the customer's refund; require refunds to be issued within 48 hours of when the right to cancel was exercised; revert the definitions of "clear and conspicuous" and "total price" to that within existing law; create numerous exemptions for vehicles sold at auction and wholesale, among others; strike references to representations made expressly or by implication; and make other clarifying and technical changes.

ANALYSIS:

Existing law:

- 1) Establishes the Consumer Legal Remedies Act (CLRA), which prohibits unfair methods of competition and unfair or deceptive acts or practices undertaken by any person in a transaction intended to result, or which results, in the sale or lease of goods or services to any consumer. (Civil (Civ.) Code § 1750 *et seq.*)
- 2) Authorizes a consumer who suffers harm from a violation of the CLRA to obtain actual damages, injunctive relief, restitution, punitive damages, and attorney's fees. (Civ. Code § 1780.)
- 3) Establishes the Unfair Competition Law (UCL), which prohibits unlawful, unfair, or fraudulent business acts or practices, and unfair, deceptive, untrue, or misleading advertising. (Bus. & Prof. Code § 17200 *et seq.*)
- 4) Establishes the False Advertising Law (FAL), which prohibits making or disseminating any statement known or reasonably should be known to be untrue or misleading, with the intent to dispose of real or personal property. (Business and Professions (Bus. & Prof) Code § 17500 *et seq.*)

- 5) Provides common law remedies for individuals harmed by fraud, deceit, and misrepresentation, including concealment of material facts. (Civ. Code §§ 1709–1710, 1572–1573.)
- 6) Requires any person acting as a dealer, remanufacturer, manufacturer, or transporter, or as a manufacturer branch, remanufacturer branch, distributor, or distributor branch, to first obtain a license from the Department of Motor Vehicles. (Vehicle (Veh.) Code § 11700.)
- 7) Prohibits a licensed dealer from making or disseminating any statement that is untrue or misleading and that is known, or that by the exercise of reasonable care should be known, to be untrue or misleading; or from disseminating such a statement as part of a plan or scheme not to sell a vehicle or service as advertised. (Veh. Code § 11713.)
- 8) Defines the “total price” of a vehicle for advertising purposes and allows dealers to exclude certain fees and government charges, including document processing charges, from advertised prices. (Veh. Code § 11713.1.)
- 9) Requires dealers to provide specified disclosures about a buyer’s credit score and optional items such as maintenance plans, insurance products, debt cancellation agreements, and theft deterrents, when they arrange vehicle financing. (Civ. Code § 2982.2.)
- 10) Restricts dealers from including add-ons or inflating installment or down payments after the buyer and seller have agreed to the purchase terms, in order to disguise additional charges. (Civ. Code § 2982.2.)
- 11) Prohibits the sale of Guaranteed Asset Protection (GAP) waivers unless they meet specific conditions, and requires disclosures and cancellation rights in connection with GAP products. (Civ. Code §§ 2982, 2982.2, and 2982.12.)
- 12) Requires dealers selling certain used vehicles to offer a 2-day contract cancellation option to the buyer if the vehicle is under \$40,000, and permits dealers to charge for this option. (Veh. Code § 11713.21.)
- 13) Prohibits a dealer from retaining a trade-in vehicle or cash down payment, charging fees, or initiating legal action if a vehicle sale or lease transaction is not finalized. (Veh. Code § 11709.4.)
- 14) Requires dealers to retain sales finance documents, including conditional sale contracts, lease agreements, and related materials, for a minimum of seven years. (Civ. Code § 2984.5.)

- 15) Requires businesses to provide translated copies of contracts and required disclosures when a contract is negotiated primarily in specified non-English languages, including Spanish, Chinese, Tagalog, Vietnamese, and Korean. (Civ. Code § 1632(b).)
- 16) Defines “clear as conspicuous” as in larger type than the surrounding text, or in contrasting type, font, or color to the surrounding text of the same size, or set off from the surrounding text of the same size by symbols or other marks that call attention to the language. (Civ. Code § 1798.91(a)(3).)

This bill:

- 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 which are not to exceed \$600 plus \$150 (in lieu of the restocking fee, a dealer that charged a customer a shipping fee for transporting the vehicle may retain the cost the dealer actually incurred for shipping);
 - 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

- 1) *Purpose of this bill.* 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-day cooling-off period for used car buyers to return their vehicle and receive a refund if the value does not exceed \$50,000 and the miles driven do not exceed 400, while permitting sellers to charge a restocking fee to avoid potential losses.”

- 2) *Background on the CARS Ruling.* The Federal Trade Commission (FTC) issued the Combating Auto Retail Scams (CARS) Rule in late 2023 with a planned effective date of July 30, 2024. The rule aimed to crack down on bait-and-switch tactics and hidden junk fees in the car-buying process. The FTC estimated that the rule would save consumers nationwide more than \$3.4 billion and an estimated 72 million hours each year shopping for vehicles. However, in response to a technical challenge from the National Automobile Dealers Association (NADA) and the Texas Automobile Dealers Association (TADA), the U.S. Court of Appeals for the Fifth Circuit vacated the FTC's CARS Rule, halting its implementation. This bill includes a number of provisions within the CARS Rule.

The FTC reported that the impetus for CARS Rule included the commission’s role bringing more than 50 law enforcement actions related to automobiles and helping lead two nationwide law enforcement sweeps that included 181 state-level enforcement actions. In spite of these actions, the FTC reported that complaints from consumers related to automobiles remained in the top ten

complaint types received by the commission, with more than 100,000 complaints from consumers annually over the past three years (as of 2022).

- 3) *Current protections.* Through the Unfair Competition Law, False Advertising Law, and the Consumer Legal Remedies, California provides consumers with significant remedies against unfair, deceptive, and abusive practices. Additionally, existing law provides certain protections specific to the car-buying experience, including a prohibition against misleading statements by vehicle dealers. The Legislature sought to curb abusive practices by car dealers in AB 68 (Montañez, Chapter 128, Statutes of 2005), known as the Car Buyer's Bill of Rights, which enhanced protections related to the marketing, sale, and financing of motor vehicles in California. Despite those reforms, vehicle consumers continue to complain of hidden fees, high-pressure sales tactics, confusing financing terms, and bait-and-switch advertising that lures customers with empty promises.
- 4) *SB 766 aims to strengthen consumer protections.* This bill contains many of the provisions within the CARS Rule which sought to create a more level playing field between professional salespeople and occasional car buyers in an environment where consumers feel vulnerable and distrustful, with many reporting misrepresentations about vehicle history, condition, or warranty coverage that only become apparent after purchase. Among the protections in this bill is a prohibition on dealers making misrepresentations regarding any material key aspect of a vehicle transaction. This bill also strengthens numerous disclosure requirements, imposes document retention requirements on dealers, prohibits dealers from charging for add-on products that do not benefit the buyer, and expands car buyers' existing return option, referred to as a right to cancel or a cooling off period.
- 5) *Expanding the right to cancel.* The 2005 Car Buyer's Bill established a two day return window for used cars, capped at a valuation of \$40,000. Under this statute, a dealer may (and many do) require the customer to pre-pay for the ability to return the car. This bill expands this option for customers to a three day right to cancel a vehicle purchase or lease under \$50,000, as long as the vehicle has fewer than 400 miles while in the customer's possession. A dealer may not require a customer to pre-buy this option, but may charge a fee not to exceed \$600 plus \$150. In lieu of this fee, a dealer that charged the customer a shipping fee for transporting the vehicle may retain the cost the dealer actually incurred for shipping. The bill also includes disclosure requirements to notify customers of these options.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 9/8/25)

Americans for Financial Reform
Bet Tzedek
California Department of Justice
California Low-income Consumer Coalition
Calpirg
Cameo Network
Center for Auto Safety
Centro Legal De LA Raza
Coalition for Clean Air
Community Legal Services of East Palo Alto
Consumer Attorneys of California
Consumer Federation of America
Consumer Federation of California
Consumer Protection Policy Center/usd School of Law
Consumer Reports
Consumers for Auto Reliability & Safety
Contra Costa Senior Legal Services
Elder Law & Advocacy
Housing and Economic Rights Advocates
Legal Aid of Marin
Legal Assistance for Seniors
Legal Assistance to The Elderly
National Association of Consumer Advocates
National Consumer Law Center, INC.
National Consumers League
Open Door Legal
Public Citizen
Public Counsel
Public Law Center
Rise Economy
Riverside Legal Aid
Santa Clara Law
Unidosus
Watsonville Law Center

OPPOSITION: (Verified 9/8/25)

None received.

Prepared by: Isabelle LaSalle / TRANS. / (916) 651-4121
9/10/25 14:52:05

****** END ******