

AMENDED IN ASSEMBLY JUNE 13, 2025

AMENDED IN SENATE MAY 23, 2025

AMENDED IN SENATE MAY 1, 2025

AMENDED IN SENATE APRIL 10, 2025

SENATE BILL

No. 766

Introduced by Senator Allen
(Coauthor: Senator Stern)

February 21, 2025

An act to add Title 1.5B (commencing with Section 1784.20) to Part 4 of Division 3 of the Civil Code, to amend Section 6012.3 of the Revenue and Taxation Code, and to repeal Section 11713.21 of, and to repeal and add Section 11709.2 of, the Vehicle Code, relating to civil law.

LEGISLATIVE COUNSEL'S DIGEST

SB 766, as amended, Allen. California Combating Auto Retail Scams (CARS) Act.

Existing law governs motor vehicle conditional sale contracts, as defined, and requires a seller, prior to the execution of a conditional sale contract, to make certain disclosures to the buyer, including a description and the price of each item sold if the contract includes a charge for the item, and the sum of all of those charges.

Existing law prohibits a dealer from selling specified used vehicles at retail to an individual for personal, family, or household use without offering the buyer a contract cancellation option agreement that allows the buyer to return the vehicle without cause. Existing law sets forth certain requirements for the contract cancellation option agreement,

including prescribing the purchase price for the contract cancellation option and requiring specified disclosures.

This bill would enact the California Combating Auto Retail Scams (CARS) Act. The bill would make it a violation of the act for a dealer to make any misrepresentation regarding material information about specified matters relating to the vehicle sale, including the costs or terms of purchasing, financing, or leasing a vehicle, the availability of vehicles at an advertised price, and the remedy available if a dealer fails to sell or lease a vehicle at the total price, as defined. The bill would also make it a violation of the act for a dealer to fail to make certain disclosures clear and conspicuous, including specified information relating to the total price and any add-on ~~product or services~~. *products or services*. The bill would make it a violation of the act for a dealer, in connection with the sale or financing of a vehicle, to charge for certain items, including an add-on product or service if the vehicle purchaser or lessee would not benefit from the add-on product or service. The bill would repeal the above-described contract cancellation option agreement requirement and would instead prohibit a dealer from selling or leasing specified used vehicles without providing the purchaser or lessee a 3-business-day right to cancel the purchase or lease, as provided. The bill would require a dealer to create and retain, for a period of 2 years from the date the record is created, all records necessary to demonstrate compliance with the act, including specified records.

The bill would make related conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Title 1.5B (commencing with Section 1784.20)
2 is added to Part 4 of Division 3 of the Civil Code, to read:
3
4 TITLE 1.5B. CALIFORNIA COMBATING AUTO RETAIL
5 SCAMS (CARS) ACT
6
7 CHAPTER 1. GENERAL PROVISIONS
8
9 1784.20. This title shall be known, and may be cited, as the
10 California Combating Auto Retail Scams (CARS) Act.

1 1784.21. Any waiver by a consumer of the provisions of this
2 title is contrary to public policy and is unenforceable and void.

3 1784.22. The provisions of this title are not exclusive. The
4 remedies provided in this title for a violation of this title or for
5 conduct proscribed by this title shall be in addition to any other
6 remedies available under other law. This title does not limit or
7 alter the remedies and liabilities set forth in other laws that may
8 apply.

9 1784.23. If any provision of this title or the application of this
10 title to any person or circumstance is held to be unconstitutional
11 or otherwise deemed to be invalid, the remainder of the title and
12 the application of the provision to other persons or circumstances
13 shall not be affected.

14
15 CHAPTER 2. CONSTRUCTION AND DEFINITIONS
16

17 1784.30. This title shall be liberally construed and applied to
18 promote its underlying purposes, which are to protect purchasers
19 and lessees of new or used motor vehicles against unfair and
20 deceptive business practices and to provide efficient and
21 economical procedures to secure that protection.

22 1784.31. The following definitions apply for purposes of this
23 chapter:

24 (a) “Add-on” or “add-on product or service” means any product
25 or service not provided to the purchaser or lessee or installed on
26 the vehicle by the vehicle manufacturer and for which the dealer,
27 directly or indirectly, charges a purchaser or lessee in connection
28 with a vehicle sale, lease, or financing transaction.

29 (b) “Clear and conspicuous” or “clearly and conspicuously”
30 means in a manner that is difficult to miss and easily
31 understandable, including in all of the following ways:

32 (1) In any communication that is solely visual or solely audible,
33 the disclosure shall be made through the same means through
34 which the communication is presented. In any communication
35 made through both visual and audible means, including a television
36 advertisement or video, the disclosure shall be presented
37 simultaneously in both the visual and audible portions of the
38 communication even if the representation requiring the disclosure
39 is made through only one means.

1 (2) A visual disclosure, by its size, contrast, location, the length
2 of time it appears, and other characteristics, shall stand out from
3 any accompanying text or other visual elements so that it is easily
4 noticed, read, and understood.

5 (3) An audible disclosure, including by telephone or streaming
6 video, shall be delivered in a volume, speed, and cadence sufficient
7 for ordinary consumers to easily hear and understand it.

8 (4) In any communication using an interactive electronic
9 medium, including the internet or software, the disclosure shall be
10 unavoidable.

11 (5) The disclosure shall use diction and syntax understandable
12 to ordinary consumers and shall be provided in each language in
13 which the representation that requires the disclosure appears.

14 (6) The disclosure shall comply with these requirements in each
15 medium through which it is received.

16 (7) The disclosure shall not be contradicted or mitigated by, or
17 inconsistent with, anything else in the communication.

18 (c) “Dealer” means a licensed California motor vehicle dealer
19 or a dealer as defined in Section 285 of the Vehicle Code.

20 (d) “GAP agreement” means an agreement for either of the
21 following:

22 (1) To indemnify a vehicle purchaser or lessee for the difference
23 between the actual cash value of the vehicle in the event of an
24 unrecovered theft or total loss and the amount owed on the vehicle
25 pursuant to the terms of a loan, lease agreement, or installment
26 sales contract used to purchase or lease the vehicle.

27 (2) To waive the unpaid difference between money received
28 from the purchaser’s or lessee’s vehicle insurer and some or all of
29 the amount owed on the vehicle at the time of the unrecovered
30 theft or total loss, including products or services titled “guaranteed
31 automobile protection agreement,” “guaranteed asset protection
32 agreement,” “GAP insurance,” or “GAP waiver.”

33 (e) “Material” or “materially” means likely to affect a person’s
34 choice of, or conduct regarding, goods or services.

35 (f) “Motor vehicle” or “vehicle” means a motor vehicle as
36 defined by Section 415 of the Vehicle Code.

37 (g) “Service contract” includes products that provide consumers
38 with some type of benefit or payment for repair, maintenance, or
39 service on the vehicle purchased or leased.

(h) (1) “Total price” means the total sale price of a vehicle, excluding taxes, vehicle registration fees, the California tire fee, the fee charged by the state for the issuance of a certificate of compliance or noncompliance pursuant to a statute, finance charges, mobilehome escrow fees, the amount of a city, county, or city and county imposed fee or tax for a mobilehome, an electronic registration or transfer charge, and a charge for emission testing not to exceed fifty dollars (\$50) plus the actual fees charged for certificates pursuant to Section 44060 of the Health and Safety Code. *the taxes, fees, and charges described in subdivision (e) of Section 11713.1 of the Vehicle Code.*

(2) “Total price” includes any dealer price adjustment and the cost of any item installed on the vehicle at the time of the advertisement or communication.

(3) “Total price” does not include any deduction for a rebate.

(i) “Used motor vehicle” or “used vehicle” means a used vehicle as defined in Section 665 of the Vehicle Code.

CHAPTER 3. PROHIBITED CONDUCT AND CONSUMER RIGHTS

1784.40. It is a violation of this title for any dealer to make any misrepresentation, expressly or by implication, regarding material information about any of the following:

(a) The costs or terms of purchasing, financing, or leasing a vehicle.

(b) Any costs, limitation, benefit, or any other aspect of an add-on product or service.

(c) Whether the terms are, or transaction is, for a purchase or a lease.

(d) The availability of any rebates or discounts that are factored into the advertised price but are not available to all car buyers or lessees.

(e) The availability of vehicles at an advertised price.

(f) Whether any consumer has been or will be preapproved or guaranteed for any product, service, or term.

(g) Information on or about a consumer’s application for financing.

(h) The time at which the transaction is final or binding on all parties.

1 (i) Whether the dealer will keep cash downpayments or trade-in
2 vehicles, charge fees, or initiate legal process, or any action if a
3 transaction is not finalized or if the consumer does not go forward
4 with the transaction.

5 (j) Whether, and if so, when, a dealer will pay off some or all
6 of the financing or a lease on a consumer's trade-in vehicle, and
7 what happens if a dealer fails to pay off the trade-in vehicle within
8 the time period required by Section 11709.4 of the Vehicle Code.

9 (k) The remedy available if a dealer fails to sell or lease a vehicle
10 at the total price.

11 (l) Whether the dealer or any of the dealer's personnel or
12 products or services is or was affiliated with, endorsed or approved
13 by, or otherwise associated with the United States government or
14 any federal, state, or local governmental agency, unit, or
15 department, including the United States Department of Defense
16 or its military departments.

17 (m) Whether, or under what circumstances, a vehicle may be
18 repossessed.

19 (n) Whether, or under what circumstances, a vehicle may be
20 moved, including across state lines or out of the country.

21 (o) Any of the required disclosures identified in this title.

22 1784.41. It is a violation of this title for any dealer to fail to
23 make any disclosure required by this section, clearly and
24 conspicuously.

25 (a) In connection with the sale or financing of a vehicle, a
26 vehicle's total price shall be disclosed as follows:

27 (1) In any advertisement that references, expressly or by
28 implication, a specific vehicle for sale.

29 (2) In any advertisement that represents, expressly or by
30 implication, any monetary amount or financing term for any
31 vehicle.

32 (3) In the first communication with a consumer that includes a
33 reference, expressly or by implication, regarding a specific vehicle
34 for sale, or any monetary amount or financing term for any vehicle.
35 With respect to these communications both of the following apply:

36 (A) The total price for the vehicle shall be disclosed at least
37 once in the dealer's first response regarding that specific vehicle
38 to the consumer.

39 (B) If the communication or response is in writing, the total
40 price shall be disclosed in writing.

1 (b) When making any representation, expressly or by
2 implication, directly or indirectly, about an add-on product or
3 service, the dealer shall disclose at least once that the add-on is
4 not required and the consumer can purchase or lease the vehicle
5 without the add-on. This disclosure shall be in writing and shall
6 be clear and conspicuous, and in the same language in which the
7 contract was negotiated.

8 (c) (1) When making any representation, expressly or by
9 implication, directly or indirectly, about a monthly payment for
10 any vehicle, the dealer shall disclose at least once, clearly and
11 conspicuously and in writing, the total amount the consumer will
12 pay to purchase or lease the vehicle at that monthly payment after
13 making all payments as scheduled.

14 (2) If the total amount disclosed assumes the consumer will
15 provide consideration, including in the form of a cash
16 downpayment or trade-in valuation, the dealer shall disclose the
17 amount of consideration to be provided by the consumer. This
18 disclosure shall be in writing and shall be clear and conspicuous
19 and in the same language in which the contract was negotiated.

20 (d) If the dealer makes any comparison between payment
21 options, expressly or by implication, directly or indirectly, that
22 includes discussion of a lower monthly payment, the dealer shall
23 disclose that the lower monthly payment will increase the total
24 amount the consumer will pay to purchase or lease the vehicle, if
25 true. If the representation is in writing, the disclosure must be in
26 writing.

27 1784.42. It is a violation of this title for any dealer, in
28 connection with the sale or financing of vehicles, to charge for any
29 of the following.

30 (a) A dealer may not charge for an add-on product or service if
31 the vehicle purchaser or lessee would not benefit from the add-on
32 product or service, including, as applicable, any of the following:

33 (1) Nitrogen-filled tire-related products or services that contain
34 less than 95-percent nitrogen purity.

35 (2) Products or services that do not provide coverage for the
36 vehicle, the consumer, or the transaction, or that are duplicative
37 of warranty coverage for the vehicle.

38 (3) A GAP agreement that is not in compliance with Section
39 2982, 2982.2, or 2982.12.

(4) A service contract if the service contract includes a limit that would not cover the market value price for the repair of a covered item under the service contract, if the service contract is void due to preexisting conditions, including prior damage from a crash or flood or preexisting mechanical conditions, or if the service contract does not cover the reasonable costs of repair.

(5) Oil changes for electric vehicles.

(6) Duplicative service contracts that cover the same time period as the manufacturer's warranty for another service contract.

(7) Catalytic converter markings for a vehicle that does not have a catalytic converter.

(8) Surface protection product that renders the manufacturer's warranty for the paint job void.

(b) A dealer may not fail to pay the person or entity who is supposed to provide the benefit of the add-on within 10 days of the date when the car buyer or lessee signs the purchase or lease.

(c) This section does not prohibit a dealer from charging for an add-on product or service, such as a service contract, if the add-on product or service is selected by, and would benefit, the vehicle purchaser or lessee, even if the vehicle purchaser or lessee ultimately does not choose to use the add-on product or service.

1784.43. (a) A dealer shall not sell or lease a used vehicle at retail at a price equal to or less than forty-eight thousand dollars (\$48,000), as adjusted pursuant to subdivision (f), to an entity or individual without providing the purchaser or lessee with a three-business-day right to cancel the purchase or lease.

(b) To comply with subdivision (a), and notwithstanding Section 2981.9 of the Civil Code, a dealer shall provide the purchaser or lessee a copy of a disclosure titled "3-Business-Day Right to Cancel Used Car Purchase or Lease" on a separate document that shall set forth this right clearly and conspicuously and that shall contain all of the following:

(1) The name of the seller and the purchaser or lessee.

(2) A description and the vehicle identification number of the vehicle purchased.

(3) A statement specifying the time within which the buyer shall exercise the right to cancel the purchase under the contract cancellation option and return the vehicle to the dealer. The dealer shall not specify a time that is earlier than the dealer's close of business on the third business day following the day on which the

1 purchase or lease agreement was signed, and the vehicle was
2 originally delivered to the purchaser or lessee by the dealer.

3 (4) A statement that clearly and conspicuously discloses that
4 the dealer cannot charge the purchaser or lessee for the right to
5 cancel the purchase or lease.

6 (5) A statement that clearly and conspicuously discloses that
7 the dealer may charge the purchaser or lessee a restocking fee only
8 if the purchaser or lessee exercises the right to cancel and that the
9 fee will be determined by multiplying the cash price of the vehicle
10 on the purchase contract or the agreed-upon value for the vehicle
11 on the lease agreement by the number of miles the vehicle was
12 driven since the purchase or lease and divide that number by
13 150,000. In addition to any restocking fee, a dealer may charge a
14 daily use fee of not more than sixty dollars (\$60) for each day that
15 the vehicle was in the customer's possession.

16 (6) A statement that clearly and conspicuously discloses that
17 the purchaser or lessee cannot exercise the option if the vehicle
18 has been driven more than 400 miles.

19 (7) A statement that clearly and conspicuously discloses that
20 the dealer can charge the purchaser or lessee for damage to the
21 vehicle beyond reasonable wear and tear, the dealer will have the
22 burden of proving the damage is beyond reasonable wear and tear,
23 and the dealer cannot withhold any portion of the purchaser's or
24 lessee's downpayment, or their trade-in vehicle to pay for or to
25 get the purchaser or lessee to pay what the dealer claims is damage
26 beyond reasonable wear and tear.

27 (8) A statement that clearly and conspicuously discloses that
28 the dealer cannot prevent the customer from exercising the right
29 to cancel because they do not have the money to pay for the
30 restocking fee or for damage the dealer claims is beyond reasonable
31 wear and tear.

32 (9) A statement that clearly and conspicuously discloses that if
33 the dealer has sold the purchaser's or lessee's trade-in vehicle, the
34 dealer shall pay the purchaser or lessee the greater amount of the
35 agreed-upon value of the trade-in vehicle on the purchase or lease
36 agreement, the fair market value of the vehicle at the time when
37 it was traded in, or the amount at which the dealer sold the trade-in
38 vehicle.

39 (10) A statement that clearly and conspicuously discloses that
40 if the dealer represents to the purchaser or lessee that it sold the

1 trade-in vehicle, it must provide the purchaser or lessee a copy of
2 the document showing the sale of the trade-in vehicle. The dealer
3 shall redact the personal information of the person or entity to
4 whom the trade-in vehicle was sold.

5 (c) It is a violation of this title for any dealer, in connection with
6 a purchaser or lessee exercising the right to cancel, to do any of
7 the following:

8 (1) To do or say anything to impede a purchaser or lessee from
9 exercising the right to cancel the purchase or lease of a vehicle as
10 provided in this title.

11 (2) To overcharge the purchaser or lessee for the restocking fee.

12 (3) To withhold the purchaser's or lessee's downpayment or
13 trade-in vehicle after the right to cancel has been exercised.

14 (4) To fail to timely refund the purchaser's or lessee's
15 downpayment after the right to cancel has been exercised.

16 (5) To fail to refund the amount owed for the purchaser's or
17 lessee's trade-in vehicle if the trade-in vehicle has been sold.

18 (6) To fail to provide the purchaser or lessee the receipt or
19 contract for the sale of the purchaser's or lessee's trade-in vehicle.

20 (7) To claim damage to the vehicle in excess of reasonable wear
21 and tear without reasonable basis.

22 (8) To claim the person authorized to return the purchaser's or
23 lessee's downpayment or trade-in vehicle is not available.

24 (d) The dealer will clearly and conspicuously disclose on the
25 first page of the purchase or lease agreement the following:

26
27 "CALIFORNIA DOES NOT HAVE A COOLING-OFF
28 PERIOD FOR NEW VEHICLES. HOWEVER, IF YOU
29 PURCHASED OR LEASED A USED VEHICLE, YOU HAVE
30 3 BUSINESS DAYS TO CANCEL THIS CONTRACT FOR ANY
31 REASON.

32 You have up to 3 business days to return the vehicle to the dealer
33 and cancel this contract and obtain a refund. Please review the
34 disclosure, which the dealer is required by law to provide, for the
35 details about this right and how to exercise it."

36
37 (e) This section does not affect the ability of a buyer to rescind
38 the contract or revoke acceptance under any other law.

39 (f) This section does not apply to a used vehicle with a purchase
40 price greater than forty-eight thousand dollars (\$48,000), as

1 adjusted June 1, 2027, and every June 1 thereafter, by the
2 percentage change in the cost of living, as defined in Section 2212
3 of the Revenue and Taxation Code.

4 1784.44. (a) A dealer subject to this title shall create and retain,
5 for a period of two years from the date the record is created, all
6 records necessary to demonstrate compliance with this title,
7 including the following records:

8 (1) Copies of all materially different advertisements and
9 marketing materials regarding the price, financing, or lease of a
10 vehicle, that the dealer disseminated during the relevant time
11 period. A typical example of a credit or lease advertisement may
12 be retained for advertisements that include different vehicles, or
13 different amounts for the same credit or lease terms, if the
14 advertisements are otherwise not materially different.

15 (2) Copies of all purchase orders, financing and lease documents
16 with the dealer signed by the consumer, whether or not final
17 approval or assignment of the contract is received from a financing
18 or lease transaction, and all written communications relating to
19 sales, financing, or leasing between the dealer and any car buyer
20 or lessee who signs a purchase order or financing or lease contract
21 with the dealer.

22 (3) Records demonstrating that add-ons in a consumer's contract
23 meet the requirements of Section 1784.42, including copies of all
24 service contracts, GAP agreements, proof of timely payment for
25 add-ons, and calculations of loan-to-value ratios in contracts
26 including GAP agreements.

27 (4) Copies of all cancellation requests, proof of refunds of
28 downpayments or other consideration provided in the purchase of
29 a vehicle, and proof of return of trade-in vehicles.

30 (5) Copies of all written complaints from car buyers or lessees
31 received by the dealer relating to sales, financing, leasing, or
32 cancellation requests under Section 1784.43, inquiries related to
33 add-ons, and inquiries and responses about vehicles referenced in
34 Section 1784.41.

35 (b) A dealer subject to this part may keep the records required
36 by subdivision (a) in any legible form, and in the same manner,
37 format, or place as they already keep records in the ordinary course
38 of business. Failure to keep all records required under subdivision
39 (a) is a violation of this title.

1 (c) This section does not limit the requirements imposed by
2 Section 2984.5.

3 SEC. 2. Section 6012.3 of the Revenue and Taxation Code is
4 amended to read:

5 6012.3. For purposes of this part, “gross receipts” and “sales
6 price” do not include that portion of the sales price returned to the
7 purchaser of a used motor vehicle pursuant to Section 1784.43 of
8 the Civil Code.

9 SEC. 3. Section 11709.2 of the Vehicle Code is repealed.

10 SEC. 4. Section 11709.2 is added to the Vehicle Code, to read:

11 11709.2. (a) Every dealer shall conspicuously display a notice,
12 not less than three feet high and three feet wide, in each sales office
13 and sales cubicle of a dealer’s established place of business where
14 written terms of specific sale or lease transactions are discussed
15 with prospective purchasers or lessees, and in each room of a
16 dealer’s established place of business where sale and lease contracts
17 are regularly executed that states the following:

18
19 “CALIFORNIA DOES NOT HAVE A COOLING-OFF
20 PERIOD FOR NEW VEHICLES. BUT IF YOU PURCHASED
21 OR LEASED A USED VEHICLE FOR \$____OR LESS, YOU
22 HAVE 3 BUSINESS DAYS TO CANCEL THIS CONTRACT
23 FOR ANY REASON.
24

25 This cooling-off period also does not apply to the sale of a
26 motorcycle or an off-highway motor vehicle subject to registration
27 under California law. See the vehicle contract for details.”

28 (b) A dealer shall fill in the blank in each notice required by
29 subdivision (a) with the dollar amount described in subdivision
30 (f) of Section 1784.43 of the Civil Code and shall update the
31 amount on or before June 1, 2027, and every June 1 thereafter.

32 SEC. 5. Section 11713.21 of the Vehicle Code is repealed.