

California Enacts the Combating Auto Retail Scams (CARS) Act

November 26, 2025 | [Dana Clarke](#)

On October 6, California Governor Gavin Newsom signed Senate Bill 766—the California Combating Auto Retail Scams (CARS) Act—which purports to help make the car-buying process more transparent and strengthen consumer protection laws, including by preventing car retailers from tacking on add-on services and other features that do not benefit car buyers or lessees.

The Act is modeled after the Federal Trade Commission's Combating Auto Retail Scams (CARS) Rule, which California's attorney general and several other state AGs supported. The FTC's CARS Rule was vacated in a decision by the U.S. Court of Appeals for the Fifth Circuit in January. S.B. 766 was introduced less than a month after the Fifth Circuit's decision.

What does the CARS Act require?

The Act applies to California licensed motor vehicle dealers and others that satisfy the definition of a "dealer" under California's Vehicle Code. The Act prohibits a broad swath of dealer conduct, which includes making any misrepresentations regarding material information about the costs or terms of purchasing, financing, or leasing a vehicle, including any costs, limitations, benefits, or any other aspect of an add-on product or service. The Act also prohibits dealers from charging for an add-on product or service if the buyer or lessee would not benefit from the add-on product or service and provides examples, including oil changes for electric vehicles and catalytic converter markings for a vehicle that does not have a catalytic converter.

The Act mandates a "clear and conspicuous" standard for certain disclosures such as advertisements related to the sale or financing of vehicles and written communications with a consumer regarding a specific vehicle prior to and during negotiations, including written comparisons between payment options during the negotiations, and mandates disclosure translation requirements with respect to transactions negotiated primarily in a foreign language.

The Act further provides buyers and lessees a new 3-day right to cancel their purchase or lease of a used vehicle having a retail price equal to or less than \$50,000 and institutes new 2-year record retention requirements, including requiring dealers to create and retain all records necessary to demonstrate compliance with the Act.

Will the CARS Act change consumer behavior?

Notably, much of the legislative history of the Act extols California's existing consumer protections, which, according to the Assembly Committee on Privacy and Consumer Protection, provide "consumers with significant remedies against unfair, deceptive, and abusive practices through the Unfair Competition Law, False Advertising Law, and the Consumer[s] Legal Remedies [Act], which authorize enforcement against such practices." The legislative history further notes that California's Civil Code includes existing common law remedies for individuals harmed by fraud, deceit, and misrepresentation, including concealment of material facts, and that California's existing law also provides extensive consumer protections specific to vehicle buying and leasing, including those found in California's Automobile Sales Finance Act, Vehicle Leasing Act, Car Buyer's Bill of Rights, vehicle dealer provisions in the Vehicle Code, and Foreign Language Translations Law.

This wealth of existing California consumer protections and remedies begs the question as to the need for much of the Act itself. According to the Act's author, despite these extensive protections and remedies, "Californians file more than 15,000 auto-related complaints each year" with the FTC, and "the car sales industry is consistently at or near the top sources of consumer complaints to state and local consumer protection agencies and entities such as the Better Business Bureau." Presumably one could conclude that California's existing statutory schemes make the car buying and leasing process too complicated for many consumers to understand, and, therefore, consumers complain. Presumably one could also conclude that the fact that there are so many more complaints than there are instances of consumer plaintiffs pursuing existing California remedies through litigation may mean that most of the complaints do not have merit. Because many of the Act's provisions are conduct-related prohibitions and disclosure requirements, it will be interesting to see if adding more similar prohibitions and requirements to an already heavily regulated process will reduce or increase the number of consumer complaints to federal, state, and local consumer protection agencies and entities. Further, because California's existing slate of remedies equally applies to many of the Act's provisions, it will be interesting to see if the Act's additional requirements change consumer behavior of complaining to federal, state, and local consumer protection agencies and entities before engaging an attorney.

What are the next steps?

The Act becomes operative on October 1, 2026, which should allow dealers and their form providers sufficient time to make any needed adjustments to their business practices, documents, and training protocols. ❏

Hudson Cook, LLP provides articles, webinars and other content on its website from time to time provided both by attorneys with Hudson Cook, LLP, and by other outside authors, for information purposes only. Hudson Cook, LLP does not warrant the accuracy or completeness of the content, and has no duty to correct or update information contained on its website. The views and opinions contained in the content provided on the Hudson

Cook, LLP website do not constitute the views and opinion of the firm. Such content does not constitute legal advice from such authors or from Hudson Cook, LLP. For legal advice on a matter, one should seek the advice of counsel.

SUBSCRIBE TO INSIGHTS

HUDSON COOK

Hudson Cook, LLP is a national law firm representing the financial services industry in compliance, privacy, litigation, regulatory and enforcement matters.

7037 Ridge Road, Suite 300, Hanover, Maryland 21076
410.684.3200

hudsoncook.com

© Hudson Cook, LLP. All rights reserved. Privacy Policy | Legal Notice
Attorney Advertising: Prior Results Do Not Guarantee a Similar Outcome

