

Occupational Licensing Industry News

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Implementation of CARS Act (SB 766)

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Implementation Date: September 22, 2026

New Information

Effective October 1, 2026, the California Combating Auto Retail Scams (CARS) Act (SB 766) significantly updates California’s auto-retail regulatory framework, replacing prior cancellation-option rules and enhancing advertising, disclosures, and recordkeeping standards. This memo outlines dealer obligations, compliance requirements, consumer protections, and potential penalties for violations.

NOTE: Beginning October 1, 2026, the CARS Act applies to **all** licensed California dealers engaging in retail sales or leases of light-duty vehicles under 10,000 lbs., with certain exemptions (for example, wholesale, fleet, and auction).

Key Dealer Requirements Under the CARS Act

Mandatory Total Price Disclosure

- Dealers **must** clearly and conspicuously disclose the total price in:
 - Any advertisement referencing a specific vehicle or financing terms.
 - The first written communication with a consumer (email, text message, quote, credit application, etc.).

Prohibition on Misrepresentations

- Dealers are prohibited from misrepresenting any material information relating to:
 - Vehicle pricing and availability
 - Financing or lease terms
 - Add-on product benefits, limitations, or costs
 - Trade-in payoffs and repossession circumstances
 - Consumer credit application information

Add-On Product Regulations

- Dealers **must**:
 - Clearly disclose that all add-on products are optional, both verbally and in writing (minimum 12 pt. type).
 - Ensure add-ons provide meaningful benefit to the consumer.
 - Refrain from selling “valueless” products (for example, oil changes for EVs and non-beneficial nitrogen tire fills).

Mandatory 3-Day Cancellation Right for Used Vehicles

- The Act replaces the prior optional 2-day paid cancellation agreement.
- Dealers must now provide an automatic 3-day cooling-off right for used vehicles priced at \$50,000 or less.
- Consumers may cancel the contract within three business days, subject to mileage and condition requirements.

Recordkeeping Requirements

- Dealers **must** retain all compliance documentation for two years, including:
 - Advertisements
 - Pricing communications
 - Add-on disclosures and consents
 - Cancellation-related documents

Key Dealer Requirements Under the CARS Act, *continued*

Dealer Penalties for Violations

- The CARS Act does **not** specify fixed per-violation fine schedules; however, violations trigger enforcement through powerful existing California statutes and regulatory agencies.

Civil Penalties

- Violations may be enforced under:
 - Unfair Competition Law (UCL)
 - False Advertising Law (FAL)
 - Consumer Legal Remedies Act (CLRA)
- These laws enable:
 - Civil penalties (up to \$2,500 per violation under UCL)
 - Restitution and injunctive relief
 - Attorneys' fees and potential class-action exposure

Administrative Penalties

- Agencies with enforcement authority include:
 - Department of Motor Vehicles (DMV)
 - Bureau of Automotive Repair (BAR)
- Penalties may include:
 - License suspension or revocation
 - Administrative fines
 - Surety bond claims (dealer \$50,000 bond requirements remain unchanged)

Contractual & Transactional Penalties

- Dealers who fail to comply with cancellation requirements or misstate add-on eligibility can be required to:
 - Refund down payments and trade-in values
 - Reverse financing contracts
 - Provide restitution for prohibited or non-beneficial add-ons

Recordkeeping Violations

- Failure to retain the required two years of records can result in:
 - Enforcement actions by the Department of Motor Vehicles (DMV)/Bureau of Automotive Repair (BAR).
 - Inability to demonstrate compliance, increasing liability exposure.

Background

On October 6, 2025, Senate Bill 766 (SB 766) was signed into law, with implementation scheduled to begin on October 1, 2026. The California Combating Auto Retail Scams (CARS) Act addresses widespread consumer complaints in California's auto-retail regulatory framework involving hidden fees, deceptive practices, pricing, non-beneficial add-ons, and unclear disclosures. The CARS Act parallels many elements of the previously proposed Federal Trade Commission CARS Rule and serves as California's state-level enforcement framework.

References

California Civil Code §§1784.20-23, 1784.28, 1784.30-31, 1784.40-44
Vehicle Code §§11705 and 11713

Distribution

Notification of this memo (available at **dmv.ca.gov** by searching Vehicle Industry Services) was sent through the California DMV Automated Alert System in September 2026 to the following:

- All Licensed Used Vehicle dealers and Lessor-retailers.

Contact

For more information or questions regarding dealer licensing enforcement, fraud or criminal violations, location and contact information can be found at **<https://www.dmv.ca.gov/portal/locations/investigations-offices/>**.