



Consumers for Auto Reliability and Safety®

September 14, 2025

Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

Request for Signature

SB 766 (Allen) Combating Auto Retail Scams (CARS) Act

Dear Governor Newsom:

Consumers for Auto Reliability and Safety (CARS) is a non-profit organization dedicated to preventing motor vehicle-related fatalities, injuries, and economic losses. For decades, CARS has spearheaded enactment of many landmark laws in California and nationally to improve protections for new and used car buyers and their families and small businesses.

CARS respectfully requests that you please sign SB 766 (Allen), the Combating Auto Retail Scams (CARS) Act. SB 766 includes key provisions modeled after the Federal Trade Commission's Combating Auto Retail Scams (CARS) Rule, which was supported by California Attorney General Bonta, and would make buying new or used vehicles in California more affordable and less risky.

Enactment of SB 766 is particularly important now, when tariffs imposed by President Trump are already increasing the price of new and used vehicles and the cost of auto repairs is also skyrocketing.

California Attorney General Bonta: The FTC's CARS Rule is Needed, in Addition to Existing Law

SB 766 is needed to address persistent unfair and deceptive practices that continue to harm California car buyers, despite existing laws. As a news release issued by California Attorney General Rob Bonta stated:

"[T]he new FTC rule is a necessary step to protect consumers as existing law has proven insufficient to stamp out widespread dealer misconduct...."

In 2022, Attorney General Bonta expressed his support for the FTC's rulemaking, which would establish new protections for car buyers nationwide, and will be instrumental in assisting ongoing state efforts to eliminate unfair and deceptive practices that victimize consumers and disadvantage honest businesses.

'For many consumers, a vehicle is a necessity and can be the most expensive one-time purchase they ever make. That car or truck can be a lifeline that takes them to school, a job, or back home to their families,' said Attorney General Bonta. 'Unfortunately, car dealers too often fail to honor advertised prices, tack on unnecessary add-on products, or engage in other deceptive practices. As attorneys general, we know these practices harm low-income consumers and we need more tools in the toolbox to address persistent unfair and deceptive practices in the auto sales industry.'

...[T]he FTC's CARS Rule is necessary to protect consumers from misconduct that remains widespread and pernicious, in spite of existing regulation. As states' top law enforcers, the attorneys general know unfair and deceptive business practices in the automotive sales industry are a pervasive problem and are first-hand witnesses to ongoing violations of existing law. States have a long history of protecting consumers in the automotive sales industry through investigations, settlements, and enforcement and have found existing law has proven inadequate to address persistent unfair and deceptive practices in the automotive sales industry.

In 2022, Attorney General Bonta announced a \$27.5 million settlement with the now-defunct Paul Blanco's Good Car Company resolving allegations that the company engaged in unlawful business practices, including false advertising about credit and discount programs, making false statements on credit applications, and deceiving customers into purchasing add-on products. Through a judgment entered with the court, the company admitted to and agreed to be held liable for publishing 650,000 false advertisements, defrauding auto lenders by misrepresenting vehicle values on 20,000 occasions, and deceiving consumers regarding add-on products. Mr. Blanco also accepted a ten-year ban on participation in the California auto industry....Paul Blanco's deceptive radio and television advertisements targeted vulnerable, predominantly low-income consumers with subprime credit, promising easy approval for unrealistically low interest rates to lure unsuspecting consumers to their dealerships....'

In addition to states' enforcement experiences, consumers themselves have made voluminous reports of their experiences falling victim to deceptive practices when purchasing cars. Further, complaints to the Better Business Bureau about new and used auto dealerships numbered in the tens of thousands annually, and from 2020 to 2021 were the second highest of any industry.

In the brief, the coalition [of state Attorneys General] argues that the CARS Rule is tailored to address the noncompliance state attorneys general see in their enforcement role, and that FTC's move to add specificity to industry regulations is a

reasonable—and important—way to reverse the trend of noncompliance that remains in spite of the existing, pre-CARS Rule regulations. The CARS Rule does so by taking important steps to address these problems by prohibiting dealers from making misrepresentations and charging for add-ons that provide no consumer benefits, and by strengthening disclosure and record-keeping requirements. The coalition asserts that CARS Rule is an important supplement to existing authorities and would provide the states with much-needed ammunition in their ongoing efforts to detect and remediate unfair and deceptive practices in automotive sales.”¹

Cost and Time Savings for California Consumers

According to a thorough, robust, and authoritative analysis by leading economists in support of the FTC’s CARS Rule, the Rule would have saved American car buyers \$3.4 billion and 72 million hours each year otherwise spent shopping for vehicles and haggling over prices.

The same economists, from Stanford, MIT, Clemson, University of Arizona, and University of Michigan, conservatively project that **enactment of the CARS Rule provisions in SB 766 will save California car buyers \$234 million in reduced search costs and another 8.5 million hours in time savings – each year the law is in effect.** They did not evaluate the second part of the bill, which creates a new 3-day cooling off period for used car buyers.

3-day Cooling Off Period for Used Car Buyers

SB 766 would allow car buyers to return used vehicles costing \$50,000 or less for any reason, and get a refund, minus a restocking fee, without having to resort to litigation or arbitration.

A typical example of the type of fraud SB 766 would address involves a severely rusted car purchased by William Bradley, who resides in Placer County. According to Mr. Bradley:

“On April 2nd, 2024, my wife and I went to check out a 2003 Subaru Baha we found for sale at an independent auto dealership in Roseville. I looked it over carefully, including taking a look underneath, and saw nothing that set off any alarms. Undercoating was present but appeared to have been a preventative measure against rust.

I asked the salesperson about the condition of the car and its history, and he said it had recently passed a safety inspection. He specifically said that they

¹“Attorney General Bonta Supports Biden Administration Effort to Protect Car Buyers.” News release issued May 22, 2024. Posted at: <https://oag.ca.gov/news/press-releases/attorney-general-bonta-supports-biden-administration-effort-protect-car-buyers>

had inspected it for rust, since it had come from Pennsylvania, and it checked out OK. The salesman also handed me a "clean" Carfax report.

I took him at his word, since he's a professional and in a position to know about the car. I paid \$10,500 in cash. Then I took the car to an independent mechanic who hoisted it up on a lift. Initially my mechanic believed the car looked clean and was impressed with the low mileage.

However, we were both shocked at what he found. The entire undercarriage was corroded due to rust. Brake components, steering, suspension and frame were rusted beyond repair. He said that the rust was covered up by an extremely heavy layer of undercoating over top of duct tape to hide the damage. He warned me not to drive it at all, since it was grossly unsafe.

I took the car to Roseville Toyota for a second opinion, and they told me the same thing. They couldn't use a hoist, as the frame began to bow and crumble.

I contacted the dealership where I bought the car and they told me too bad, I bought the car 'AS IS,' so basically I was stuck."

In an attempt to simply get his money back, Mr. Bradley had to hire an attorney and file a lawsuit. Over a year later, he is still unable to drive his own car and is still in litigation against the dealership that sold him the unsafe car, which is attempting to compel arbitration. If SB 766 were the law, Mr. Bradley would have a new right to obtain a refund without having to file a lawsuit.

Cooling-Off Period is a Necessary Antidote to High-Pressure Sales Tactics and Fraud

By allowing used car buyers time to get vehicles inspected by skilled auto technicians with access to computerized diagnostic equipment and lifts, the cooling off period in SB 766 would help address typical auto sales scams involving used cars, including:

- **Salvage, flood, and rebuilt wreck frauds:** According to Carfax, "damage from accidents and other causes is common. Carfax data shows as many as 40% of vehicles on the road sustained damage – about 110 million cars in the U.S....In fact, of all the used cars for sale now...about 1 in 4 have sustained damage."²

Every time there's a hurricane, flood cars – which tend to be terribly unsafe and beyond repair – end up being shipped from the states there the disaster

² "Don't Let Accident Reports Steer You Away from a Used Car," Carfax, Feb. 23, 2021, posted at: <https://www.carfax.com/buying/buying-a-used-car-that-has-been-in-an-accident>

happened to California, where they are sold to unsuspecting used car buyers (as Mr. Bradley's experience cited above illustrates).

- **Recalled used car roulette:** Too often, unscrupulous car dealers sell used vehicles with potentially deadly safety recall defects, such as wheels that fall off, brakes that fail, loss of steering, catching on fire, and ticking time bomb Takata airbags that have caused dozens of fatalities and hundreds of debilitating injuries, including blindness and brain damage. Often, victims of this dangerous practice encounter lengthy delays in obtaining repairs. Tragically, some owners and passengers have been injured or killed. One report found that approximately 25% of vehicles CarMax offered for sale in California had at least one unrepaired safety recall defect. Many had multiple safety recall defects.³ More recently, CarMax's own Board Chair openly admitted they fail to remedy safety recall defects.⁴ AutoNation, the nation's largest dealership chain with many franchised dealerships in California, also has a well-documented record of selling vehicles with unrepaired safety recall defects.⁵
- **"Clear-coding":** Unscrupulous used car dealers temporarily disconnect the battery or use a cheap device to erase the error codes, so the "check engine" light goes off until the car is driven far enough (usually roughly 100 miles). Then – after the consumer has purchased the car – the "check engine" light comes back on again, indicating the car has problems and may not pass California's emissions testing and therefore cannot be legally operated in our state. As the Coalition for Clean Air asserts in their letter of support for SB 766, this practice is all too common and calls for providing used car buyers with a window of opportunity to return their vehicle for a refund, after they realize they were sold a seriously defective used car.
- **Odometer fraud:** According to the National Highway Traffic Safety Administration, odometer tampering costs consumers \$1 billion a year. Also, "it can be difficult, but not impossible, to detect whether an odometer has been altered."⁶

3 "Used Car Roulette: CarMax Doubles Down on Selling Unrepaired Recalled Vehicles," by Consumers for Auto Reliability and Safety Foundation, Massachusetts PIRG, and Frontier Group, Sept. 28, 2017, posted at: <https://frontiergroup.org/resources/used-car-roulette/>

4 CarMax Board Chairman Tom Folliard, speaking at Florida Tech, posted at: <https://www.youtube.com/watch?v=Bg5CV264mGg>

5 "Unsafe Used Cars for Sale: Unrepaired, recalled vehicles at AutoNation dealerships," by CARS Foundation, US PIRG Education Fund, and Frontier Group, Oct. 20, 2019, posted at: <https://pirg.org/resources/unsafe-used-cars-for-sale/>

6 National Highway Traffic Safety Administration (NHTSA), "Odometer Fraud," posted at: <https://www.nhtsa.gov/vehicle-safety/odometer-fraud>.

While odometer fraud is difficult for most consumers to detect, an experienced auto technician can often spot telltale signs of odometer tampering. "For digital odometers, you'll likely need a professional to investigate. Some dealers will only clear the numbers on the dash but leave the data in the ECU [Electronic Control Unit]....Bringing in someone experienced and with the tools can help you detect odometer fraud. They can run various diagnostic tests and uncover tampering in various areas."⁷

According to vehicle history report provider Carfax, rolling back an odometer has never been easier and odometer fraud remains a widespread and serious issue for used car buyers across the country. Carfax warns that "In 2024 alone, more than 2.14 million cars on the road may have had their odometer rolled back....It can take a bad actor just seconds to roll back an odometer, causing unsuspecting buyers to lose an average of \$4,000 in value...not to mention the additional costs of unexpected repairs and potential safety risks."⁸

- **Churning.** Dishonest car dealers engage in the predatory practice of selling vehicles that break down soon after purchase, on terms that are unaffordable, then repossessing them when the owner stops making payments and reselling the same car over and over again, each time making an excessive profit.

For example: California's former Attorney General Becerra and 33 other state attorneys general sued the nation's largest subprime auto lender, Santander, over its deceptive and predatory lending practices, which resulted in an appallingly high default rate of 70%. The nationwide settlement totaled over \$550 million dollars. Californians who were harmed received over \$99 million in refunds.⁹

This devastating practice is so prevalent and so outrageous that it got the attention of *Last Week Tonight* journalist John Oliver, who produced an episode that has garnered over 13 million views on YouTube, featuring a vehicle that a car dealer in California sold, repossessed, and sold again eight times in just three years.¹⁰

7 "Odometer rollback: How to avoid Fraud" OBDEleven, April 2, 2024, posted at: <https://obdeleven.com/odometer-rollback?srsftid=AfmBOooNmSEoAf4StqDJjumzDKP0g4J-oncPmHu0lZHxvrHgplycYe6d>

8 "Carfax" Odometer fraud increases nationwide to 2.4 million vehicles," Carfax, PR Newswire, Dec.10, 2024. Posted at:<https://www.prnewswire.com/news-releases/carfax-odometer-fraud-increases-nationwide-to-2-14-million-vehicles-302327017.html>

9 Attorney General Becerra Announces over \$550 Million Settlement Against Nation's Largest Subprime Auto Financing Company for Deceptive Auto Loan Practices, Press release, May 19, 2020, posted at: <https://oag.ca.gov/news/press-releases/attorney-general-becerra-announces-over-550-million-settlement-against-nation%E2%80%99s>

10 "Auto Lending," produced by John Oliver, *Last Week Tonight*. Posted at: https://www.youtube.com/watch?v=4U2eDJnwz_s

Finally, it is important to note that even vehicle history report provider Carfax recommends that consumers get vehicles inspected by a trained automotive mechanic who can identify serious problems that are not apparent in vehicle history reports. "It's always a good idea to take any used car you're seriously considering to a mechanic to check it out and ensure it's in good working order. They have the expertise and equipment to check for things you can't see."¹¹

For all of the reasons stated above, we respectfully request that you please sign SB 766 into law. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Rosemary Shahan". The signature is written in a cursive, flowing style.

Rosemary Shahan
President

¹¹ "How to Buy a Used Car: A Checklist," Carfax, Feb. 18, 2021, posted at: <https://www.carfax.com/buying/car-buying-checklist>