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DIVISION 3. OBLIGATIONS [1427 - 3273.69] (*Heading of Division 3 amended by Stats. 1988, Ch. 160, Sec. 14.*)

PART 4. OBLIGATIONS ARISING FROM PARTICULAR TRANSACTIONS [1738 - 3273.69] (*Part 4 enacted 1872.*)

TITLE 14. LIEN [2872 - 3081] (*Title 14 enacted 1872.*)

CHAPTER 2d. Vehicle Leasing Act [2985.7 - 2993] (*Chapter 2d repealed and added by Stats. 1976, Ch. 1284.*)

2985.7. (a) "Motor vehicle" means any vehicle required to be registered under the Vehicle Code. Motor vehicle does not include any trailer which is sold in conjunction with a vessel.

(b) "Lessor" includes "bailor" and is a person who is engaged in the business of leasing, offering to lease or arranging the lease of a motor vehicle under a lease contract.

For the purpose of this subdivision, "person" means an individual, partnership, corporation, limited liability company, estate, trust, cooperative, association or any other legal entity.

(c) "Lessee" includes "bailee" and is a natural person who leases, offers to lease or is offered the lease of a motor vehicle under a lease contract.

(d) "Lease contract" means any contract for or in contemplation of the lease or bailment for the use of a motor vehicle, and the purchase of services incidental thereto, by a natural person for a term exceeding four months, primarily for personal, family or household purposes, whether or not it is agreed that the lessee bear the risk of the motor vehicle's depreciation. Lease contract does not include a lease for agricultural, business or commercial purposes, or to a government or governmental agency or instrumentality.

(e) "Regulation M" means any rule, regulation, or interpretation promulgated by the Board of Governors of the Federal Reserve System under the federal Consumer Leasing Act (15 U.S.C. Secs. 1667-1667e), and any interpretation or approval issued by an official or employee of the Federal Reserve System duly authorized by the board to issue such interpretations or approvals.

(f) "Constant yield method" means the following:

(1) In the case of a periodic payment lease, the method of determining the rent charge portion of each base payment in which the rent charge for each computational period is earned in advance by multiplying the constant rate implicit in the lease contract times the balance subject to rent charge as it declines during the scheduled lease term. At any time during the scheduled term of a periodic payment lease, the balance subject to rent charge is the difference between the adjusted capitalized cost and the sum of (A) all depreciation and other amortized amounts accrued during the preceding computational periods and (B) the first base periodic payment.

(2) In the case of a single payment lease, the method of determining the periodic earning of rent charges in which the rent charge for each computational period is earned in advance by multiplying the constant rate implicit in the lease contract times the balance subject to rent charge as it increases during the scheduled lease term. At any time during the scheduled term of a single payment lease, the balance subject to rent charge is determined by subtracting from the residual value the total rent charge scheduled to be earned over the term of the lease contract and adding to the difference all rent charges accrued during the preceding computational periods.

(3) Periodic rent charge calculations are based on the assumption that the lessor will receive the lease payments on their exact due dates and that the lease does not end before its scheduled termination date.

(Amended by Stats. 1997, Ch. 800, Sec. 3. Effective January 1, 1998.)

2985.71. (a) Any solicitation to enter into a lease contract that includes any of the following items shall contain the disclosures described in subdivision (b):

(1) The amount of any payment.

(2) A statement of any capitalized cost reduction or other payment required prior to or at consummation or by delivery, if delivery occurs after consummation.

(3) A statement that no capitalized cost reduction or other payment is required prior to or at consummation or by delivery, if delivery occurs after consummation.

(b) A solicitation to enter into a lease contract that includes any item listed in subdivision (a) shall also clearly and conspicuously state all of the following items:

(1) All of the disclosures prescribed by Regulation M set forth in the manner required or permitted by Regulation M, whether or not Regulation M applies to the transaction.

(2) The mileage limit after which mileage charges may accrue and the charge per mile for mileage in excess of the stated mileage limit.

(3) The statement "Plus tax and license" or a substantially similar statement, if amounts due for use tax, license fees, and registration fees are not included in the payments.

(c) No solicitation to aid, promote, or assist directly or indirectly any lease contract may state that a specific lease of any motor vehicle at specific amounts or terms is available unless the lessor usually and customarily leases or will lease that motor vehicle at those amounts or terms.

(d) A failure to comply with the provisions of this section shall not affect the validity of the leasing contract. No owner or employee of any entity, other than the lessor, that serves as a medium in which a lease solicitation appears or through which a lease solicitation is disseminated, shall be liable under this section.

(e) A lessor is not in violation of paragraph (29) of subdivision (a) of Section 1770 because it excludes from the advertised, displayed, or offered lease payment a fee or charge in accordance with paragraph (3) of subdivision (b).

(f) This section shall become operative on July 1, 2024.

(Repealed (in Sec. 5) and added by Stats. 2023, Ch. 400, Sec. 6. (SB 478) Effective January 1, 2024. Operative July 1, 2024, by its own provisions.)

2985.8. (a) A lease contract shall be in writing, and the print portion of the contract shall be printed in at least 8-point type and shall contain in a single document all of the agreements of the lessor and lessee with respect to the obligations of each party.

(b) At the top of the lease contract, a title that contains the words "LEASE CONTRACT" or "LEASE AGREEMENT" shall appear in at least 12-point boldface type.

(c) A lease contract shall disclose all of the following:

(1) All of the information prescribed by Regulation M set forth in the manner required or permitted by Regulation M, whether or not Regulation M applies to the transaction.

(2) A separate statement labeled "Itemization of Gross Capitalized Cost" that shall appear immediately following or directly adjacent to the disclosures required to be segregated by Regulation M. The Itemization of Gross Capitalized Cost shall include all of the following and shall be circumscribed by a line:

(A) The agreed-upon value of the vehicle as equipped at the time of signing the lease.

(B) The agreed-upon value and a description of each accessory and item of optional equipment the lessor agrees to add to the vehicle after signing the lease.

(C) The premium for each policy of insurance.

(D) The amount charged for each service contract.

(E) Any charge for an optional debt cancellation agreement.

(F) Any outstanding prior credit or lease balance.

(G) An itemization by type and agreed-upon value of each good or service included in the gross capitalized cost other than those items included in the disclosures required in subparagraphs (A) to (F), inclusive.

(3) The vehicle identification number of the leased vehicle.

(4) A brief description of each vehicle or other property being traded in and the agreed-upon value of the vehicle or property if the amount due at the time of signing the lease or upon delivery is paid in whole or in part with a net trade-in allowance or the "Itemization of Gross Capitalized Cost" includes any portion of the outstanding prior credit or lease balance from the trade-in property.

(5) The charge, if any, to be retained by the lessor for document processing authorized pursuant to Section 4456.5 of the Vehicle Code, which may not be represented as a governmental fee.

(6) The charge, if any, to electronically register or transfer the vehicle authorized pursuant to Section 4456.5 of the Vehicle Code, which shall not be represented as a governmental fee.

(d) A lease contract shall contain, in at least 8-point boldface type, above the space provided for the lessee's signature and circumscribed by a line, the following notice: "(1) Do not sign this lease before you read it or if it contains any blank spaces to be filled in; (2) You are entitled to a completely filled in copy of this lease; (3) Warning—Unless a charge is included in this lease for public liability or property damage insurance, payment for that coverage is not provided by this lease."

(e) A lease contract shall contain, in at least 8-point boldface type, on the first page of the contract and circumscribed by a line, the following notice:

"THERE IS NO COOLING OFF PERIOD

California law does not provide for a "cooling off" or other cancellation period for vehicle leases. Therefore, you cannot later cancel this lease simply because you change your mind, decided the vehicle costs too much, or wish you had acquired a different vehicle. You may cancel this lease only with the agreement of the lessor or for legal cause, such as fraud."

(f) A lease contract shall contain, in at least 8-point boldface type, the following notice: "You have the right to return the vehicle, and receive a refund of any payments made if the credit application is not approved, unless nonapproval results from an incomplete application or from incorrect information provided by you."

(g) The lease contract shall be signed by the lessor and lessee, or their authorized representatives, and an exact copy of the fully executed lease contract shall be provided to the lessee at the time of signing.

(h) A motor vehicle shall not be delivered under a lease contract subject to this chapter until the lessor provides to the lessee a fully executed copy of the lease contract.

(i) The lessor shall not obtain the signature of the lessee to a contract when it contains blank spaces to be filled in after it has been signed.

(j) If the lease contract contains a provision that holds the lessee liable for the difference between (1) the adjusted capitalized cost disclosed in the lease contract reduced by the amounts described in subparagraph (A) of paragraph (5) of subdivision (b) of Section 2987 and (2) the settlement proceeds of the lessee's required insurance and deductible in the event of theft or damage to the vehicle that results in a total loss, the lease contract shall contain the following notice in at least 8-point boldface type on the first page of the contract:

"GAP LIABILITY NOTICE

In the event of theft or damage to the vehicle that results in a total loss, there may be a GAP between the amount due upon early termination and the proceeds of your insurance settlement and deductible. THIS LEASE PROVIDES THAT YOU ARE LIABLE FOR THE GAP AMOUNT. Optional coverage for the GAP amount may be offered for an additional price."

(k) This section shall become operative on July 1, 2012.

(Repealed (in Sec. 5) and added by Stats. 2011, Ch. 329, Sec. 6. (AB 1215) Effective January 1, 2012. Section operative July 1, 2012, by its own provisions.)

2985.9. The following documents and agreements are not required to be contained in a lease contract:

(a) An "express warranty," as that term is defined in paragraph (1) of subdivision (a) of Section 1791.2, whether it relates to the sale or lease of a consumer good.

(b) Titling and transfer documents utilized to register, title, or transfer ownership of vehicles described in the lease contract with government registration authorities.

(c) Insurance policies, service contracts, and optional debt cancellation agreements.

(d) Documents that memorialize the sale or lease of goods or services, relating to the leased vehicle, between the provider of those goods or services and lessee that are included in the gross capitalized cost of the lease and separately itemized in the "Itemization of Gross Capitalized Cost."

(Added by Stats. 2001, Ch. 287, Sec. 3. Effective January 1, 2002.)

2986.3. No lease contract shall contain any provision by which:

(a) A power of attorney is given to confess judgment in this state, or an assignment of wages is given; provided that nothing herein contained shall prohibit the giving of an assignment of wages contained in a separate instrument pursuant to Section 300 of the Labor Code.

(b) The lessee waives any right of action against the lessor or holder of the contract or other person acting on his or her behalf for any illegal act committed in the collection of payments under the contract or in the repossession of the motor vehicle.

(c) The lessee relieves the lessor from liability for any legal remedies which the lessee may have against the lessor under the contract or any separate instruments executed in connection therewith.

(d) The lessor or holder of the contract is given the right to commence action on a contract under the provisions of this chapter in a county other than the county in which the contract was in fact signed by the lessee, the county in which the lessee resides at the commencement of the action, the county in which the lessee resided at the time the contract was entered into or in the county in which the motor vehicle leased pursuant to such contract is permanently garaged.

(Amended by Stats. 1997, Ch. 800, Sec. 9. Effective January 1, 1998.)

2986.4. Any acknowledgment by the lessee of delivery of a copy of a lease contract or purchase order and any vehicle lease proposal and any credit statement which the lessor has required or requested the lessee to sign, and which the lessee has signed, during the contract negotiations, shall be printed or written in size equal to at least 10-point bold type and, if contained in the contract, shall appear directly above the space reserved for the lessee's signature. The lessee's written acknowledgment, conforming to the requirements of this section, of delivery of a completely filled in copy of the contract, and a copy of such other documents shall be a rebuttable presumption of delivery in any action or proceeding by or against a third party without knowledge to the contrary when he or she acquired his or her interest in the contract. If such third party furnishes the lessee a copy of such documents, or a notice containing items set forth in subdivision (c) of Section 2985.8, and stating that the lessee shall notify such third party in writing within 30 days if he or she was not furnished a copy of such documents, and no such notification is given, it shall be conclusively presumed in favor of such a third party that copies of the documents were furnished as required by this chapter.

(Amended by Stats. 1997, Ch. 800, Sec. 10. Effective January 1, 1998.)

2986.5. (a) No person shall lease a used motor vehicle for operation on California highways if such vehicle does not meet all of the equipment requirements of Division 12 (commencing with Section 24000) of the Vehicle Code. This subdivision does not apply to an extension or a subsequent lease of the same motor vehicle to the same lessee.

(b) If a lessee of a vehicle pays to the lessor an amount for the licensing or transfer of title of the vehicle which amount is in excess of the actual fees due for such licensing or transfer, or which amount is in excess of the amount which has been paid, prior to the sale, by the lessor to the state in order to avoid penalties that would have accrued because of late payment of such fees, the lessor shall return such excess amount to the lessee, whether or not such lessee requests the return of the excess amount.

(Added by Stats. 1976, Ch. 1284.)

2986.6. No agreement in connection with a lease contract which provides for the inclusion of title to or a lien upon any personal or real property, other than the motor vehicle which is the subject matter of the lease contract, or accessories therefor, or special and auxiliary equipment used in connection therewith, as security for the payment of the contract obligations, shall be enforceable. This section does not apply to a security deposit, advance payment of rent or other cash prepayment.

(Added by Stats. 1976, Ch. 1284.)

2986.10. (a) An assignee of the lessor's rights is subject to all equities and defenses of the lessee against the lessor, notwithstanding an agreement to the contrary, but the assignee's liability may not exceed the amount of the obligation owing to the assignee at the time of the assignment.

(b) The assignee shall have recourse against the lessor to the extent of any liability incurred by the assignee pursuant to this section regardless of whether the assignment was with or without recourse.

(Added by Stats. 1976, Ch. 1284.)

2986.12. It shall be unlawful for any lessor to induce or attempt to induce any person to enter into a contract subject to this chapter by offering a rebate, discount, commission or other consideration, on the condition that the lessee gives information or assistance for

the purpose of enabling a lessor to either lease or sell a motor vehicle to another.

(Added by Stats. 1976, Ch. 1284.)

2986.13. (a) Any payment made by a lessee to a lessor pending the execution of a lease contract shall be refunded to the lessee in the event the lease contract is not executed.

(b) In the event of breach by the lessor of a lease contract where the lessee leaves his or her motor vehicle with the lessor as a trade-in downpayment and the motor vehicle is not returned by the lessor to the lessee for whatever reason, the lessee may recover from the lessor either the fair market value of the motor vehicle left as a downpayment or its value as stated in the lease contract, whichever is greater. The recovery shall be tendered to the lessee within five business days after the breach.

(c) The remedies of the buyer provided for in subdivision (b) are nonexclusive and cumulative and shall not preclude the lessee from pursuing any other remedy which he or she may have under any other provision of law.

(Amended by Stats. 1997, Ch. 800, Sec. 11. Effective January 1, 1998.)

2987. (a) A lessee has the right to terminate a lease contract at any time prior to the scheduled expiration date specified in the lease contract. Except as provided in subdivision (f), all of the following subdivisions of this section apply in the event of an early termination.

(b) The lessee's liability shall not exceed the sum of the following:

(1) All unpaid periodic lease payments that have accrued up to the date of termination.

(2) All other amounts due and unpaid by the lessee under the lease contract, other than excess wear and mileage charges and unpaid periodic lease payments.

(3) Any charges, however denominated, that the lessor or holder of the lease contract may assess in connection with termination not to exceed in the aggregate the amount of a reasonable disposition fee, if any, disclosed in the lease contract and assessed upon termination of the lease contract.

(4) In the event of the lessee's default, reasonable fees paid by the lessor or holder for reconditioning of the leased vehicle and reasonable and necessary fees paid by the lessor or holder, if any, in connection with the repossession and storage of the leased vehicle.

(5) The difference, if any, between the adjusted capitalized cost disclosed in the lease contract and the sum of (A) all depreciation and other amortized amounts accrued through the date of early termination, calculated in accordance with the constant yield or other generally accepted actuarial method, and (B) the realized value of the vehicle as provided in subdivision (c).

(c) Subject to subdivision (d), the realized value of the vehicle used to calculate the lessee's liability under paragraph (5) of subdivision (b) shall be (1) if the lessee maintains insurance on the leased vehicle as required in the lease contract and the vehicle is a total loss as a result of theft or damage, the amount of any applicable insurance deductible owed by the lessee and the proceeds of the settlement of the insurance claim, unless a higher amount is agreed to by the holder of the lease contract, (2) if the lessee elects to have an appraisal conducted as provided in Regulation M, the value determined on appraisal, (3) if the holder of the lease contract or lessor elects to retain ownership of the vehicle for use or to lease to a subsequent lessee, the wholesale value of the vehicle as specified in the current edition of a recognized used vehicle value guide customarily used by California motor vehicle dealers to value vehicles in this state, including, but not limited to, the Kelley Blue Book Auto Market Report and the N.A.D.A. Official Used Car Guide, or (4) under all other circumstances, the higher of (A) the price paid for the vehicle upon disposition, or (B) any other amount established by the lessor or the lease contract.

(d) (1) The lessor or holder of the lease contract shall act in good faith and in a commercially reasonable manner in connection with the disposition of the vehicle.

(2) In addition to the requirements of paragraph (1), any disposition of the vehicle shall be preceded by a notice complying with both of the following:

(A) The notice shall be in writing and given by the holder of the contract to each lessee and guarantor at least 10 days in advance of any disposition or the date by which the value of the vehicle will be determined pursuant to paragraph (3) of subdivision (c). The notice shall be personally served or shall be sent by certified mail, return receipt requested, or first-class mail, postage prepaid, directed to the last known address of each lessee and guarantor. One notice is sufficient if those persons are married to each other and the most recent records of the holder of the lease contract indicate that they reside at the same address. The last known address of each lessee and guarantor shall be presumed to be the address stated in the

lease contract or guaranty for each lessee and guarantor unless the lessee or guarantor notifies the holder of the lease contract of a change of address.

(B) The notice shall set forth (i) the time and place of any public sale, the time on or after which a private sale or other intended disposition is to be made, or the date by which the value of the vehicle will be determined pursuant to paragraph (3) of subdivision (c), (ii) an itemization of all amounts claimed under paragraphs (1) to (4), inclusive, of subdivision (b), (iii) the amount of the difference between the adjusted capitalized cost and the sum of all depreciation and other amortized amounts paid through the date of early termination as provided in paragraph (5) of subdivision (b), (iv) the total of these amounts identified as the "Gross Early Termination Amount," and (v) one of the following statements, whichever is applicable:

[To be inserted when the realized value will be determined pursuant to paragraph (3) of subdivision (c)]

"The amount you owe for early termination will be no more than the difference between the Gross Early Termination Amount stated above and (1) the appraised value of the vehicle or (2) if there is no appraisal, the wholesale value specified in a recognized used vehicle value guide.

You have the right to get a professional appraisal to establish the value of the vehicle for the purpose of figuring how much you owe on the lease. If you want an appraisal, you will have to arrange for it to be completed at least three days before the scheduled valuation date. The appraiser has to be an independent person acceptable to the holder of the lease. You will have to pay for the appraiser. The appraised value will be considered final and binding on you and the holder of the lease."

[To be inserted in all other circumstances]

"The amount you owe for early termination will be no more than the difference between the Gross Early Termination Amount stated above and (1) the appraised value of the vehicle or (2) if there is no appraisal, either the price received for the vehicle upon disposition or a greater amount established by the lessor or the lease contract.

You have the right to get a professional appraisal to establish the value of the vehicle for the purpose of figuring how much you owe on the lease. If you want an appraisal, you will have to arrange for it to be completed at least three days before the scheduled sale date of the vehicle. The appraiser has to be an independent person acceptable to the holder of the lease. You will have to pay for the appraiser. The appraised value will be considered final and binding on you and the holder of the lease."

(3) The lessee shall have no liability under subdivision (b) if the lessor or holder of the lease contract does not comply with this subdivision. This paragraph does not apply under all the following conditions:

(A) Noncompliance was the result of a bona fide error in stating an amount required to be disclosed pursuant to clause (ii), (iii), or (iv) of subparagraph (B) of paragraph (2).

(B) The holder of the lease gives the lessee written notice of the error within 30 days after discovering the error and before (i) an action is filed to recover the amount claimed to be owed or (ii) written notice of the error is received by the holder of the lease from the lessee.

(C) The lessee is liable for the lesser of the originally claimed amount or the correct amount.

(D) The holder of the lease refunds any amount collected in excess of the amount described in subparagraph (C) within 10 days after notice of the error is given. "Bona fide error," as used in this paragraph, means an error that was not intentional and occurred notwithstanding the maintenance of procedures reasonably adapted to avoid that error. Examples of a bona fide error include clerical errors, calculation errors, errors due to unintentionally improper computer programming or data entry, and printing errors, but does not include an error of legal judgment with respect to a lessor's or lease contractholder's obligations under this section.

(4) This subdivision does not apply when the lessee maintains insurance on the leased vehicle as required in the lease contract and the vehicle is declared a total loss by the insurer as a result of theft or damage.

(e) The lessor or holder of the lease contract shall credit any security deposit or advance rental payment held by the lessor or holder of the lease contract against the lessee's liability under the lease contract as limited by this section. The portion of a security deposit or advance rental payment, if any, remaining after the lessee's liability under the lease contract as limited by this section has been satisfied shall be returned to the lessee within 30 days of the satisfaction of the obligation.

(f) Subdivisions (b) to (d), inclusive, do not apply if, prior to the scheduled expiration date specified in the lease contract, the lessee terminates the lease and purchases the vehicle or trades in the vehicle in connection with the purchase or lease of another vehicle. In such an event, the selling price of the leased vehicle, exclusive of taxes and other charges incidental to the sale, shall not exceed the sum of the following and shall relieve the lessee of any further liability under the lease contract:

(1) All unpaid periodic lease payments that have accrued up to the date of termination.

(2) All other amounts due and unpaid by the lessee under the lease contract, other than excess wear and mileage charges and unpaid periodic lease payments.

(3) Any charges, however denominated, that the lessor or holder of the lease contract may assess in connection with termination of the lease contract and the acquisition of the vehicle, not to exceed in the aggregate the amount of a reasonable purchase option fee, if any, disclosed in the lease contract and assessed upon the scheduled termination of the lease contract.

(4) The adjusted capitalized cost disclosed in the lease contract less all depreciation and other amortized amounts accrued through the date of early termination, calculated in accordance with the constant yield or other generally accepted actuarial method.

(g) If the lessee terminates a lease contract, voluntarily returns possession of the vehicle to the lessor, and timely pays all sums required under the lease contract as limited by this section, the lessor or holder shall not provide any adverse information concerning the early termination to any consumer credit reporting agency.

(h) The Rule of 78 shall not be used to calculate accrued rent charges.

(i) This section shall only apply to lease contracts entered into on and after January 1, 1998.

(Added by Stats. 1997, Ch. 800, Sec. 12. Effective January 1, 1998.)

2988. (a) The Legislature finds that it is necessary to provide some protection for consumers who enter into lease contracts in which the lessee will bear the risk of the motor vehicle's depreciation. This section is intended to provide relief to the consumer when an ostensibly inexpensive lease contract establishes an excessively low level of periodic payment which results, conversely, in an excessively high liability being imposed on the lessee at the expiration of the lease term because the lessor has failed to act in good faith in either estimating a residual value of the motor vehicle or establishing a level of periodic payment which bears no reasonable relation to the motor vehicle's reasonably expected depreciation during the lease term. Therefore, the lessor will have the obligation to act in good faith and to come forward with competent evidence showing that the estimated residual value was so determined given the circumstances existing at the inception of the lease contract.

(b) Where the lessee is to bear the risk of the motor vehicle's depreciation and the lessee's liability on expiration of a consumer lease is based on the estimated residual value of the motor vehicle such estimated residual value shall be a reasonable approximation of the anticipated actual fair market value of the motor vehicle on lease expiration. There shall be a rebuttable presumption that the estimated residual value is unreasonable to the extent that the estimated residual value exceeds the actual residual value by more than three times the average payment allocable to a monthly period under the lease. The presumption stated in the preceding sentence shall not apply to the extent the excess of estimated over actual residual value is due to physical damage to the motor vehicle beyond reasonable wear and use, or to excessive use, and the lease may set standards for such wear and use if such standards are not unreasonable.

(c) For the purposes of this chapter, "fair market value" means the value the motor vehicle would have when sold in a commercially reasonable manner in the customary market for such motor vehicle.

(Added by Stats. 1976, Ch. 1284.)

2988.5. (a) Except as otherwise provided by this section, any lessor who fails to comply with any requirement imposed under Section 2985.8 or 2988 for which no specific relief is provided with respect to any person shall be liable to such person in an amount equal to the sum of:

(1) Any actual damages sustained by such person as a result of the failure.

(2) In the case of an individual action, 25 percent of the total amount of monthly payments under the lease except that liability under this subparagraph shall not be less than one hundred dollars (\$100) nor greater than one thousand dollars (\$1,000); or in the case of a class action, such amount as the court may allow, except that as to each member of the class no minimum recovery shall be applicable, and the total recovery in such action shall not be more than the lesser of five hundred thousand dollars (\$500,000) or 1 percent of the net worth of the lessor.

(3) The costs of the action, together with a reasonable attorney's fee as determined by the court.

(b) In determining the amount of award in any class action, the court shall consider, among other relevant factors, the amount of any actual damages sustained, the frequency and persistence of failure of compliance by the lessor, the resources of the lessor, the number of persons adversely affected, and the extent to which the lessor's failure of compliance was intentional.

(c) A lessor shall not be liable under this section if within 15 days after discovery of an error, and prior to the institution of an action under this section or the receipt of written notice of the error, the lessor notifies the person concerned of the error and makes

whatever adjustments in the appropriate account are necessary to insure that the person will not be required to pay any amount in excess of the amount that should correctly have been disclosed.

(d) A lessor may not be held liable in any action brought under this section for a violation of this chapter if the lessor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adopted to avoid any such error.

(e) Except as otherwise specifically provided in this chapter, any civil action for a violation of this chapter which may be brought against the original lessor in any lease transaction may be maintained against any subsequent assignee of the original lessor where the violation from which the alleged liability arose is apparent on the face of the instrument assigned unless the assignment is involuntary.

(f) A person may not take any action to offset any amount for which a lessor is potentially liable to such person under paragraph (2) of subdivision (a) against any amount owing to such lessor by such person, unless the amount of the lessor's liability to such person has been determined by judgment of a court of competent jurisdiction in an action to which such person was a party.

(g) No provision of this section imposing any liability shall apply to any act done or omitted in good faith conformity with any rule, regulation or interpretation of federal law, notwithstanding that after such act or omission has occurred, such rule, regulation or interpretation is amended, rescinded or determined by judicial or other authority to be invalid for any reason.

(h) The multiple failure to disclose any information required under this chapter to be disclosed in connection with a single lease transaction shall entitle the person to a single recovery under this section, but continued failure to disclose after a recovery has been granted shall give rise to rights to additional recoveries.

(i) Actions alleging a failure to disclose or otherwise comply with the requirements of this chapter shall be brought within one year of the termination of the lease contract.

(Added by Stats. 1976, Ch. 1284.)

2988.7. If the lessor fails to comply with Section 2985.8, as an alternative to an action under Section 2988.5, the lessee may rescind the contract if the failure to comply was willful, or if correction will increase the amount of the contract balance, unless the lessor waives the collection of the increased amount.

(Added by Stats. 1976, Ch. 1284.)

2988.9. Reasonable attorney's fees and costs shall be awarded to the prevailing party in any action on a lease contract subject to the provisions of this chapter regardless of whether the action is instituted by the lessor, assignee, or lessee. Where the defendant alleges in his or her answer that he or she tendered to the plaintiff the full amount to which he or she was entitled, and thereupon deposits in court, for the plaintiff, the amount so tendered, and the allegation is found to be true, then the defendant is deemed to be the prevailing party within the meaning of this section.

(Amended by Stats. 2004, Ch. 183, Sec. 42. Effective January 1, 2005.)

2989. No civil action shall be filed against a lessor under the authority of this chapter if a federal civil action has previously been filed based on facts that give rise to a similar cause of action under this chapter.

(Added by Stats. 1976, Ch. 1284.)

2989.2. Where the lessee is to bear the risk of the motor vehicle's depreciation upon the scheduled expiration of the lease contract, the following applies:

(a) When disposing of a vehicle or obtaining cash bids for the purpose of setting the fair market value of a vehicle, the lessor shall act in a commercially reasonable manner in the customary market for such vehicle.

(b) Any provision in a lease contract to the contrary notwithstanding, at least 10 days written notice of intent to sell such motor vehicle shall be given by the holder of the contract to each lessee and guarantor, unless the lessor and lessee have agreed in writing to the amount of the lessee's liability under the lease contract after the lessee returns the motor vehicle to the lessor, or the lessee has satisfied the lease contract obligations by payment to the lessor. The notice shall be personally served or shall be sent by certified mail, return receipt requested, directed to the address of the lessee shown on the contract, unless the lessee has notified the holder in writing of a different address. The notice shall set forth separately any charges or sums due and state that the lessee will be liable for the difference between the amount of liability imposed on the lessee at the expiration of the lease term and the actual cash value of the motor vehicle when it is sold. The notice shall also state that the lessee has the right to submit a cash bid for the purchase of the vehicle.

(Amended by Stats. 1997, Ch. 800, Sec. 13. Effective January 1, 1998.)

2989.4. (a) A lessor shall not:

(1) Fail to register the leased vehicle pursuant to the lease contract.

(2) Advertise any specific vehicle in the inventory of the lessor for lease without identifying such vehicle by either its vehicle identification number or license number.

(3) Refuse to lease a vehicle to any creditworthy person at the advertised total price, exclusive of sales tax, vehicle registration fees and finance charges.

(b) Notwithstanding Section 2988.5, a lessor shall not suffer civil liability for a violation of this section.

(Added by Stats. 1976, Ch. 1284.)

2989.5. (a) Except as provided in subdivision (c), a lessor shall make available to investigators of the Department of Motor Vehicles, upon presentation of an affidavit that the department has a consumer complaint within its jurisdiction, the records relevant to the transaction complained of. If the affidavit states that the department has reasonable cause to believe there is a pattern of conduct or common scheme in similar transactions, the records relevant to all such similar transactions shall be made available.

(b) Except as provided in subdivision (c), on petition of the department alleging the receipt of a consumer complaint within its jurisdiction and alleging that the lessor refuses to make available his records as required, the court shall order the lessor to make available such records or show cause why such records should not be produced. The department shall be awarded reasonable attorney's fees and costs if it prevails in such action.

(c) (1) In the case of a financial institution, or a subsidiary or affiliated corporation of such institution, the Director of Motor Vehicles shall report in writing an apparent violation, or failure to comply with this chapter, evidenced by a consumer complaint, to the agency or department of the state or federal government responsible for supervising the leasing activities of such institution.

(2) Within 20 days, such agency or department shall advise the director of the action taken with respect to such report.

(3) If such agency or department fails to so advise the director, the director may commence an action to compel the agency or department to cause the production of the records relevant to the consumer complaint.

(Added by Stats. 1976, Ch. 1284.)

2989.6. The Director of Motor Vehicles may adopt and enforce rules and regulations as may be necessary to carry out or implement the provisions of this chapter.

Rules and regulations shall be adopted, amended or repealed in accordance with Chapter 4.5 (commencing with Section 11370) of Part 1 of Division 3 of Title 2 of the Government Code.

(Added by Stats. 1976, Ch. 1284.)

2989.8. Any person who shall knowingly and willfully violate any provision of this chapter shall be guilty of a misdemeanor.

(Added by Stats. 1976, Ch. 1284.)

2990. This chapter shall not apply to any transaction which is regulated by Chapter 2b (commencing with Section 2981) of this title.

(Added by Stats. 1976, Ch. 1284.)

2991. Any prospective assignee that provides a lessor under a lease contract with any preprinted form for use as a lease contract shall, upon the request of a lessor, provide the lessor with a Spanish language translation of the preprinted form.

(Added by Stats. 1999, Ch. 235, Sec. 1. Effective January 1, 2000. Operative January 1, 2001, by Sec. 2 of Ch. 235.)

2992. A prospective assignee that provides a lessor under a lease contract with a preprinted form for use as a lease contract shall design the form in such a manner so as to provide on its face sufficient space for the lessor to include all disclosures and itemizations required pursuant to Section 2985.8 and shall also contain on its face a separate blank space no smaller than seven and one-half square inches for the lessor and lessee to memorialize trade-in, turn-in, and other individualized agreements.

(Added by Stats. 2001, Ch. 287, Sec. 4. Effective January 1, 2002.)

2993. A holder of a lease contract, or the agent of a holder, who has received a notice pursuant to Section 7507.6 of the Business and Professions Code, shall not make a subsequent assignment to skip trace, locate, or repossess the vehicle without simultaneously, and in the same manner by which the assignment is given, advising the assignee of the assignment of the information contained in the notice. As used in this section, "assignment" has the same meaning set forth in Section 7500.1 of the Business and Professions Code.

