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AB-78 Attorney's fees: book accounts. (2025-2026)

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Assembly Bill No. 78

CHAPTER 28

An act to amend Section 1717.5 of the Civil Code, relating to attorney's fees.

[Approved by Governor July 14, 2025. Filed with Secretary of State July 14, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 78, Chen. Attorney's fees: book accounts.

Under existing law, in any action on a contract based on a book account, as defined, that does not provide for attorney's fees and costs, the prevailing party on the contract is entitled to reasonable attorney's fees and costs, and the court is required to fix the attorney's fees in an amount that does not exceed the lesser of \$960 for book accounts that are maintained for personal, family, or household purposes of a natural person, and \$1,200 for book accounts that are maintained for all other purposes, or 25% of the principal obligation owing on the contract, as applicable.

This bill would increase these maximum attorney's fees to an amount not to exceed the lesser of \$1,200 for book accounts that are maintained for personal, family, or household purposes of a natural person, and \$1,600 for book accounts that are maintained for all other purposes, or 25% of the principal obligation owing on the contract, as applicable.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 1717.5 of the Civil Code is amended to read:

1717.5. (a) (1) Except as otherwise provided by law or where waived by the parties to an agreement, in any action on a contract based on a book account, as defined in Section 337a of the Code of Civil Procedure, entered into on or after January 1, 1987, which does not provide for attorney's fees and costs, as provided in Section 1717, the party who is determined to be the party prevailing on the contract shall be entitled to reasonable attorney's fees, as provided below, in addition to other costs. The prevailing party on the contract shall be the party who recovered a greater relief in the action on the contract. The court may determine that there is no party prevailing on the contract for purposes of this section.

(2) Reasonable attorney's fees awarded pursuant to this section for the prevailing party bringing the action on the book account shall be fixed by the court in an amount that shall not exceed the lesser of: (1) one thousand two hundred dollars (\$1,200) for book accounts based upon an obligation owing by a natural person for goods, moneys, or services which were primarily for personal, family, or household purposes; and one thousand six hundred dollars (\$1,600) for all other book accounts to which this section applies; or (2) 25 percent of the principal obligation owing under the contract.

(3) For the party against whom the obligation on the book account was asserted in the action subject to this section, if that party is found to have no obligation owing on a book account, the court shall award that prevailing party reasonable attorney's fees not to exceed one thousand two hundred dollars (\$1,200) for book accounts based upon an obligation owing by a natural person for goods, moneys, or services which were primarily for personal, family, or household purposes, and one thousand six hundred dollars (\$1,600) for all other book accounts to which this section applies. These attorney's fees shall be an element of the costs of the suit.

(4) If there is a written agreement between the parties signed by the person to be charged, the fees provided by this section may not be imposed unless that agreement contains a statement that the prevailing party in any action between the parties is entitled to the fees provided by this section.

(b) The attorney's fees allowed pursuant to this section shall be the lesser of either the maximum amount allowed by this section, the amount provided by any default attorney's fee schedule adopted by the court applicable to the suit, or an amount as otherwise provided by the court. Any claim for attorney's fees pursuant to this section in excess of the amounts set forth in the default attorney's fee schedule shall be reasonable attorney's fees, as proved by the party, as actual and necessary for the claim that is subject to this section.

(c) (1) This section does not apply to any action in which an insurance company is a party nor shall an insurance company, surety, or guarantor be liable under this section, in the absence of a specific contractual provision, for the attorney's fees and costs awarded a prevailing party against its insured.

(2) This section does not apply to any action in which a bank, a savings association, a federal association, a state or federal credit union, or a subsidiary, affiliate, or holding company of any of those entities, or an authorized industrial loan company, a licensed consumer finance lender, or a licensed commercial finance lender, is a party.