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AB-483 Fixed term installment contracts: early termination fees. (2025-2026)

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Assembly Bill No. 483

CHAPTER 557

An act to add Chapter 4 (commencing with Section 17800) to Part 3 of Division 7 of the Business and Professions Code, relating to contracts.

[Approved by Governor October 10, 2025. Filed with Secretary of State October 10, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 483, Irwin. Fixed term installment contracts: early termination fees.

Existing law makes it unlawful for any person doing business in California and advertising to consumers in California to make any false or misleading advertising claim. Existing law makes various unfair competition practices unlawful, including any unlawful, unfair, or fraudulent business act or practice and unfair, deceptive, untrue, or misleading advertising.

Existing law regulates how a contract may be extinguished, and prescribes requirements for the formation and cancellation of certain contracts, including dating service contracts, weight loss contracts, and home equity sales contracts.

This bill would, for contracts entered into or modified on or after August 1, 2026, prohibit a seller that uses a fixed term installment contract, as defined, from charging a fee to a consumer who terminates the fixed term installment contract unless, at the time of entering the initial contract, the initial contract includes a clear and conspicuous written disclosure of the total cost of the early termination fee or the formula used to calculate the early termination fee and the highest possible early termination fee under the contract. The bill would also prohibit a seller that uses a fixed term installment contract from charging an early termination fee or any similar fee in an amount greater than 30% of the total sum for which the consumer is obligated under the contract. The bill would deem certain broadband internet providers to be in compliance with these provisions, as specified. The bill would provide that its provisions do not apply to a fixed term installment contract that is regulated by state or federal law providing greater protections to consumers, as specified, or to a home improvement contract, as defined.

This bill would make a waiver of its provisions void and unenforceable.

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

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

SECTION 1. Chapter 4 (commencing with Section 17800) is added to Part 3 of Division 7 of the Business and Professions Code, to read:

CHAPTER 4. Fixed Term Installment Contracts

17800. For purposes of this chapter, the following terms have the following meanings:

(a) "Early termination fee" means an additional fee charged to a consumer as a result of a consumer's election to apply a term or clause included in the contract that authorizes a consumer to suspend making installment payments and to end access to the good or receipt of the service before the end of the period of time during which installment payments are required to be made by the consumer.

(b) "Fixed term installment contract" means any contract for the sale of goods or the furnishing of services by a seller to a consumer for a deferred payment price payable in installments required to be made by the consumer during a fixed period of time until the price is paid in full.

(c) "Good" and "service" include tangible and intangible goods, including digital software.

(d) "Terminate" means that the consumer has elected to apply a term or clause included in the contract that authorizes a consumer to suspend making installment payments and to end access to the good or receipt of the service. "Terminate" does not include a general failure of a consumer to perform an obligation of the contract, including a failure to make installment payments.

17810. (a) A seller that uses a fixed term installment contract entered into or modified on or after August 1, 2026, shall not charge a fee to a consumer who terminates the fixed term installment contract unless, at the time of entering the initial contract, the contract includes a clear and conspicuous written disclosure of either of the following, which shall be viewable by the consumer without reliance upon a tooltip, additional hyperlink, or any other feature that requires additional user interaction:

(1) The total cost of the early termination fee.

(2) The formula used to calculate the early termination fee and the highest possible early termination fee under the contract.

(b) A provider of broadband internet access service on its own, or as part of a bundle, that complies with federal broadband consumer requirements, including the broadband consumer label, codified in 47 C.F.R. Sec. 8.2(a), and its affiliates and subsidiaries, shall be deemed compliant with this section for all services sold on their own or as part of that bundle.

17820. A seller that uses a fixed term installment contract entered into or modified on or after August 1, 2026, shall not charge an early termination fee or any similar fee in an amount greater than 30 percent of the total sum for which the consumer is obligated under the fixed term installment contract, exclusive of the application of the termination fee.

17830. This chapter shall not be interpreted to prohibit a contract from requiring the return of a good if the fixed term installment contract is terminated.

17840. This chapter shall not be interpreted to prevent a buyer from paying the full remaining balance of a fixed term installment contract before its maturity.

17850. (a) The provisions of this chapter do not apply to a fixed term installment contract that is regulated by state or federal law providing greater protections to consumers than those provided by this chapter, including, but not limited to, a prohibition on early termination fees or a lower limit on early termination fee amounts.

(b) The provisions of this chapter do not apply to a home improvement contract, as defined in Section 7151.2.

17860. Any waiver of the provisions of this chapter shall be deemed contrary to public policy and shall be void and unenforceable.