



Insights: Alerts

California's Latest Automatic Renewal Law Amendments Take Effect in July 2025

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California's already stringent Automatic Renewal Law ("ARL") will become more demanding in July 2025 when AB 2863, which was signed on September 24, 2024, takes effect. In short, the amendments: (1) expand the scope of the law; (2) expand consent requirements; (3) require annual reminders; (4) require "clear and conspicuous" notice of material pricing and service changes; and (5) add new "click to quit" cancellation requirements and their voice equivalents.

The amended statutory requirements will apply to any contract entered into on or after July 1, 2025 as well as to any contract that is "amended or extended" on or after July 1, 2025.

SCOPE

The Legislature expanded the scope of the ARL by making free trials subject to the law and by making all misrepresentations and omissions regarding the transaction actionable.

1. "Free-to-Pay Conversions" or Free Trials

AB 2863 expands the statutory definition of an automatic renewal plan to include "free-to-pay conversions," defined as: "a provision under which a customer receives a product or service for free for an initial period and will incur an obligation to pay for the product or service if they do not take affirmative action to cancel before the end of that period." Bus. & Prof. Code § 17601(6).

2. Misrepresentations and Omissions

The current law focuses on representations regarding the automatic renewal aspect of the transaction. New section 17602(7) makes it unlawful for a business to "misrepresent, expressly or by implication, any material fact related to the transaction, including but not limited to, the inclusion of an automatic renewal or continuous service, or any material fact related to the underlying good or service." Thus, AB 2863 expands the focus of the statute to misrepresentations or omissions pertaining to the transaction generally. Material misrepresentations and omissions are already unlawful under the CLRA, UCL and FAL, so the ARL will now give state regulators and class action plaintiffs additional statutory fire power.

CONSENT

1. Express Consent to the Automatic Renewal Provisions

The amended statute requires “express affirmative consent to the automatic renewal or continuous service offer” Bus. & Prof. Code § 16702(a)(4). The statute currently requires express affirmative consent “to the agreement containing the automatic renewal offer terms.” Therefore, the amended language is broader and signals a need to obtain stand-alone consent specifically to the automatic renewal provision of the contract.

2. Amount and Frequency of the Charge

The timing and content of the consumer notice required by section 17602(a)(8) has changed. Under the amended statute, that notice must be provided “before confirming the consumer’s billing information.” And it must include “the amount or range of costs the consumer will be charged and, if applicable, the frequency of those charges a consumer will incur unless the consumer takes timely steps to prevent or stop those charges.”

3. Deceptive/Dark Pattern Prohibitions

The amended statute prohibits businesses from including “any information in the contract that interferes with, detracts from, contradicts or otherwise undermines the ability of consumers to provide their affirmative consent to the automatic renewal or continuous service.” Bus. & Prof. Code § 17602(a)(5), emphasis added. This language is vague and not further defined so initially it will be up to the businesses to determine what constitutes interference with consent.

4. Consent Verification Records

Last, the amended statute requires businesses to maintain consent verification records for three years or one year after termination of the contract, whichever is longer. The amendment does not specify the type of verification record that is required.

CANCELLATION

1. By Voice

If the business provides a cancellation mechanism by toll free number, then the business must:

- a. Answer the phone “promptly” during business hours
- b. Not obstruct or delay the ability to cancel
- c. If the consumer leaves a voicemail, the business must process the cancellation or call the consumer back within one business day.
- d. Provide the cancellation phone number clearly and conspicuously on the website AND provide it in manner that can be retained by the consumer.

Cal. Bus. & Prof. Code §§ 17602(c) (2)(A), (B); §17602(f).

2. Upselling

Certain upselling techniques during cancellation are expressly not considered “obstruction or delay:”

- If by phone: offering a discount or other benefit, or informing the consumer of the effect of canceling is fine so long as consumers are told that they can cancel at any time by saying “cancel.”
- If online: business may offer a discount or other benefit if it “simultaneously displays a prominently located and continuously and proximately displayed direct link or button entitled “click to cancel.”

CHANGE IN “MATERIAL” TERMS

Subdivision (g), which governs notification of changes in contract terms, has been amended significantly:

- A change in the fee charged triggers “clear and conspicuous” notice “no less than 7 and no more than 30 days” in advance of the new fee becoming effective;
- Cancellation instruction in a manner “that is capable of being retained by the consumer.”

ANNUAL REMINDER

Subdivision (h) requires an annual reminder in the same medium that resulted in activation or in a medium in which the customer is accustomed to interacting with the business. The content of the annual notice must include: (1) the product or service; (2) the frequency and amount of the charge; and (3) the means of cancellation.

GETTING READY FOR COMPLIANCE

Some of the new statutory requirement may take some time to implement. Businesses should review their online consent flows and customer service scripts as appropriate and ensure that they have mechanisms in place to record and maintain consumer consent. Cancellation flows should also be reviewed to ensure that any upsell efforts comply with the new statutory requirements.

Related People



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