

New California Law Targets Drip Pricing

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A new California law, Senate Bill No. 478, takes aim at “drip pricing,” the practice of advertising goods or services at one price and then adding mandatory charges or fees later in the sales transaction. While federal efforts to improve pricing transparency have targeted specific industries, SB 478 applies broadly to goods and services. Companies that fail to disclose their full prices upfront may face substantial financial penalties once the law goes into effect on July 1, 2024.

Intended to increase pricing transparency, the law amends California’s Consumers Legal Remedies Act, adding drip pricing to its list of unfair methods of competition or deceptive practices. SB 478’s proponents tout benefits to both consumers and competition. They claim the law will help consumers know the full price of goods and services at the outset, allowing them to make informed decisions. They also claim the law will level the playing field for companies that practice transparent pricing.

Under the new law, sellers must advertise products and services at a price that includes all mandatory fees or charges imposed by the seller. The advertised price need not include taxes and government fees or postage charges. The law includes carveouts for certain regulated industries, such as automobile manufacturers and air transportation. Notably, the law allows food delivery platforms to list menu prices that do not include service fees.

As of July 2024, companies that do not advertise the full price of their goods and services may face financial penalties. Potential remedies include actual and punitive damages, attorney’s fees, and equitable relief. Consumers who are senior citizens or disabled persons may seek additional damages.

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