CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS

Biennial Report to the Legislature on the Status of

The Arbitration Certification Program

January 1, 2023, to December 31, 2024



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Executive Summary

Pursuant to Business and Professions Code section 472.4(e), the Department of Consumer Affairs (DCA) Arbitration Certification Program (ACP) is required to submit a biennial report to the California State Legislature evaluating the effectiveness of the certification of third-party dispute resolution processes for new motor vehicles. This is ACP's 18th biennial report, covering calendar years 2023 and 2024.

ACP's mission is to safeguard consumers whose vehicles remain under the manufacturer's original warranty by administering a fair and expeditious arbitration process through a state-certified arbitration program. To ensure compliance with the laws and regulations governing third-party dispute resolution processes, the ACP team oversees state-certified arbitration programs and manufacturers, monitors arbitration meetings, and reviews and attends arbitrator training sessions.

Beyond these monitoring responsibilities, ACP investigates consumer complaints and conducts dispute file reviews initiated by consumer complaints, observations made during arbitration proceedings, or through random selection. ACP also provides public education, verifies the implementation of settlements and arbitration decisions, and administers a consumer satisfaction survey to evaluate the effectiveness of arbitration programs.

A few of the key highlights are noted below:

- The state-certified arbitration programs regulated by the ACP returned millions of dollars to consumers in the form of refunds, replacement vehicles, extended service contracts, and repairs awarded by state-certified arbitration programs in calendar years 2023 and 2024.

- ACP leadership demonstrates a strong commitment to integrity and ethical values by developing and promoting a strategic plan that articulates the ACP's vision, mission, goals, and core principles. In alignment with this commitment, the ACP has established a comprehensive strategic plan covering calendar years 2024 through 2028.

- ACP collaborated with state-certified arbitration programs to identify deficiencies and address concerns raised by consumers through the annual survey. The ACP team will continue working to ensure alignment with both consumer expectations and state-certified arbitration program requirements.

- ACP provides on-going guidance and information to state-certified arbitration programs to address key issues to ensure the state-certified arbitration programs continued compliance with statutes and regulations.

Background

ACP was established in 1987 under the Tanner Consumer Protection Act to certify and oversee lemon law arbitration programs sponsored by new vehicle manufacturers. The Song-Beverly Consumer Warranty Act, commonly known as the California Lemon Law, protects buyers and lessees of new motor vehicles from repeated, unsuccessful repair attempts for significant warranty defects by requiring manufacturers to repurchase or replace vehicles they cannot adequately repair.

By defining when a "reasonable" number of repair attempts have occurred, the Tanner Consumer Protection Act addressed consumer groups' concerns that some arbitration programs operated by manufacturers were not operating in compliance with federal statutes and regulations and were biased in favor of the manufacturers. ACP's regulations set forth standards for state certification of new vehicle warranty arbitration programs, including the process for reviewing applications for certification, and monitoring state-certified arbitration programs for continued compliance with regulatory and statutory requirements.

In California, participation in a state-certified arbitration program is voluntary for new vehicle manufacturers. However, when a manufacturer elects to participate, ACP is responsible for certifying that arbitration process. Certification may reduce a manufacturer's potential civil liability and provides mandates for which the arbitration program must operate to ensure consumer protection. Additionally, when a manufacturer participates in a state-certified arbitration program, consumers must first utilize the certified arbitration process before asserting certain rights in court, including the "Lemon Law Presumption."

Under California Civil Code § 1793.22, the "Lemon Law Presumption" applies when, within the first 18 months or 18,000 miles of ownership or lease, whichever occurs first, any of the following conditions are met:

1. The vehicle has been repaired at least two times for a serious safety defect that could cause serious bodily injury or death;
2. The vehicle has been repaired at least four times for the same warranty-related issue; or
3. The vehicle has been out of service for more than 30 cumulative days due to repairs for any number of warranty problems.

When one or more of these conditions are satisfied, the consumer is presumed to be entitled to a replacement vehicle or a refund of the purchase price. This presumption, however, is rebuttable, and the consumer must still complete the arbitration process.

ACP's role is to provide oversight to ensure that all California state-certified arbitration programs remain in substantial compliance with the statutes and

regulations governing the arbitration process. ACP verifies that manufacturers' state-certified arbitration programs adhere to applicable federal and state requirements and that arbitration meetings are conducted in a fair, consistent, and timely manner.

Funding

ACP is a special-fund program within DCA that has eight civil service positions to oversee daily operations, deliver strategic outcomes, and fulfill its programmatic mandate. All of ACP's expenses are funded by fees collected from each vehicle manufacturer for each new vehicle sold or leased in California. The New Motor Vehicle Board (Board), housed within the California Transportation Agency, collects the fees on ACP 's behalf and deposits them into the Certification Account.

The Board is authorized to collect a fee of up to one dollar ($1.00) for each motor vehicle sold, leased, or distributed in California by or for manufacturers during the preceding calendar year, as provided in Business and Professions Code section 472.5(b). ACP submits its estimated annual budget to the Board, which then determines the fee to be assessed.

The annual collection of ACP's fees for fiscal year 2023- 2024 was completed by the Board. In 2023, the Board collected $1,709,000.00 in fees and deposited the funds directly into ACP's account. In 2024, the Board collected $1,758,000.00 in fees and deposited the funds directly into ACP's account.

State-certified arbitration programs regulated by ACP returned millions of dollars to consumers in 2023 and 2024 through refunds, replacement vehicles, extended service contracts, and repair awards. ACP believes these outcomes underscore the significant value of state-certified arbitration programs and highlights the importance of ACP's oversight in ensuring a fair, consistent, and timely process for California consumers.

Strategic Plan

On September 3, 2024, the Arbitration Certification Program (ACP) published its 2024–2028 Strategic Plan, establishing 16 comprehensive goals across four core target areas: oversight, legislation and policy, communication and education, and administration. Rooted in accountability, ACP has committed to a five-year timeline to achieve these objectives. Driven by its core mission to protect California consumers and facilitate Lemon Law claims, the ACP anticipates that the successful execution of this plan will elevate its services to the high standard of quality its stakeholders expect and deserve.

New Legislation

Assembly Bill (AB) 1755 (Kalra, Chapter 938) was signed into law by Governor Gavin Newsom on September 29, 2024. This bill introduced new procedures related to auto manufacturers in California. One of the key provisions of this new legislation is the mandate that ACP publish a list of manufacturers that have chosen to be governed under the procedures established by AB 1755. ACP must publish this list by December 15 each year. ACP successfully implemented this mandate and worked with DCA's Office of Information Services to create a web-based application which automatically populates the published list to ACP's website once a manufacturer opts in.

Mission, Vision, and Values

Mission

Provide effective oversight of participating automobile arbitration programs to ensure warranty disputes between manufacturers and consumers are resolved in a timely manner and are in compliance with California Laws and Regulations.

Vision

Expand certification of automobile manufactures to reach more California consumers.

Values

Accountability
Collaboration
Consistency
Consumer Protection
Diversity and Equity
Integrity
Transparency
Trust

To ensure substantial compliance with the statutes and regulations governing the third-party dispute resolution processes, and to fulfill its mission, ACP certifies and continuously monitors the operation of state-certified arbitration programs. ACP also works to encourage nonparticipating manufacturers to establish or sponsor certified arbitration programs for consumer use.

ACP collaborates with state-certified arbitration programs and sponsoring vehicle manufacturers to identify opportunities for improvement within the certification process. In addition, ACP actively seeks to expand consumer awareness of these programs by distributing educational materials and leveraging digital outreach. ACP's consumer-education strategy includes the

use of social media platforms such as X, Facebook, and YouTube, where ACP shares relevant Lemon Law information and resources to assist consumers experiencing vehicle-related issues.

ACP believes these efforts have strengthened its consumer-focused approach, increased public visibility, and enhanced awareness of state-certified arbitration programs. These strategies have also driven more consumers to the ACP website, where they can gain a clearer understanding of their rights and protections under California's Lemon Law.

To carry out its statutory and regulatory mandates, ACP engages in the following activities:

- Reviews vehicle manufacturers' applications for certification.
- Certifies arbitration programs found to be in substantial compliance with federal and state statutes and regulations.
- Conducts biannual inspections of the state-certified arbitration programs.
- Conducts annual inspections of sponsoring vehicle manufacturers.
- Monitors arbitration meetings.
- Conducts random reviews of state-certified arbitration programs' dispute files.
- Investigates complaints against state-certified arbitration programs.
- Publishes and disseminates educational information.
- Educates consumers on their rights under California's Lemon Law using internet technology, including social media.
- Prepares annual performance reviews of state-certified arbitration programs to determine if the programs continue to operate in substantial compliance with the standards for certification.
- Decertifies arbitration programs found to be noncompliant with the standards for certification.
- Prepares annual statistical reports based on data collected by ACP, as well as data received from the state-certified arbitration programs.
- Conducts annual Consumer Satisfaction Surveys to gauge the satisfaction of consumers who have utilized the state-certified arbitration programs and to identify areas for improvement.
- Reviews, revises, and implements regulations as needed.
- Reviews and proposes legislation as needed.
- Reports biennially to the California Legislature on the effectiveness of ACP.
- Provides guidance to state-certified arbitration programs on relevant statutory and regulatory requirements to ensure compliance.

ACP continues to establish and maintain relationships with consumer and public interest groups, business and professional communities.

Manufacturer Certifications and Program Updates

ACP conducted in-person, on-site inspections with the three California state-certified arbitration programs, Better Business Bureau (BBB) Auto Line, California Dispute Settlement Program (CDSP), and the Consumer Arbitration Program for Motor Vehicles (CAP-Motors), to support ongoing collaboration and ensure effective oversight. Except for new certification inspections, ACP will maintain virtual monitoring of the 25 participating manufacturers, representing 40 certified vehicle brands. These activities help ensure that the arbitration process remains a fair, reliable, and accessible method for resolving consumer disputes.

Virtual monitoring remains an effective and essential method for verifying compliance with applicable statutes and regulations, supporting timely and equitable outcomes for consumers, and enhancing the overall performance of certified arbitration programs. Importantly, this approach also yields significant cost savings by substantially reducing or eliminating the travel expenses traditionally associated with manufacturer on-site monitoring activities.

The following chart lists the California state-certified arbitration programs and their associated manufacturers:

CERTIFIED ARBITRATION PROGRAM	MANUFACTURERS
Better Business Bureau Auto Line (BBB AUTO LINE)	Aston Martin North America, Bentley Motors, Inc., Automobili Lamborghini America, LLC, , Ferrari North America, Inc., Ford Motor Company (includes Lincoln and Ford motorhome Chassis), General Motors Corporation (includes Buick, Cadillac, Chevrolet, GMC, Hummer), Hyundai Motor America (includes Genesis Motor America), Jaguar Land Rover North America, LLC, Kia America, Inc., Lotus Cars USA, Inc., Maserati North America, Inc., Mazda North American Operations, Mercedes-Benz USA LLC, Nissan North America, Inc. (also Infiniti Division), Rivian and Volkswagen Group of America, Inc. (also Audi of America, Inc.)

CONSUMER ARBITRATION PROGRAM MOTORS (CAP-MOTORS)	Porsche Cars North America, Inc.
CALIFORNIA DISPUTE SETTLEMENT PROGRAM (CDSP)	BMW (includes Mini Cooper and Rolls-Royce divisions) FCA US, LLC (includes Alfa Romeo, Chrysler, Dodge, Fiat, Jeep, and Ram), Tesla Motors, Inc., and Toyota Motor Sales U.S.A., Inc.

To expand the number of state-certified arbitration programs available to consumers, ACP continues to encourage manufacturers without certified arbitration programs to apply for certification. ACP conducts this outreach through online industry meetings, direct communication with manufacturers, and ongoing engagement efforts. As of 2024, ACP has issued the following certifications:

TOTAL CERTIFICATIONS BY TYPE	
State Certified Arbitration Programs	3
State Certified Manufacturers	25
State Certified Vehicle Brands	40

Monitoring Activities

Maintaining state certification requires applicants to remain in substantial compliance with the statutes and regulations governing the arbitration process. ACP's monitoring activities focus on ensuring that certified arbitration programs implement and adhere to the written operating procedures approved during the certification process and comply with the applicable statutes and regulations governing third-party dispute resolution processes. Although ACP is not required to monitor every arbitration meeting, ACP strives to observe as many meetings as possible given its small team and workload demands.

In addition to monitoring arbitration meetings, ACP's oversight responsibilities include reviewing and attending arbitrator training programs, reviewing certified program dispute records, investigating consumer and manufacturer complaints regarding state-certified arbitration program operations, and conducting annual inspections of state-certified arbitration program facilities. These activities collectively ensure that state-certified arbitration programs operate in a fair,

consistent, and compliant manner.

In 2023, of the 696 arbitration meetings held, ACP monitored 365 meetings, representing approximately 52 percent of all meetings conducted during the reporting period. In 2024, of the 1179 arbitration meetings held, ACP monitored 654 meetings, representing approximately 56 percent of all meetings conducted during the reporting period. These meetings were attended virtually or telephonically, as most arbitration proceedings are conducted by telephone, Microsoft Teams, or Zoom.

In addition, some consumers elect to have their disputes resolved through a documentation-only process. Although these cases are counted as arbitration meetings held, they do not involve a live proceeding and therefore cannot be monitored through direct observation. Instead, ACP reviews the complete dispute file, including the arbitrator's decision and related performance measures, to ensure compliance. Documentation-only cases conducted by the state-certified arbitration programs reflect the continued shift away from in-person proceedings.

The following chart offers a breakdown of ACP's arbitration meeting monitoring activities for all state-certified arbitration programs in 2023 and 2024:

ARBITRATION MEETINGS						
ARBITRATION PROGRAMS	**2023**			**2024**		
	HELD	**MONITORED**	**%**	**HELD**	**MONITORED**	**%**
BBB AUTO LINE	389	175	45%	416	199	48%
CAP—MOTORS	3	3	100%	10	7	70%
CDSP	359	115	32%	518	306	59%
Totals	**751**	**293**	**39%**	**944**	**512**	**54%**

The ACP team conducts dispute file reviews and investigations, which are initiated by consumer complaints, observations made during arbitration proceedings, or through random selection. The following chart offers a breakdown of the dispute file reviews conducted:

DISPUTE FILE REVIEWS		
	2023	**2024**
Dispute Files Reviewed	594	840
Violations Found	290	296

The ACP team receives consumer inquiries by email and telephone. Inquiries typically require a response providing guidance, information, or additional resources. All inquiries are acknowledged and responded to within 24 hours.

The following chart provides a breakdown of the inquiries received during the years indicated:

CONSUMER INQUIRIES						
	2023			2024		
Rec'd (Via Email and Phone)	RECEIVED	RESPONDED	%	RECEIVED	RESPONDED	%
Totals	**696**	**696**	**100%**	**1344**	**1344**	**100%**

Arbitrator Training

As required by California Code of Regulations, Title 16, section 3398.2, state-certified arbitration programs must provide arbitrators with comprehensive and ongoing training to ensure a fair and expeditious resolution of consumer disputes. This includes instruction on the applicable laws, the content of a decision, meeting statutory timelines, conducting arbitration hearings effectively, and completing periodic updates and refresher courses. State-certified arbitration programs are also required to maintain procedures that preserve both the fact and the appearance of impartiality for all parties involved, thereby upholding the integrity of the arbitration process.

ACP reviews all training materials and provides necessary corrections, updates, and supplemental information to ensure accuracy and consistency with statutory and regulatory requirements.

Most of the state-certified arbitration programs have transitioned away from traditional in-person classroom training. Instead, they now rely on virtual training methods, such as email distribution, conference calls, and webinars, to deliver required instruction to arbitrators. This shift reflects broader operational changes within the state-certified arbitration programs and supports more efficient, accessible, and timely delivery of training content.

The California Dispute Settlement Program (CDSP) continues to be the exception to the broader shift toward virtual training, as it continues to conduct annual in-person, classroom-style training sessions in addition to issuing monthly bulletins and providing web-based instruction. CDSP maintains this approach to facilitate open discussion among arbitrators, allowing them to exchange best practices and benefit from a collaborative learning environment. The in-person format also enables CDSP to directly observe arbitrators' interactions, assess their understanding of key concepts, and evaluate whether they benefit more from classroom instruction than from exclusively web-based training.

ACP will continue to review and monitor all training materials and sessions to

ensure that state-certified arbitration programs provide arbitrators with instruction in applicable law, arbitration principles, and the rights and responsibilities of arbitrators, consistent with the requirements of the California Code of Regulations, Title 16, Division 33.1.

State-Certified Arbitration Program On-Site Inspections

ACP is required to conduct on-site inspections of each qualified third-party dispute resolution process at least twice annually, as mandated by Business and Professions Code section 472.4(c)(1). These inspections allow the ACP to evaluate program facilities, records, and operations, including review of individual dispute files, conduct staff interviews, discussion of any identified violations, and assessment of emerging trends or operational issues. During the reporting period, ACP completed all required on-site inspections, responded to program questions and requests for clarification, and addressed any concerns noted. Each state-certified arbitration program was found to be in substantial compliance.

Manufacturer On-Site Inspections

The manufacturer on-site inspections conducted in 2023 and 2024 enabled the ACP oversight team to meet virtually with the principal administrators responsible for each manufacturer's California state-certified arbitration program. These inspections also provided opportunities to engage with key operational staff and members of the manufacturers' legal teams. During these sessions, ACP reviewed and discussed program regulations and operational practices to ensure continued substantial compliance with California law and regulatory requirements.

Due to operational changes among the certified manufacturers, most function remotely and no longer maintain physical facilities suitable for on-site inspection. As a result, apart from inspections required as part of new certification applications, all manufacturer inspections were conducted via video conference. This transition to virtual inspections allowed ACP to fully meet its statutory mandate while generating significant savings by reducing both in state and out-of-state travel expenditures previously required for manufacturer on-site visits.

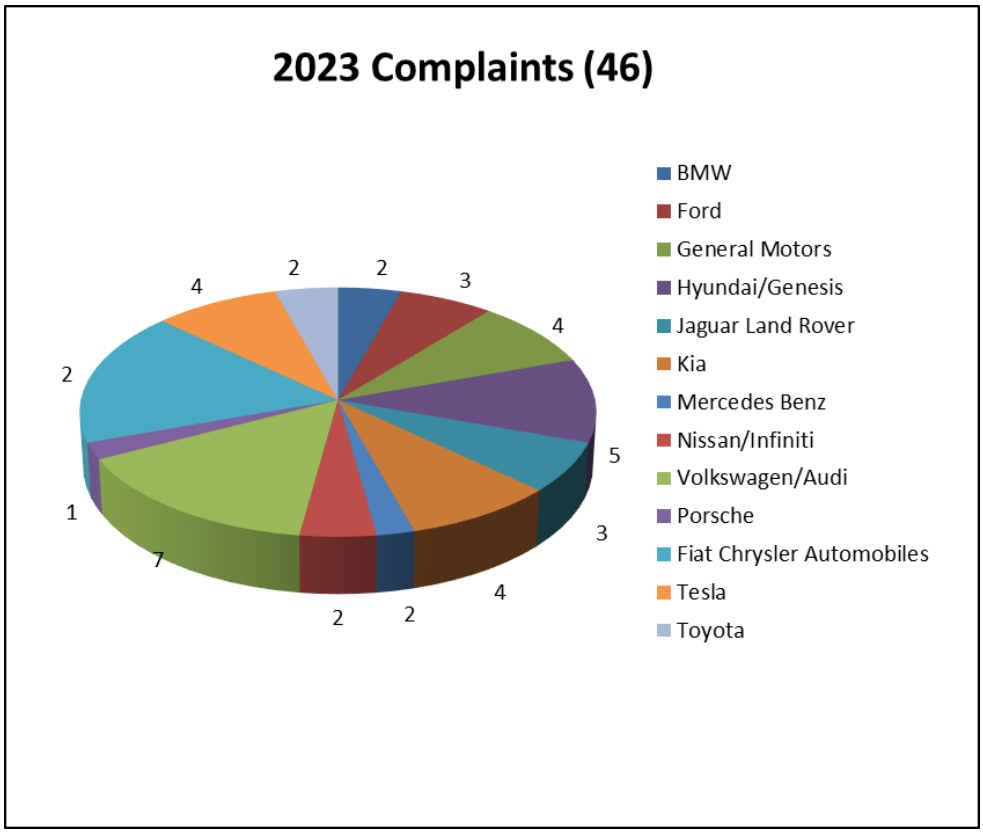
Complaints

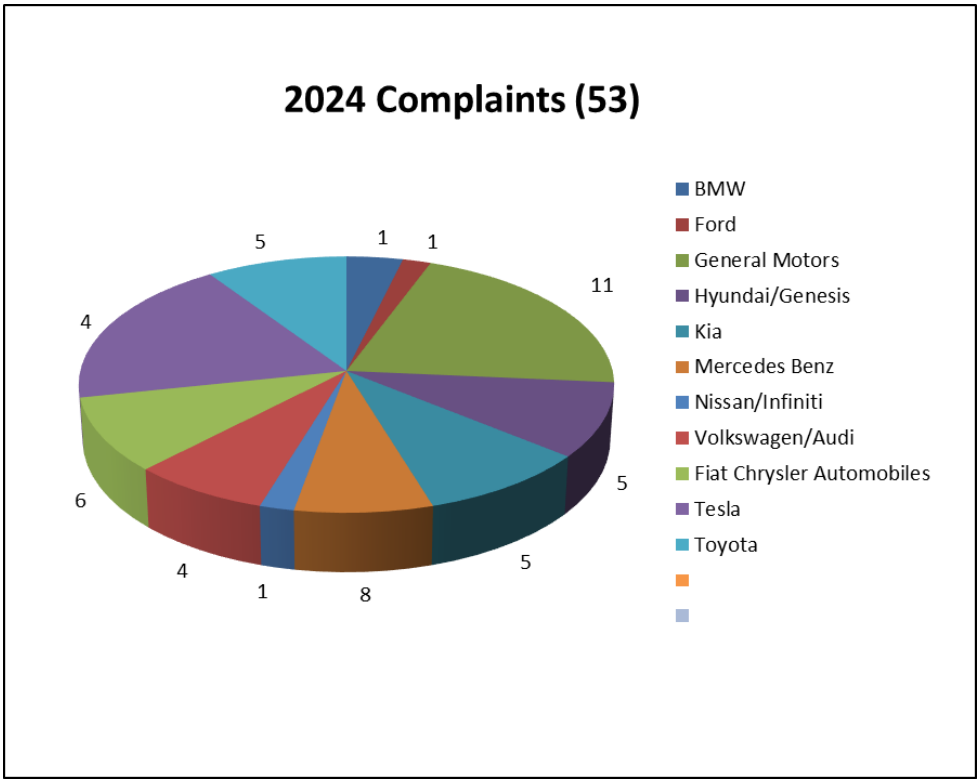
Business and Professions Code section 472.4(c)(2) charges ACP with investigating consumer complaints regarding the operation of qualified third-party dispute resolution processes. Complaints typically involve dissatisfaction with an arbitrator's decision or concerns about a manufacturer's noncompliance with the 30-day requirement to perform the arbitrator's decision, both of which trigger a formal dispute-file review. Any violations found are then issued to the state-certified arbitration programs and require a response and corrective action plan.

ACP acknowledges all complaints within 24 hours. Consumers have expressed appreciation for ACP's prompt responses, helpful resources, and clear guidance on next steps. All complaints received are fully investigated and consumers are provided with a letter of closure which includes ACP's investigative findings.

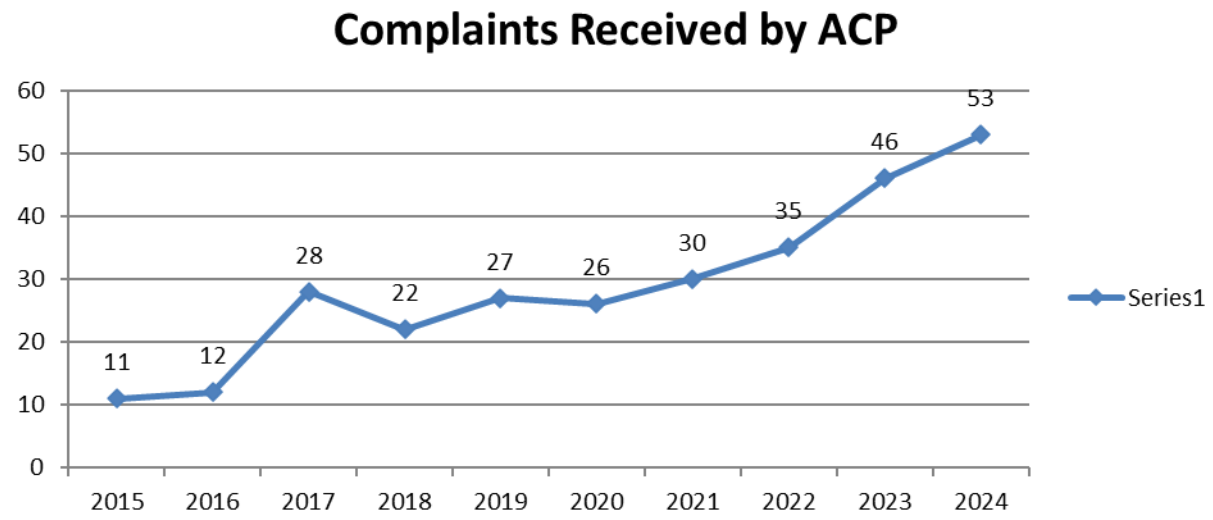
COMPLAINTS		
	2023	**2024**
Received	46	53
Closed Without Referral	0	0
Referred for Investigation	46	53
Completed investigations	46	53

The following charts break down complaints by specific manufacturer:





The following chart illustrates the number of complaints ACP has received over the last decade:



Consumer Satisfaction Survey

Pursuant to Business and Professions Code section 472.4(b), ACP conducts an annual survey of consumers who utilized state-certified arbitration programs during the preceding year. The Consumer Satisfaction Survey serves as a primary evaluative tool, offering direct insight into the state-certified arbitration programs' performance from the consumer perspective. The survey results allow ACP to more effectively assess the overall efficacy of the dispute resolution

process and to collaborate with state-certified arbitration programs and manufacturers on targeted improvements to arbitration procedures. ACP also analyzes survey data to identify priority areas for enhancement and to strategically realign resources to strengthen the overall effectiveness of ACP.

In 2023 and 2024, ACP surveyed consumers following their arbitration meetings or after receiving a decision. This approach enabled ACP to accurately capture consumer satisfaction with both the arbitration process and its outcome, ensuring a comprehensive assessment of the consumer experience.

Methodology

ACP employed a single approach to efficiently conduct online surveys among consumers. These surveys were carried out in both English and Spanish. Contact details and names of individuals who lodged and concluded their disputes in 2023 were provided by each of the manufacturer's state-certified arbitration program administrators, namely BBB AUTO LINE, California Dispute Settlement Program (CDSP), and Consumer Arbitration Program for Motor Vehicles (CAP-Motors). Consumers were sent an email containing a letter with guidelines and a hyperlink for submitting the survey via an online questionnaire. This survey, known as the Consumer Satisfaction Survey (CSS), comprises 13 questions designed to gather the consumers' perspectives on their recent interactions with the state-certified arbitration program, as well as their evaluations of the state-certified arbitration program staff, the representative from the vehicle manufacturer, the arbitrator, and the overall arbitration process.

In 2023, ACP contacted 1,368 consumers who participated in the arbitration process between January and December of 2023. Of the 1,368 consumers contacted, 1,002 utilized the BBB AUTO LINE, 359 utilized the CDSP, and seven utilized CAP-Motors. ACP received CSS responses from 127 of the 1,368 consumers contacted.

The following is a summary of the key findings of the 2023 Survey:

- The response rate for the post-decision survey was 9.3%, showing an increase from the 2022 response rate of 6.7%.

- 41% of respondents to the survey rated their satisfaction with the certified 3rd party arbitration program as either "excellent", "good", or "satisfactory".

- 59% of respondents to the survey rated their satisfaction with the certified 3rd party arbitration program as either "very poor", or "poor".

- 53% of respondents to the survey rated their satisfaction with the arbitrator's fairness and the maintaining of neutrality as either "excellent", "good", or "satisfactory".

- 49% of the respondents to the survey rated their satisfaction with the arbitrator's understanding of key issues and concerns as either "excellent", "good", or "satisfactory".

In 2024, ACP contacted 944 consumers who participated in the arbitration process between January and December of 2024. Of the 944 consumers contacted, 416 utilized the BBB AUTO LINE, 518 utilized the CDSP, and 10 utilized CAP-Motors. ACP received CSS responses from 98 of the 944 consumers contacted.

The following is a summary of the key findings of the 2024 Survey:

- The response rate for the post-decision survey was 10.4%, showing an increase from the 2023 response rate of 9.3%.

- 48% of survey respondents rated their satisfaction with the certified third-party arbitration program as either "excellent," "good," or "satisfactory."

- 51% of survey respondents rated their satisfaction with the certified third-party arbitration program as either "very poor" or "poor."

- 58% of survey respondents rated their satisfaction with the arbitrator's fairness and the maintaining of neutrality as either "excellent," "good," or "satisfactory."

- 53% of survey respondents rated their satisfaction with the arbitrator's understanding of key issues and concerns as either "excellent," "good," or "satisfactory."

Consumer satisfaction with the process appears to be closely linked to the ultimate resolution of their dispute, as indicated by these results. The accompanying analyses conducted by ACP in connection with the Consumer Satisfaction Survey, and the decisions issued within the state-certified arbitration program.

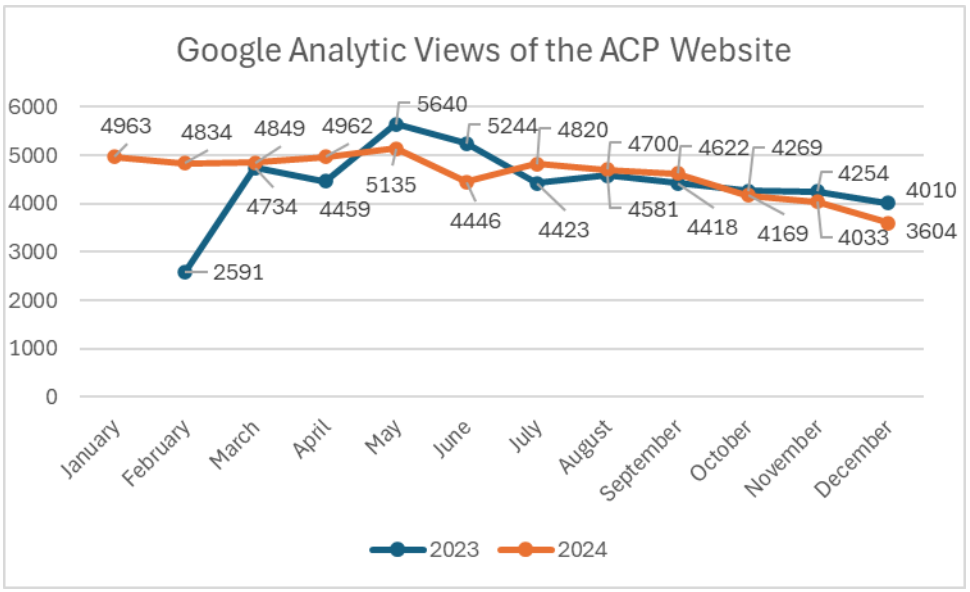
Consumer Assistance and Information

The ACP team responds to consumer inquiries received by phone, fax, mail, and email, providing information on state-certified arbitration programs, directing consumers to appropriate agencies, and offering resources and guidance to help resolve vehicle warranty disputes.

ACP Website

In 2023, a total of 48,623 views of ACP 's website, while in 2024, a total of 55,137 views of ACP's website. ACP continues to promote the usage of its website by providing relevant Lemon Law communications and resources to aid consumers with various vehicle problems. In addition, ACP interacts with various state

agencies and consumer organizations to educate consumers about their Lemon Law rights.



Public Education

ACP distributes two informational trifolds to every consumer who files an arbitration claim through a state-certified arbitration program. The first, *California Lemon Law Q&A*, provides answers to common consumer questions, and the second, *California Certified Arbitration Program*, offers an overview of the state's arbitration process. In 2023 and 2024, ACP distributed approximately 5,000 copies of the trifolds to consumers. Both publications are available in English and Spanish and are accessible on the ACP website.

Modernization Updates

ACP is developing a new tracking system that will serve as the central repository for program data, providing more detailed information on monitoring activities and improving ACP's ability to evaluate and report on state-certified arbitration program performance.

Conclusion

The ACP team remains dedicated to strengthening program operations, enhancing public protection, and collaborating with our partners statewide to ensure that ACP continues to meet the needs of the public we serve. Together, we will build on this biennial cycle's progress and pursue ongoing improvements that uphold the integrity and effectiveness of the Program.

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