

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 1191

Introduced by: HON. FELIX R. ALFELOR, JR.

EXPLANATORY NOTE

This bill was filed with the 12th Congress as House Bill No. 5486 with the following explanatory note:

“With the rapid growth and sophistication in the country’s credit card industry, the clamor for more costumer protection in the use of credit card as a mode for payment increases.

The bill seeks to provide protection to the public in their purchases using credit cards. It contains measures that protect the consumers from unfair surcharges in the use of their credit cards.

Furthermore, the bill also provides relief to costumers in case of billing errors through a system of feedback and inquiries between the cardholders, the retailers and the card issuers.

It protects consumers from unauthorized use of credit cards. At the same time, the bill also promotes the availability of discounts by retailers intending to sell lower priced goods and services through the use of credit cards.

The bill also shields the credit card consumers from the disclosure of any untrue credit information about a cardholder.

Finally, the bill prohibits the imposition of surcharges on a cardholder who opts to use a credit card in payments for goods and services and it also puts a ceiling in interest charges for late payments.

In view of the foregoing reasons, the approval of this bill which was filed before the 12th Congress but was not acted upon at the time of its adjournment, is earnestly sought.

HON. FELIX R. ALFELOR, JR.

Representative

Fourth District, Camarines Sur

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AN ACT
PROVIDING FOR PROTECTION TO CONSUMERS IN THEIR
CREDIT CARD TRANSACTIONS

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title- This act shall be known as the “Credit Card Consumer Protection Act of 2002”.

SEC. 2. Declaration of Policy- It is hereby declared to be the policy of the State to promote the effective operation of the free market and protect consumers from deceptive price increases for goods and services by prohibiting unfair credit card surcharges and encouraging the availability of discounts by those retailers who wish to offer a lower price for goods and services purchased through the use of credit cards.

SEC. 3. Definition of Terms- As used in this act, the following definitions shall apply:

- (a) “Credit card” means any card, plate, coupon book, or other single credit device existing for the purpose of being used from time to time upon presentation to obtain money, property, labor, or services on credit.
- (b) “Accepted credit card” means any credit card which the cardholder has requested or applied for and received or has signed, or has used, or has authorized another person to use, for the purpose of obtaining money, property, labor, or services on credit. Any credit card issued in renewal of, or in substitution for, an accepted credit card when received by the cardholder, whether the credit card is issued by the same or a successor card issuer.

- (c) “Card issuer” means any person who issues a credit card or the agent of that person for that purpose with respect to the credit card.
- (d) “Cardholder” means a natural person to whom a credit card is issued for consumer credit purposes, or a natural person who has agreed with the card issuer to pay consumer credit obligations arising from the issuance of a credit card to another natural person.
- (e) “Property” includes money, goods, services, or anything of value.
- (f) “Retailer” means every person other than a card issuer who furnishes money, goods, services, or anything else of value upon presentation of a credit card by a cardholder.
- (g) “Unauthorized use” means the use of a credit card by a person, other than the cardholder, (1) who does not have actual, implied, or apparent authority for that use and (2) from which the cardholder receives no benefit. “Unauthorized use” does not include the use of a credit card by a person who has been given authority by the cardholder to use the credit card. Any attempted termination by the cardholder of the person’s authority is ineffective as against the card issuer until such time as the cardholder complies with such procedures as may be required the card issuer to terminate that authority. Notwithstanding the above, following the card issuer’s receipt of oral or written notice from a cardholder indicating that it wishes to terminate the authority of a previously authorized user of a credit card, the card issuer shall follow its usual procedures for precluding any further use of a credit card by an unauthorized person.
- (h) An “inquiry” is writing that is posted by mail to the address of the card issuer to which payments are normally tendered, unless another address is specifically indicated on the statement for that purpose, then to that other address, and that is received by the card issuer no later than 60 days after the card issuer transmitted the first periodic statement that reflects the alleged billing error, and that does all of the following:
 - (1) Sets forth sufficient information to enable the card issuer to identify the cardholder and the account.
 - (2) Sufficiently identifies the billing error.
 - (3) Sets forth information providing the basis for the cardholder’s belief that the billing error exists.
- (i) A “response” is a writing, which is responsive to an inquiry and mailed to the cardholder’s address last known to the card issuer.

- (j) A “timely response” is a response, which is mailed within two complete billing cycles, but in no event later than 90 days, after the card issuer receives an inquiry.
- (k) A “billing error” means an error by omission or commission in (1) posting any debit or credit, or (2) in computation or similar error of an accounting nature contained in a statement given to the cardholder by the card issuer.
- (l) “Adequate notice” means a printed notice to a cardholder which sets forth the pertinent facts clearly and conspicuously so that a person against whom it is operate could reasonably be expected to have noticed it and understood its meaning.
- (m) “Secured credit card” means any credit card issued under an agreement or other instrument, which pledges, hypothecates, or places a lien on real property or money or other personal property to secure the cardholder’s obligations to the card issuer.

SEC. 4. Credit Card Issuance.- No credit card shall be issued except in response to an oral or written request or application therefore; or as in substitution for, an accepted credit card whether such card is issued by the same or a successor card issuer.

A credit card issuer that mails an offer or solicitation to receive a credit card and, in response, receives a completed application for a credit card that lists an address that is different from the address on the offer or solicitation shall verify the change of address by contacting the person to whom the solicitation or offer was mailed.

Notwithstanding any other provision of law, a person to whom an offer or solicitation to receive a credit card is made shall not be liable for the unauthorized use of a credit card issued in response to that offer or solicitation if the credit card issuer does not verify the change of address prior to the issuance of the credit card, unless the credit card issuer proves that this person actually incurred the change on the credit card.

When a credit card issuer receives a written or oral request for a change of the cardholder’s billing address and then receives a written or oral request for an additional credit card within 10 days after the requested address change, the credit card issuer shall not mail the requested additional credit card, unless the credit card issuer has verified the change of address.

SEC.5. Unauthorized Use of Credit Card.- A cardholder shall be liable for the unauthorized use of a credit card only if all of the following conditions are met:

- (a) The card is an accepted credit card.

- (b) The liability is not in excess of Two Thousand Pesos (PHP 2,000.00).
- (c) The card issuer gives adequate notice to the cardholder of the potential liability.
- (d) The card issuer has provided the cardholder with a description of a means by which the card issuer may be notified of loss, theft, or otherwise.
- (e) The unauthorized use occurs before the card issuer has been notified that an unauthorized use of the credit card has occurred or may result of loss, theft, or otherwise.
- (f) The card issuer has provided a method whereby the user of such card can be identified as the person authorized to use it.

SEC. 6. Timely Response. – If a card issuer fails to give a timely response to an inquiry of a cardholder concerning any debit or credit applicable to an obligation incurred through the use of a credit card, he shall not be entitled to interests, finance charges, service charges, or any other charges thereon, from the date of mailing of the inquiry to date of mailing of the response.

SEC. 7. Billing Errors of Card Issuer- Every card issuer shall correct any billing error made by the card issuer within two complete billing cycles, but in no event later than 90 days, after receiving an inquiry.

Any card issuer who fails to correct a billing error made by the card issuer within the period prescribed under Section 4 of this Act shall be entitled to the amount by which the outstanding balance of the cardholder's account is greater than the correct balance, nor any interests, finance charges, service charges, or other charges on the obligation giving rise to the billing error.

Any cardholder who is injured by a willful violation of this section may bring an action for the recovery of damages. Judgment may be entered for three times the amount at which actual damages are assessed. The cardholder shall be entitled to recover reasonable attorney's fees and costs incurred in the action.

SEC. 8. Billing Errors of Retailers.- Every retailer shall correct any billing error made by the retailer within 60 days from the date on which an inquiry concerning a billing error was mailed.

Any retailer who fails to correct a billing error made by the retailer within period prescribed shall be liable to the cardholder in the amount by which the outstanding balance of the cardholder's account is greater than the correct balance, and any interests, finance charges, service charges, or other charges on the obligation giving rise to the billing error.

Any cardholder who is injured by a willful violation of this section may bring an action for the recovery of damages. Judgment may be entered for three times the

amount at which actual damages are assessed. The cardholder shall be entitled to recover reasonable attorney's fees and costs incurred in the action.

SEC. 9. Non-Liability for Billing Errors.- A card issuer shall not be liable for a billing error made by the retailer. A retailer shall not be liable for an error made by a card issuer.

SEC. 10. Credit Information.- No card issuer shall knowingly give any untrue credit information to any person concerning a cardholder.

No card issuer, after receiving an inquiry from a cardholder regarding a billing error and prior to satisfying the requirements of section 7, shall communicate unfavorable credit information concerning the cardholder to any person solely because of the cardholder's failure to pay the amount by which the outstanding balance of the cardholder's account is greater than the correct balance.

No card issuer shall cancel or refuse to renew a credit card for the reason that the cardholder has obtained relief under Section 7 of this act.

SEC. 11. Credit Card Cancellation.- Unless requested by the cardholder, no card issuer shall cancel a credit card without having first given the cardholder 30 days' written notice of its intention to do so unless the cardholder is or has been within the last 90 days in default of payment or otherwise in violation of any provision of the agreement between the a card issuer and the cardholder governing the cardholder's use of the credit card or unless the card issuer has evidence or reasonable belief that the cardholder is unable or unwilling to repay obligations incurred under the agreement or that an unauthorized use of the card may be made.

Nothing provided herein shall be constructed to prohibit a card issuer from placing the account of a cardholder on inactive status if the cardholder has not used the card for a period in excess of 18 months or from requiring that the cardholder, upon subsequent reuse of a card, provide to the card issuer such updated information as will enable the card issuer to verify the current creditworthiness of the cardholder.

SEC. 12. Price Discounts.- Any provision in a contract between a card issuer and a retailer which has the effect of prohibiting the retailer from offering price discounts or from charging a different and lower price to a costumer who pay for goods or services by cash instead of by credit card is contrary to public policy and void.

SEC. 13. Surcharges. – No retailer in any sales, service, or lease transaction with a consumer may impose a surcharge on a cardholder who elects to use a credit card in lieu of payment by cash, check, or similar means. A retailer may, however, offers

discounts for the purpose of inducing payments by cash, check, or other means not involving the use of a credit card, provided that the discount is offered to all prospective buyers.

Any retailer who willfully violates this section by imposing a surcharge on a cardholder who elects to use a credit card and who fails to pay that amount to the cardholder within 30 days of a written demand by the cardholder of the retailer by certified mail, shall be liable to the cardholder for three times the amount at which actual damages are assessed.

A consumer shall not be deemed to have elected to use a credit card in lieu of another means of payment for purposes of this section in a transaction with a retailer if only credit cards are accepted by the that retailer payment for an order by a consumer over a telephone, and only cash is accepted if they are payable directly to the third party or are charged separately.

SEC. 14. Interest Charges.- No card issuer shall impose interests charges on purchases until after thirty (30) days from transaction; *Provided, That* such interest charges shall not exceed three and a half percent (3.5%) per month including penalties for late payment and other finance charges.

SEC. 15. Separability Clause.- If any provision or section of this Act is held invalid, the other provisions and sections not affected thereby shall remain in full force and effect.

SEC. 16. Repealing Clause.- All laws, rules and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 17. Effectivity.- This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,