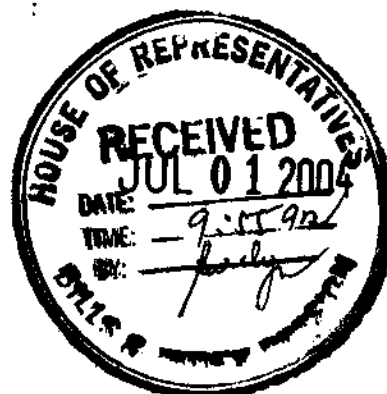


Republic of the Philippines
House of Representatives
Quezon City

Thirteenth Congress

First Regular Session

HOUSE BILL NO. 121



Introduced by **Representative JOEY SARTE SALCEDA**

EXPLANATORY NOTE

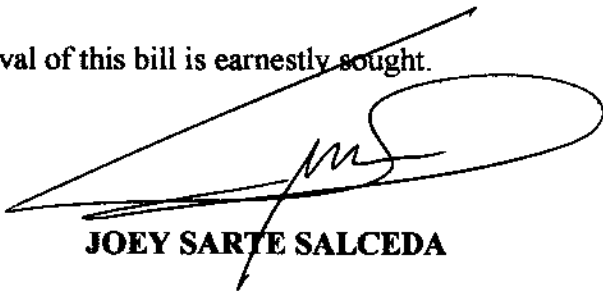
It is the policy of the state to protect the interests of the consumers, promote their general welfare and establish standards of conduct for business and industry, and further protect consumers against deceptive, unfair and unconscionable sales acts and practices.

As consumers become sophisticated in their choices, the demand for products and services that address their particular needs also increases. For credit card companies, this would mean offering plastic cards that go beyond the ordinary commodity. With an aggressive marketing strategy, acceptance of the credit card as a replacement for cash is starting to become a reality. In the last three years, credit card billings posted a strong growth of 19% from P100bn in 2000, P118bn in 2001, and P132bn in 2002 to 141.5bn in the last quarter of 2003, which led companies to develop and launch a variety of innovative features that cater to various consumer needs.

Despite the broad enrollment in the credit card business from 2.6mn credit cards issued in 1999 to 3.1mn in 2000, 3.6mn in 2001 to 2002 and 4mn in 2003 or a slight increase of 8% per year, the credit card business, which started in 1957, has not come under review, amidst continuing complaints of double charging, unconscionable interest, surmounting penalties, finance and other charges.

Thus, there is an overriding necessity that the issuance of credit cards be reviewed and necessary consumer protection be made for the interest of the consumers.

From the foregoing reasons, immediate approval of this bill is earnestly sought.


JOEY SARTE SALCEDA

Republic of the Philippines
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House Bill No. 0121

Introduced by Representative JOEY SARTE SALCEDA

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

Be it enacted by the Senate and 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 2004.”

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 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 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 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 operated 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 another 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 ten (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 (P2,000.00).

- (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 (2) complete billing cycles, but in no event later than ninety (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 damages. Judgment may be entered for three (3) 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 sixty (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 (3) 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 thirty (30) days' written notice of its intention to do so unless the cardholder is or has been within the last ninety (90) days in default of payment or otherwise in violation of any provision of the agreement between the 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 eighteen (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 credit worthiness 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 customer who pay for goods or services by cash instead of by credit card is contrary to public policy and void.

SEC. 13. *Repealing Clause.* – All laws, decrees, orders, rules and regulations and all other issuance or parts thereof inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 14. *Separability Clause.* – If any part or provision of this Act is held unconstitutional or invalid, other parts or provisions hereof which are not affected thereby shall remain in full force and effect.

SEC. 15. *Effectivity Clause.* – This Act shall take effect immediately upon publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved,