

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

COMMITTEE REPORT NO. 1225

Submitted by the **COMMITTEE ON TRADE AND INDUSTRY** on
June 29, 1966

Re : **House Bill No. 4841**

Recommending its approval in substitution of House Bill Nos. 123, 352, 1966, 3495, 3869, 4143, 4295 and 4532

Sponsors : Representatives Albert Raymond S. Garcia, Tomas V. Apacible, Maria Carmen Zamorra-Apsay, Bernadette R. Herrera-Dy, Susan A. Yap, Maria Amelita A. Calimbas-Villarosa, Mark A. Villar, Cesar V. Sarmiento, Wilfrido Mark M. Enverga, Rufus B. Rodriguez, Maximo B. Rodriguez, Jr., Roger G. Mercado, Augusto Boboy Syjuco, Carmelo F. and Lazatin

Mr. Speaker:

The **Committee on Trade and Industry** to which were referred House Bill No. 123, introduced by Reps. Maria Carmen Zamorra-Apsay and Bernadette R. Herrera-Dy, entitled:

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

House Bill No. 352, introduced by Reps. Susan A. Yap and Maria Amelita Calimbas-Villarosa, entitled:

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

House Bill No. 1966, introduced by Reps. Mark A. Villar, Ma. Amelita Calimbas-Villarosa and Cesar V. Sarmiento, entitled:

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

House Bill No. 3495, introduced by Reps. Wilfrido Mark M. Enverga and Bernadette R. Herrera-Dy, entitled:

AN ACT
PROVIDING FOR MOTOR VEHICLE WARRANTY ENFORCEMENT AND FOR OTHER PURPOSES

House Bill No. 3869, introduced by Reps. Rufus B. Rodriguez and Maximo B. Rodriguez, Jr., entitled:

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

House Bill No. 4143, introduced by Rep. Roger G. Mercado, entitled:

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

House Bill No. 4295, introduced by Rep. Augusto Boboy Syjuco, entitled:

AN ACT
PROTECTING CONSUMERS AGAINST THE SALE OF MOTOR VEHICLE, MAHINERIES AND APPLIANCES USSUALLY SOLD TO COMMON CONSUMERS AND IMPOSING PENALTIES FOR VIOLATION THEREOF

and House Bill No. 4532, introduced by Rep. Carmelo F. Lazatin, entitled

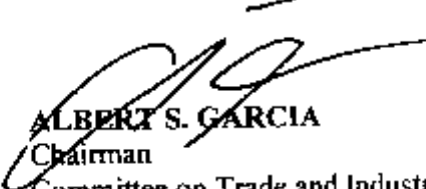
AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

have considered the same and recommends that the attached House Bill No. 4841, entitled:

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

be approved in substitution of House Bill Nos. 123, 352, 1966, 3495, 3869, 4143, 4295 and 4532, with Representatives Zamorra-Apsay, Herrera-Dy, Yap S., Calimbas-Villarosa, Villar, Enverga, Rodriguez R., Rodriguez Jr. M., Mercado R., Syjuco, Lazatin, Sarmiento C., Garcia A., Apacible, Duavit, Biron, Defensor, Alvarez A., Trefias, Casiño, Villarica, Mandanas, Fernandez, Garay, Teodoro, Del Rosario A.R., Sacdalan, Osmeña, Joson, Rodriguez I., Lacson-Noel, Yu, Ferrer J., Sahidulla, Lagdameo A., Bonoan-David, Mellana, Sakaluran, Quisumbing, Unabia, Batocabe, Colmenares, Haresco, Pancho, Cojuangco E., Cajayon, Tugna, Ty, Romualdez, Arroyo D., Gonzales A., Panotes, and Bagasina as authors thereof.

Respectfully Submitted:



ALBERT S. GARCIA
Chairman
Committee on Trade and Industry

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4841

(In substitution of House Bill Nos. 123, 352, 1966, 3495, 3869, 4143, 4295 and 4532)

Introduced by

Representatives Zamorra-Apsay, Herrera-Dy, Yap S., Calimbas-Villarosa, Villar, Enverga, Rodriguez R., Rodriguez Jr. M., Mercado R., Syjuco, Lazatin, Sarmiento C., Garcia A., Apacible, Duavit, Biron, Defensor, Alvarez A., Treñas, Casiño, Villarica, Mandanas, Fernandez, Garay, Teodoro, Del Rosario A.R., Sacdalan, Osmeña, Joson, Rodriguez I., Lacson-Noel, Yu, Ferrer J., Sahidulla, Lagdameo A., Bonoan-David, Mellana, Sakaluran, Quisumbing, Unabia, Batocabe, Colmenares, Haresco, Pancho, Cojuangco E., Cajayon, Tugna, Ty, Romualdez, Arroyo D., Gonzales A., Panotes, and Bagasina

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND
NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

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

1 **SECTION 1. Short Title.** - This Act shall be known as the "Lemon Law of 2011."

2 **SEC. 2. Declaration of Policy.** - It is hereby declared the policy of the State to promote
3 full protection to the rights of consumers in the sale of motor vehicles against sales and trade
4 practices which are deceptive, unfair or otherwise inimical to the consumers and the public
5 interest.

6 The State recognizes that a motor vehicle is a major consumer purchase or investment.
7 The consumer rights should thus be clearly defined including the means for redress for
8 violations thereof.

9 **SEC. 3. Definition of Terms.** - For purposes of this Act, the following terms shall mean:

- 10 (a) "Brand New Motor Vehicle" refers to a vehicle constructed entirely from new parts that
11 has never been sold or registered with the Department of Transportation and
12 Communications or an appropriate agency or authority and operated on the highway of
13 the Philippines, or in a foreign state or country;
- 14 (b) "Collateral Charges" refers to the fees paid to the Land Transportation Office (LTO) for
15 the registration of a brand new motor vehicle and other incidental expenses, including
16 the cost of insurance pertaining to the said vehicle;

- (c) "Comparable Motor Vehicle" refers to a motor vehicle that is identical or reasonably equivalent to the motor vehicle to be replaced, in terms of specifications and values, subject to availability, as the motor vehicle existed at the time of purchase: *Provided*, That there shall be an offset from this value for reasonable allowance for its use;
- (d) "Consumer" refers to any person, natural or juridical, who is a purchaser, either by cash or credit, of a brand new motor vehicle;
- (e) "Dealer" or "Seller" refers to any person other than a manufacturer which sells motor vehicles to the public;
- (f) "Distributor" refers to any person or entity other than a manufacturer who sells brand new motor vehicles to their duly authorized dealers or retailers;
- (g) "Implementing Agency" refers to the Department of Trade and Industry (DTI);
- (h) "Lemon Law Rights Period" refers to the period ending twelve (12) months after the date of the original delivery of a brand new motor vehicle to a consumer or the first twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. This shall be the period during which the consumer can report any non-conformity, as defined in paragraph (k) herein, to the standards and specifications of the manufacturer, distributor, authorized dealer or retailer, and pursue any right provided for under this Act;
- (i) "Manufacturer" refers to a person, partnership, association, corporation or entity engaged in the business of manufacturing or assembling motor vehicles, or distributing motor vehicles to motor vehicle dealers;
- (j) "Motor Vehicle" refers to any self-propelled four-wheeled road vehicle designed to carry passengers including, but not limited to, sedans, coupes, station wagons, convertibles, pick-ups, vans, sports utility vehicles (SUVs) and Asian Utility Vehicles (AUVs) but excepting motorcycles, delivery trucks, dump trucks, buses, road rollers, trolley cars, street sweepers, sprinklers, lawn mowers and heavy equipment, such as, but not limited to, bulldozers, payloaders, graders, forklifts, amphibian trucks, cranes, and vehicles which run only on rails or tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural purposes. Trailers having any number of wheels, when propelled or intended by attachment to a motor vehicle, shall be classified as separate motor vehicle with no power rating;
- (k) "Non-Conformity" refers to any defect or condition that substantially impairs the use, value or safety of a brand new motor vehicle which prevents it from conforming to the manufacturer's or distributor's standards or specifications, which cannot be repaired, but

1 excluding conditions resulting from non-compliance by the consumer of his or her
2 obligations under the warranty, modifications not authorized by the manufacturer or
3 distributor, abuse or neglect, and damage due to accident or *force majeure*;

4 (l) "Purchase Price" refers to the invoice price or the amount of money which the dealer or
5 retailer actually received for the brand new motor vehicle in consideration of the sale of
6 such brand new motor vehicle;

7 (m) "Warranty" refers to the written assurance, so labeled, of the manufacturer of a brand
8 new motor vehicle, including any term or condition precedent to the enforcement of
9 obligations under the warranty;

10 (n) "Warranty Rights Period" refers to the period provided for under the contract of sale
11 when manufacturer would guarantee the materials used, workmanship and
12 roadworthiness of a brand new motor vehicle for ordinary use or reasonable intended
13 purposes.

14 **SEC. 4. Coverage.** - This Act shall cover brand new motor vehicles with non-conformity
15 reported by the consumer within twelve (12) months from date of original delivery to the
16 consumer or twenty thousand (20,000) kilometers of operation after such delivery, whichever
17 comes first. The following causes of non-conformity shall be excluded:

- 18 a. noncompliance by the consumer of his or her obligations under the warranty;
19 b. modifications not authorized by the manufacturer or distributor;
20 c. abuse or neglect of the brand new motor vehicle; and
21 d. damage to the vehicle due to accident or *force majeure*.

22 **SEC. 5. Repair Attempts.** - At any time within the Lemon Law rights period, and after at
23 least four (4) separate repair attempts by the same dealer-manufacturer for the same complaint,
24 the consumer, if still unsatisfied with the results of the said repairs, may invoke his or her rights
25 under this Act.

26 **SEC. 6. Notice of Availment of Lemon Law Rights.** - Before availing of any remedy
27 under this Act and subject to compliance with the provisions of Section 5 hereof, the consumer
28 shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of the
29 unresolved complaint, and the consumer's intention to invoke his or her rights under this Act
30 within the Lemon Law rights period.

31 The warranty booklet issued by the manufacturer, distributor, authorized dealer or
32 retailer shall clearly state the manner and form of such notice to constitute a valid and legal
33 notice to the manufacturer, distributor, authorized dealer or retailer.

1 **SEC. 7. Availment of Lemon Law Rights.** - Subsequent to filing the notice of availment
2 referred to in the preceding section, the consumer shall bring the vehicle to the dealer from
3 which the vehicle was purchased for a final attempt to address the complaint of the consumer to
4 his or her satisfaction.

5 It shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon
6 receipt of the motor vehicle and the notice of non-conformity required under Section 6 hereof, to
7 attend to the complaints of the consumer including, as may be necessary, making the repairs and
8 undertaking such actions to make the vehicle conform to the standards or specifications of the
9 manufacturer or distributor for such vehicle.

10 In case the consumer remains unsatisfied with the dealer-manufacturer's efforts to repair
11 the vehicle, pursuant to the consumer's availment of his or her Lemon Law rights, the consumer
12 may file a complaint before the DTI as provided for under this Act: *Provided, however,* That if
13 the vehicle is not returned for repair based on the same complaint within thirty (30) calendar
14 days from the date of notice of release of the motor vehicle to the consumer following this repair
15 attempt within the Lemon Law rights period, the repair is deemed successful: *Provided, finally,*
16 That, in the event the consumer still remains unsatisfied after the thirty (30) day period but still
17 within the Lemon Law rights period, the consumer may be allowed to avail of the same
18 remedies under Sections 5 and 6 hereof.

19 To compensate for the non-usage of the vehicle while under repair and during the period
20 of availment of Lemon Law rights, the consumer shall be provided a reasonable daily
21 transportation allowance equivalent to first class taxi fare as evidenced by actual receipts, or a
22 service vehicle at the option of manufacturer, distributor, authorized dealer or retailer. Any
23 disagreement on this matter shall be resolved by the DTI.

24 Nothing herein shall be construed to limit or impair the rights and remedies of a
25 consumer under any other law.

26 **SEC. 8. Remedies for Dispute Resolution.** - The DTI shall exercise exclusive and
27 original jurisdiction over disputes arising from the provisions of this Act. All disputes arising
28 from the provisions of this Act shall be settled by the DTI in accordance with the following
29 dispute resolution mechanisms:

30 (a) Mediation

- 31 (1) The principle of negotiation, conciliation, and mediation towards amicable settlement
32 between the manufacturer or distributor and consumer shall be strictly observed;
33 (2) In the course of its dispute resolution efforts, the DTI shall endeavor to independently
34 establish the validity of the consumer's outstanding complaint. The DTI shall likewise

1 retain the services of other government agencies or independent private entities in the
2 ascertainment of the validity of the consumer's complaint. Any cost incurred in
3 establishing the validity of the consumer's complaint shall be borne jointly by the
4 consumer and the dealer-manufacturer.

5 (3) The complaint shall be deemed valid if it is independently established that the vehicle
6 does not conform to the standards or specifications set by the manufacturer.

7 (4) Upon failure of the negotiation or mediation between the manufacturer or distributor and
8 consumer, the parties shall execute a certificate attesting to such failure.

9 (5) At any time during the dispute resolution period, the manufacturer or distributor shall not
10 be precluded from offering easier remedial terms to the consumer to reach amicable
11 settlement at any stage of the dispute mechanism.

12 All disputes that have been submitted for amicable settlement shall be settled not later
13 than forty-five (45) working days from the date of filing of the complaint with the DTI.

14 (b) Arbitration

15 (1) In the event there is a failure to settle the complaint during the mediation proceedings,
16 the parties may voluntarily enter into arbitration proceedings, likewise to be supervised
17 by the DTI. The DTI shall rely on the independent findings as to conformity to standards
18 and specifications established herein.

19 (2) In case a non-conformity of the vehicle is found by the DTI, it shall rule in favor of the
20 consumer and direct the dealer-manufacturer to grant either of the following remedies to
21 the consumer:

- 22 i. replace the motor vehicle with a similar or comparable motor vehicle in terms of
23 specifications and values, subject to availability; or
24 ii. accept the return of the motor vehicle and pay the consumer the purchase price
25 plus the collateral charges.

26 In case the consumer decides to purchase another vehicle with a higher value and
27 specifications from the same dealer-manufacturer, the consumer shall pay the difference in cost.

28 In both cases of replacement and repurchase, the reasonable allowance for use, as
29 provided for in this Act, shall be deducted in determining the value of the non-conforming
30 vehicle.

31 (3) In case a non-conformity of the vehicle is not found by the DTI, it shall rule in favor of
32 the dealer-manufacturer and direct the consumer to reimburse the dealer-manufacturer the
33 costs incurred by the latter in validating the consumer's complaints.

1 **SEC. 9. *Determination of Reasonable Allowance for Use.*** - For purposes of this Act,
2 "reasonable allowance for use" shall mean twenty percent (20%) *per annum* deduction from the
3 purchase price, or the product of the distance traveled in kilometers and the purchase price
4 divided by one hundred thousand (100,000) kilometers, whichever is higher.

5 **SEC. 10. *Disclosure on Resale.*** - Should the returned vehicle be made available for
6 resale, the manufacturer or distributor shall, prior to sale, or transfer, disclose to the dealer in
7 writing that:

- 8 a. the motor vehicle was returned to the manufacturer, distributor, factory or branch;
9 b. the nature of the non-conformity which caused the return; and
10 c. the condition of the motor vehicle at the time of the transfer to the dealer.

11 It shall be the responsibility of the dealer to make the same disclosure in writing, in turn,
12 to the next purchaser prior to sale. The responsibility of the dealer under this section shall cease
13 upon the sale of the affected motor vehicle to the first purchaser.

14 **SEC 11. *Penalty.*** - The manufacturer, distributor or dealer adjudged to have violated the
15 provisions requiring disclosure as mentioned in the preceding section shall be liable to pay a
16 minimum amount of One hundred thousand pesos (P100,000.00) as damages to the aggrieved
17 party without prejudice to any civil or criminal liability they and/or the responsible officer may
18 incur under existing laws.

19 **SEC. 12. *Assistance by Other Agencies.*** - The Department of Transportation and
20 Communications and other agencies, political subdivisions, local government units, including
21 government-owned-and-controlled corporations, shall render such assistance as required by the
22 DTI in order to effectively implement the provisions of this Act.

23 **SEC. 13. *Implementing Rules and Regulations.*** - The Department of Trade and Industry
24 shall promulgate the necessary implementing rules and regulations within ninety (90) days from
25 the effectivity of this Act.

26 **SEC. 14. *Separability Clause.*** - If, for any reason, any part or provision of this Act is
27 declared invalid, such declaration shall not affect the other provisions of this Act.

28 **SEC. 15. *Repealing Clause.*** - All laws, decrees, executive orders, issuances, rules or
29 regulations or parts thereof which are inconsistent with the provisions of this Act are hereby
30 deemed repealed, amended or modified accordingly.

31 **SEC 16. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication in
32 the *Official Gazette* or in two national newspapers of general circulation.

33 Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH (15th) CONGRESS
First Regular Session

**MINUTES OF THE MEETING OF THE COMMITTEE ON TRADE &
INDUSTRY HELD ON MARCH 8, 2011 AT CONFERENCE ROOMS 9 & 10,
RAMON V. MITRA, JR. BUILDING, HOUSE OF REPRESENTATIVES
COMPLEX, BATASAN HILLS, QUEZON CITY**

AGENDA:

Deliberation on the following House Bills re: **PHILIPPINE LEMON LAW**

1. House Bill No. 123 entitled: **"AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES,"** introduced by Rep. Maria Carmen Zamora-Apsay;
2. House Bill No. 352 entitled: **"AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES,"** introduced by Rep. Susan A. Yap;
3. House Bill No. 1966 entitled: **"AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES,"** introduced by Rep. Mark A. Villar;
4. House Bill No. 3495 entitled: **"AN ACT PROVIDING FOR MOTOR VEHICLE WARRANTY ENFORCEMENT AND FOR OTHER PURPOSES"** Rep. Wilfrido Mark M. Enverga;
5. House Bill No. 3869 entitled: **"AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES,"** introduced by Reps. Rufus B. Rodriguez and Maximo B. Rodriguez, Jr.; and
6. House Bill No. 4143 entitled: **"AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES,"** introduced by Rep. Roger G. Mercado

I. CALL TO ORDER

Rep. Albert S. Garcia, Chairman and Presiding Officer, called the meeting to order at 1:57 pm.

II. ROLL CALL AND DETERMINATION OF QUORUM

On motion of Rep. Apacible, duly seconded by Rep. Trefias and there being no objection, the Committee dispensed with the Calling of the Roll.

III. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETINGS

On motion of Rep. Ty, duly seconded and there being no objection, the Committee dispensed with the reading of the Minutes of the Meeting held on February 22, 2011 and thereafter approved the same.

IV. OPENING REMARKS OF THE CHAIRMAN

Rep. Garcia welcomed and thanked the Members and resource persons who responded to the Committee's invitation to the meeting.

In his welcome remarks, Committee Chairman Albert Garcia cited that all six (6) bills seek to promote and protect the rights of buyers of brand new motor vehicles by providing them with remedies should these same cars repeatedly fail to meet standards of quality and performance.

He stressed that the proposed Philippine Lemon Law recognizes that a new motor vehicle is a major consumer purchase, and that a defective motor vehicle is likely to create hardship for, or may cause injury to, the Filipino consumer.

Likewise, Rep. Garcia emphasized that the proposed law prescribes the obligation of car manufacturers and assemblers through the enforcement of warranties in the case of defective or lemon cars.

In calling for the swift approval of the bills, the Chair noted that the passage of a Philippine Lemon Law is one of the legislative priorities of the Committee for the First Regular Session under the present Fifteenth (15th) Congress.

He added that the proposed measure had undergone extensive deliberations and was subsequently passed on Third Reading by the House both during the Thirteenth (13th) and Fourteenth (14th) Congress.

V. DELIBERATION ON THE PROPOSED PHILIPPINE LEMON LAW

Bureau of Trade Regulation & Consumer Protection Director Victorio Mario Dimagiba affirmed that the Department of Trade and Industry fully supports the passage of the proposed Philippine Lemon Law.

As amendments thereto, he suggested the inclusion of motorcycles in the coverage of the proposed measure, and the use of taxi fare receipts in the computation of transportation allowance for non-usage of the vehicle while under repair and during the period of availment of lemon law right.

Mr. Homer Maranan, Secretary General of the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI), submitted that the proposed Philippine Lemon Law should strike a reasonable balance between the rights of the buyer and the seller of motor vehicles where both are also entitled to the mantle of equal protection of the law.

The Authors present, namely Reps. Susan Yap (HB 352), Wilfrido Mark Enverga (3495), and Maximo Rodriguez, Jr. (HB 3869), unanimously agreed that the 6 bills should be consolidated. In this regard, Rep. Enverga moved for the preparation of a draft substitute bill which incorporates the amendments proposed by Director Dimagiba.

VI. ACTION TAKEN BY THE COMMITTEE

The motion of Rep. Enverga for the preparation of a draft substitute bill which incorporates the amendments as proposed by Director Dimagiba was subsequently approved by the Committee, duly seconded by Rep. Ma. Theresa Bonoan-David.

VII. ADJOURNMENT

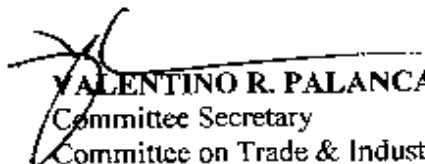
There being no other matters to be taken up, the meeting was adjourned at 2:17 p.m.

I hereby certify to the correctness of the foregoing.

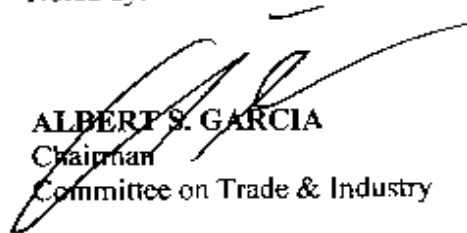
Prepared by:


RAFAELITO A. MALIMET
SLSO I
Committee on Trade & Industry

Certified Correct by:


VALENTINO R. PALANCA
Committee Secretary
Committee on Trade & Industry

Noted by:


ALBERT S. GARCIA
Chairman
Committee on Trade & Industry

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH (15th) CONGRESS
First Regular Session

MINUTES OF THE MEETING OF THE COMMITTEE ON TRADE & INDUSTRY HELD ON MAY 24, 2011(TUESDAY), 1:30 PM AT CONFERENCE ROOMS 9 & 10, RAMON V. MITRA, JR. BUILDING, HOUSE OF REPRESENTATIVES COMPLEX, BATASAN HILLS, QUEZON CITY

AGENDA:

- (A) Deliberation on the draft bill in substitution to House Bill Nos. 2262, 2985, 4100 and 4301 i.e. amendments to Republic Act No. 7581, otherwise known as the Price Act
- (B) Initial Deliberation on House Bill No. 2189 i.e. strict conformance to advertisement standards in the manufacture, distribution and sale of herbal medicines, supplementary health products and alternative healthy foods
- (C) Reconsideration of certain provisions of the proposed Philippine Lemon Law of 2011 previously approved by the Committee
- (D) Report of Accomplishments of the Committee for the First Regular Session of the Fifteenth (15th) Congress

I. CALL TO ORDER

Rep. Tomas Apacible, Presiding Officer and Senior Vice Chairman of the Committee on Trade and Industry, called the meeting to order at 1:45 P.M..

II. ROLL CALL AND DETERMINATION OF QUORUM

On proper motion, duly seconded and there being no objection, the Committee dispensed with the Calling of the Roll.

III. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

On proper motion, duly seconded and there being no objection, the Committee dispensed with the reading of the Minutes of the Meeting held on March 22, 2011 and thereafter approved the same.

IV. OPENING REMARKS OF THE PRESIDING OFFICER

On behalf of the Committee Chairman, Rep. Apacible welcomed the Members and resource persons present and thanked them for responding to the Committee's invitation to the meeting.

He explained that the meeting was called for primarily in order for the Committee to deliberate on the draft bill in substitution to House Bill Nos. 2262, 2985, 4100 and 4301, all seeking to amend certain provisions of Republic Act No. 7581, otherwise known as the Price Act.

Likewise, he stated that the Committee had scheduled the initial hearing on House Bill No. 2189 mandating the strict conformance to advertisement standards in the manufacture, distribution and sale of herbal medicines, supplementary health products and alternative healthy foods.

V. DELIBERATION ON THE DRAFT BILL IN SUBSTITUTION TO HOUSE BILL NOS. 2262, 2985, 4100 AND 4301

Rep. Apacible narrated that after the Committee had considered House Bills Nos. 2262, 2985, 4100 and 4301 during its meeting last March 22, 2011, the same were subsequently referred to the Subcommittee on Consumer Protection and Trade Regulation for its review with the goal of consolidating the various amendments to the Price Act as proposed by the subject bills, as well as to introduce other omnibus revisions to RA 7581 following said review.

Subsequently, the Subcommittee conducted two (2) Technical Working Group (TWG) meetings on the subject matter with the participation by representatives of various stakeholders and government agencies.

Rep. Apacible reported that the resulting draft substitute bill prepared by the Subcommittee has the following salient features:

1. It amends Section 3 (1) of RA 7581 by:

- providing a descriptive definition of the meaning of "Basic Necessities";
- including the phrase "SUCH AS, BUT NOT LIMITED TO" prior to the enumeration of items considered as "Basic Necessities";
- including PROCESSED POTABLE WATER IN CONTAINERS in the list of Basic Necessities in consideration of HB 2262;
- including NOODLES in the list of Basic Necessities in consideration of HB 2985;
- including HOUSEHOLD LIQUEFIED PETROLEUM GAS (LPG) AND KEROSENE in the list of Basic Necessities in consideration of HB 4100;
- including FRUITS in the list of Basic Necessities in consideration of the suggestion by the TWG;
- reasserting the items included in the list i.e. ROOT CROPS on top of list after CORN;
- including the phrase "AND SUCH OTHER GOODS AS MAY BE INCLUDED UNDER SECTION 4 OF THIS ACT": and

- correcting typographical and clerical errors found thereon
2. It amends Section 3(8) of RA 7581 by:
 - providing a descriptive definition of the meaning of "Prime Commodities";
 - including the phrase "SUCH AS, BUT NOT LIMITED TO" prior to the enumeration of items considered as "Prime Commodities";
 - replacing SWINE AND CATTLE feeds with LIVESTOCK AND FISHERY feeds
 - including the phrase "AND SUCH OTHER GOODS AS MAY BE INCLUDED UNDER SECTION 4 OF THIS ACT"; and
 - correcting typographical and clerical errors found thereon.
 3. It amends Section 4 of RA 7581 by granting the implementing agency, upon petition of concerned parties or *motu proprio* action with the approval of the President, the power not only to exclude certain items from the coverage of R.A. 7581, but it also allows the same to INCLUDE types and brands of goods in the definition of basic necessities or prime commodities, in consideration of House Bill No. 4301.
 4. It amends Section 6 of RA 7581 by providing that, IN THE CASE OF THE BASIC NECESSITIES THAT ARE WHOLLY IMPORTED and DEREGULATED UNDER EXISTING LAWS, SUCH AS, BUT NOT LIMITED TO HOUSEHOLD LIQUEFIED PETROLEUM GAS (LPG) AND KEROSENE, PRICE CONTROL THEREON SHALL REMAIN EFFECTIVE FOR A PERIOD OF NOT MORE THAN FIFTEEN (15) DAYS, TAKING INTO CONSIDERATION THE CURRENT INVENTORY OR SUPPLY LEVELS THEREOF.
 5. It amends Section 11 of RA 7581 by including the DEPARTMENT OF ENERGY as a MEMBER of the Price Coordinating Council.
 6. It amends Section 12 (2) of RA 7581 by requiring the Price Coordinating Council to report AT LEAST SEMI-ANNUALLY to the President and to the Congress of the Republic of the Philippines the status and progress of the programs, projects and measures undertaken by each implementing department, agency or office as well as the comprehensive strategies developed by the Council to stabilize the prices of basic necessities and prime commodities. Further, THE REPORT SHALL INCLUDE GOODS THAT HAVE BEEN INCLUDED OR EXCLUDED FROM THE LIST OF BASIC NECESSITIES AND PRIME COMMODITIES AS PROVIDED FOR UNDER SECTION 4 OF (THIS ACT) the Price Act.
 7. It directs the Department of Trade and Industry, in consultation with the members of the Price Coordinating Council and stakeholders, to promulgate the necessary rules, regulations and procedures for the effective implementation of this Act within NINETY (90) DAYS upon its effectivity and to monitor strict compliance therewith. This process shall involve the review of existing implementing rules and regulations of RA 7581, and its revision as may be appropriate.

Rep. Roman Romulo, author of HB 2262, reiterated the urgency of amending the Price Act to include drinking water in the list of Basic Necessities under the same law. Recounting his congressional district's sad plight during the onslaught of Typhoon *Ondoy* in 2009, he underscored that water is one of the most essential needs of life, and

In this regard, Rep. Apacible emphasized that making consumers fully aware of what these products are all about and how it affects their health falls squarely under the scope and jurisdiction of the Committee on Trade and Industry thru the Subcommittee on Consumer Protection and Trade Regulation.

Rep. Pedro Romualdo, author of HB 2189, stated that there has been an alarming proliferation in the market of well-commercialized herbal and alternative medicines which might pose danger to public health and imperil the lives of non-discriminating consumers.

While the government is mandated to promote traditional and alternative healthcare as mandated by Republic Act 8423, otherwise known as the Traditional and Alternative Medicine Act (TAMA) of 1997, Rep. Romualdo stressed that it is the government's primordial duty to educate and disseminate to the public adequate information and guide on the rational, appropriate, proper application and safe use of herbal and alternative medicines.

In light of this, he underscored that the objectives of his bill include among others, the need to indicate appropriate markings in the packaging, advertising, marketing and promotion of products and the language be in English, Tagalog, Visayan and other major dialects for easy reading and understanding of the consumers; the provision of stiffer penalties for manufacturers, distributors, sale, advertisers, marketers and promoters of herbal products who fail to comply with the provisions of the bill; and determine the extent of compliance by concerned government agencies such as the Department of Trade & Industry to Department of Health, Food & Drugs Administration and DOH-Administrative Order No. 2010 in monitoring manufacturers of herbal products and food supplements.

Ms. Yolanda R. Robles, Public Relations Officer of the Philippine Pharmaceutical Association (PPhA), expressed her agency's support to HB 2189, indicating that food supplements, specifically marked with the phrase, "no therapeutic claim" should not indicate that they are cure to certain ailments; otherwise, this is tantamount to betrayal of public trust.

She specified that food supplements shall comply with certain registration requirements before they are allowed the benefit of advertisements as well as market exposure abroad.

Ms. Ma. Victoria Pinion, Nutritionist/Dietician of the Food and Drugs Administration (FDA)-DOH, substantiated PPhA's position on the necessity of product registration. She identified the mandatory information necessary for such purpose.

She added that the FDA has no objection to the introduction of certain products provided that the required nutritional facts are indicated.

Atty. Rudolph Jularbal, General Counsel of *Kapisanan ng mga Brodkaster sa Pilipinas* (KBP) & AD Standards Council, provided information on the process thru advertisements for certain product are evaluated by the KBP. He assured the Committee that the KBP continuously monitors the requisite approval of FDA as to pharmaceutical products and food supplement, and that the same organization strictly observes the standards which prohibit claims not approved by the FDA.

Atty. Jularbal also identified certain problems encountered in advertising where the labels of certain products require FDA's approval, but the "inserts" to these do not

necessarily require approval of the same. He also affirmed that he has long been an advocate of translating markings in health and similar products in the local dialects.

Whereupon, the Committee agreed to conduct further deliberations in its next meeting on HB 2189, and to review its provisions for possible revisions in order to come up with a more comprehensive bill. The Committee also requested the resource persons to submit their position paper on the subject matter within the week in order for the Members to consider and study the same.

VII. RECONSIDERATION OF CERTAIN PROVISIONS OF THE PROPOSED PHILIPPINE LEMON LAW OF 2011

Rep. Albert Garcia, Committee Chairman, recalled that on March 8, 2011, the Committee conducted its deliberation on House Bill Nos. 123, 352, 1966, 3495, 3869 and 4143, all of which seek to strengthen consumer protection in the purchase of brand new motor vehicles and for other purposes.

During the same meeting, the Committee approved the preparation of a draft bill in substitution to the subject bills which, among others, incorporates the following provisions:

1. The inclusion of MOTORCYCLES as part of the definition of MOTOR VEHICLES covered by the substitute bill; and
2. The use of actual TAXI FARE RECEIPTS in the computation of transportation allowance for non-usage of the vehicle while under repair and during the period of availment of lemon law rights.

Thereafter, Rep. Garcia related that the matter of including motorcycles within the coverage of the proposed Philippine Lemon Law was referred to the same sector, particularly to the Motorcycle Development Program Participants Association (MDPPA) for their comments.

The MDPPA is an association of six (6) motorcycle manufacturers with eighty-five percent (85%) overall stake in the Philippine motorcycle industry whose members include Honda, Kawasaki, Suzuki, Motorstar, Yamaha And Kymco.

Subsequently, in its letter dated April 13, 2011, the MDPPA expressed its view that separate stipulations should be provided for motorcycles, which are two-wheeled vehicles, as most of the provisions of the proposed Philippine Lemon Law of 2011 are applicable to four-wheeled motor vehicles.

Likewise, the MDPPA cited the disparity between motorcycles and four-wheeled motor vehicles in terms of the nature of the product, price, warranty coverage, function or use, and financing scheme.

The same letter-comment was furnished to the DTI, particularly thru Atty. Victor Mario Dimagiba, Director of the Bureau of Trade Regulation and Consumer Protection (BTRCP).

After considering MDPPA's comments, Director Dimagiba has recommended that motorcycles should be removed from the list of motor vehicles to be covered by the

proposed Philippine Lemon Law of 2011 so as not to impede further the progress of the same legislative measure in the Lower House.

On May 9, 2011, House Bill No. 4532, also seeking to strengthen consumer protection in the purchase of brand new motor vehicles and for other purposes, was referred on First Reading to the Committee on Trade and Industry.

Upon review thereof, the provisions of House Bill No. 4532 are similar with those of House Bill Nos. 123, 352, 1966, 3495, 3869 and 4143.

In view of the foregoing, Rep. Garcia recommended that:

1. The approval by the Committee to draft a bill in substitution to House Bill Nos. 123, 352, 1966, 3495, 3869 and 4143 be amended to exclude motorcycles as part of the definition of MOTOR VEHICLES covered by the proposed Philippine Lemon Law of 2011;
2. House Bill No. 4532 be included in the list of measures considered by the Committee in preparing the draft Philippine Lemon Law of 2011; and
3. The aforementioned motions be formally manifested and approved during the Committee meeting on May 24, 2011 and subsequently reflected in the proceedings thereof.

Whereupon, on motion of Rep. Victor Yu, the Committee approved the aforesaid recommendations and instructed the Secretariat to implement the same.

VIII. REPORT OF ACCOMPLISHMENTS OF THE COMMITTEE DURING THE FIRST REGULAR SESSION OF THE FIFTEENTH (15TH) CONGRESS

Thereafter, Rep. Garcia also presented the Accomplishment Report on the Legislative Priorities for the First Regular Session of the Fifteenth (15th) Congress agreed upon by the Committee during its Organizational Meeting last September 14, 2010.

Chairman Garcia noted that the Committee Report on the proposed Philippine Fair Competition Act of 2011 is now ready for submission after months of deliberations thereon and with the recent approval by the Committee on Appropriations on the budget provisions thereof.

Likewise, House Bill 3841, prepared and submitted by the Committee which amends certain provisions of Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines, was approved on Third Reading by the House of Representatives last May 23, 2011.

Moreover, the Committee Chairman conveyed that the respective Committee Reports on the forthcoming 2011 Philippine Lemon Law, the proposed Philippine Trade Representative Office, the long-anticipated LPG Industry Regulation and Safety Act of 2011, and the much-awaited Fiscal and Non-Fiscal Incentives Act will be submitted by the Committee prior to the *sine die* adjournment on June 9, 2011.

FACT SHEET

House Bill No. **4841**

(In substitution of House Bill Nos. 123, 352, 1966, 3495, 3869, 4143, 4295 and 4532)

AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

Introduced by: REP. MARIA CARMEN ZAMORRA-APSAY, REP. BERNADETTE R. HERRERA-DY, REP. SUSAN A. YAP, REP. MARIA AMELITA A. CALIMBAS-VILLAROSA, REP. MARK A. VILLAR, REP. CESAR V. SARMIENTO, REP. WILFRIDO MARK M. ENVERGA, REP. RUFUS B. RODRIGUEZ, REP. MAXIMO B. RODRIGUEZ, JR., REP. ROGER G. MERCADO, REP. AUGUSTO BOBOY SYJUCO AND REP. CARMELO F. LAZATIN.

Committee Referral: COMMITTEE ON TRADE AND INDUSTRY

Committee Chairperson: REP. ALBERT RAYMOND S. GARCIA

OBJECTIVES:

- To strengthen the Consumer Protection Act, specifically on the purchase of brand new vehicles.
- To provide the consumers with relief upon purchase of brand new vehicle with factory defect that substantially impairs its use and safety through a refund of the full value of the consumer's financial investment for the purchase of their vehicles.
- To clearly define the parameters in handling consumer complaints involving brand new vehicles.

KEY PROVISIONS:

- Covers brand new motor vehicles with non-conformity to manufacturer's or distributor's standards or specifications; or condition that substantially impairs its use or safety, reported by the consumer within twelve (12) months from date of original delivery or twenty thousand (20,000) kilometers of operation whichever comes first;
- Mandates that if the manufacturer or distributor was not able to correct the defect which impairs the motor vehicle's use and safety after at least four (4) separate repair attempts by the same dealer-manufacturer for the complaint, consumer, if still unsatisfied with the results of the said repairs, may invoke his rights under this law within the lemon rights period;

- Provides for the determination of reasonable allowance for use computed as follows:

Product of the distance traveled in kilometers and the purchase price divided by one hundred thousand (100,000 kms.) or twenty percent (20%) per annum deduction from the purchase price whichever is higher.

- Mandates that the DTI shall exercise exclusive and original jurisdiction over disputes arising from the provisions of this law.
- Provides that in case non-conformity to the manufacturer's or distributor's standards and specifications of the vehicle is found by the DTI, it shall rule in favor of the consumer and direct the dealer-manufacturer to grant either of the following remedies to the consumer.
 - 1) Replace the motor vehicle with a similar or comparable motor vehicle in terms of specifications and values, subject to availability; or
 - 2) Accept the return of the motor vehicle and pay the consumer the purchase price plus collateral charges.
- Provides that in case non-conformity to the manufacturer's or distributor's standards and specifications of the vehicle is not found by the DTI, it shall rule in favor of the dealer-manufacturer and direct the consumer to reimburse the dealer-manufacturer the costs incurred by the latter in validating the consumer's complaints.
- Mandates that should the returned vehicle be made available for resale, the manufacturer or distributor shall, prior to sale, lease or transfer, disclose to the dealer in writing that;
 - 1) The motor vehicle was returned to the manufacturer, distributor, factory or branch;
 - 2) The specifications and/or standards not conformed with which caused the return of the vehicle, and
 - 3) The condition of the motor vehicle at the time of the transfer to the dealer.
- Provides that the manufacturer, distributor or dealer adjudged to have violated the provisions requiring disclosure shall be liable to pay a minimum amount of one hundred thousand pesos (P 100,000.00) as damages to the aggrieved party, without prejudice to any civil or criminal liability the responsible officer may incur under existing laws.
- Mandates that the Department of Trade and Industry shall promulgate the necessary implementing rules and regulations within (90) days from effectivity of this law.

RELATED LAWS:

- Republic Act No. 7394 – The Consumer Act of the Philippines

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City**

**First Regular Session
FIFTEENTH CONGRESS**

House Bill No. 123

Introduced by Rep. Maria Carmen Zamora-Apsay

EXPLANATORY NOTE

In the United States, the so-called Lemon Laws of the various states of the Union were enacted for the express purpose of protecting consumers from buying new, but faulty, motor vehicles. These laws seek to make sure that the manufacturer of the vehicle fixes the problems or defects that were originally covered under the manufacturer's warranty and were reported by the owner within the so-called lemon law rights period or certain mileage as reflected by the odometer of the vehicle. In extreme cases where the factory defects of the car are extensive, the laws also warrant the refund of the consumer's money or the delivery of a new car replacing the lemon automobile.

In our country, Republic Act No. 7394 or the Consumer Protection Law in the Philippines provides for the protection of consumers from scheming manufacturers and defective products. It gives the Department of Health (DOH) jurisdiction with respect to food, drugs, cosmetics, devices and substances; the Department of Agriculture (DA) with respect to products related to agriculture; and the Department of Trade and Industry (DTI) with respect to other consumer products not specified under the first two jurisdictions. DTI, therefore, has sole jurisdiction over complaints regarding lemon vehicles.

Out of the average 100,000 units of sold new automobiles per year, about 100 of these are later reported to be suffering from factory defects. Complaints received by the DTI are generally resolved through mediation because of the absence of a legislated mechanism wherein remedies are available for the aggrieved consumer and the manufacturer or vehicle dealer. Hence, the need for this proposal to bolster the Consumer Protection Act by specifically focusing on lemon cars.

As a note, this measure was originally filed during the 13th Congress wherein my father was the principal author in the House of Representatives. Both Houses of Congress approved the measure on Third Reading. Unfortunately,

what prevented its passage into law, that while the Senate ratified the bicameral conference committee report on the bill, the House of Representatives was unable to favorably act on the same due to time constraints.

This refiled version of the proposal is the same version adopted by the members of the bicameral conference committee during the 13th Congress. It incorporates and represents the various proposals of the stakeholders of the car manufacturing industry, consumer protection organizations, the concerned agencies of government and individual consumers. All of these groups actually actively participated and unselfishly lent their time and effort in crafting this piece of legislation. It is, therefore, a version most acceptable to all concerned. As such, we see no reason why this bill should get snagged by the legislative mill again and its passage compromised by all the legislative processes it has to get through. During the 14th Congress, the proposal was passed on third reading by the House of Representatives but the Senate was not able to approve a parallel measure.

It is hoped that during the 15th Congress, the bill will be expeditiously acted upon and finally enacted into law as it is timely, beneficial and necessary.


MARIA CARMEN ZAMORA-APSAY

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

First Regular Session
FIFTEENTH CONGRESS

House Bill No. _____

Introduced by Rep. Maria Carmen Zamora-Apsay

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF
BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES.

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 "Lemon Law of 2010."

SEC. 2. Declaration of Policy. It is hereby declared the policy of the State to promote full protection to the rights of consumers in the sale of motor vehicles against sales and trade practices which are deceptive, unfair or otherwise inimical to the consumers and the public interest.

The State recognizes that a motor vehicle is a major consumer purchase or investment. The consumer rights should thus be clearly defined including the means for redress for violations thereof.

SEC. 3. Definition of Terms. For purposes of this Act, the following terms shall mean:

- (a) "Brand new motor vehicle" refers to a vehicle constructed entirely from new parts that has never been sold or registered with the Department of Transportation and Communications or an appropriate agency or authority and operated on the highway of the Philippines, or in a foreign state or country.
- (b) "Collateral Charges" refer to fees paid to the Land Transportation Office for the registration of a brand new vehicle.
- (c) "Comparable Motor Vehicle" refers to a motor vehicle that is identical or reasonably equivalent to the motor vehicle to be replaced, in terms of specifications and values subject to availability as the motor vehicle existed

at the time of purchase. *Provided*, That there shall be an offset from this value for reasonable depreciation for its use.

- (d) "Consumer" refers to any person, natural or juridical, who is a purchaser, either by cash or credit, of a brand new motor vehicle.
- (e) "Dealer" or "Seller" refers to any person other than a manufacturer which sells motor vehicles to the public.
- (f) "Distributor" refers to any person or entity other than a manufacturer who sells brand new motor vehicles to their duly authorized dealers or retailers.
- (g) "Implementing Agency" refers to the Department of Trade and Industry (DTI).
- (h) "Lemon Law Rights Period" refers to the period ending twelve (12) months after the date of the original delivery of a brand new motor vehicle to a consumer or the first twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. This shall be the period during which the consumer can report any non-conformity to the manufacturer, distributor, authorized dealer or retailer, and pursue any right provided for under this Act.
- (i) "Manufacturer" refers to a person, partnership, association, corporation or entity engaged in business manufacturing or assembling motor vehicles, or distributing motor vehicles to motor vehicle dealers.
- (j) "Motor Vehicle" refers to any self-propelled four-wheeled road vehicle designed to carry passengers including, but not limited to, sedans, coupes, station wagons, convertibles, pick-ups, vans, sports utility vehicles (SUVs) and Asian Utility Vehicles (AUVs) but excepting motorcycles, delivery trucks, dump trucks, buses, road rollers, trolley cars, street sweepers, sprinklers, lawn mowers and heavy equipment, such as, but not limited to, bulldozers, payloaders, cranes, forklifts, amphibian trucks, cranes, and vehicles which run only on rails or tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural purposes. Trailers having any number of wheels, when propelled or intended by attachment to a motor vehicle, shall be classified as separate motor vehicle with no power rating.
- (k) "Non-conformity" refers to any condition of a brand new motor vehicle which prevents it from conforming to the manufacturer's or distributor's standards or specifications which cannot be repaired, but excluding conditions resulting from accident, force majeure, abuse, neglect, or unauthorized modification or alteration of the brand new motor vehicle.
- (l) "Purchase Price" refers to the invoice price or the amount of money which the dealer or retailer actually received for the brand new motor vehicle in consideration of the sale of such brand new motor vehicle.

(m) "Warranty" means the written assurance, so labeled, of the manufacturer of a brand new motor vehicle, including any term or condition precedent to the enforcement of obligations under the warranty.

(n) "Warranty Right Period" refers to the period provided for under the contract of sale when manufacturer would guarantee the materials used, workmanship and fitness of a brand new motor vehicle for ordinary use or reasonable intended purposes.

SEC. 4. Coverage. This Act shall cover brand new motor vehicles with non-conformity reported by the consumer within twelve (12) months from date of original delivery to the consumer or twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. The following causes of non-conformity shall be excluded:

- a. noncompliance by the consumer of his obligations under the warranty;
- b. modifications not authorized by the manufacturer or distributor;
- c. abuse or neglect of the brand new motor vehicle; and
- d. damage to the vehicle due to accident or force majeure.

SEC. 5. Repair Attempts. At any time within the lemon law rights period, and after at least four (4) separate repair attempts by the same dealer-manufacturer for the same complaint, the consumer, if still unsatisfied with the results of the said repairs, may invoke his rights under this Act.

SEC. 6. Notice of Availment of Lemon Law Rights.—Before availing of any remedy under this Act and subject to compliance with the provisions of Section 5 hereof, the consumer shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of the unresolved complaint, and the consumer's intention to invoke his rights under this Act within the lemon law rights period.

The warranty booklet issued by the manufacturer, distributor, authorized dealer or retailer shall clearly state the manner and form of such notice to constitute a valid and legal notice to the manufacturer, distributor, authorized dealer or retailer.

SEC. 7. Availment of Lemon Law Rights.—Subsequent to filing the notice of availment referred to in the preceding section, the consumer shall bring the vehicle to the dealer from which the vehicle was purchased for a final attempt to address the consumer's complaints to his satisfaction.

It shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon receipt of the motor vehicle and the notice of availment referred to in Section 6, hereof, to attend to the complainant of the consumer including, as may be necessary, making such repairs and undertaking such actions as to make the vehicle conform to the standards or specifications of the manufacturer or distributor for such vehicle.

In case the consumer remains unsatisfied with the dealer manufacturer's efforts to repair the vehicle pursuant to the consumer's availment of his lemon law rights, the consumer may file a complaint before the DTI as provided under this Act. *Provided, however,* That if the vehicle is not returned for repair for the same complaint within thirty (30) calendar days from the date of notice of release of the motor vehicle to the consumer following this repair attempt under the availment of lemon law rights period, the repair is deemed successful; *Provided, finally,* That should the same defect recur following the thirty (30) day period, after the lemon law rights period shall have lapsed, the consumer may still avail of the same remedies under Section 5 and 6 hereof.

To compensate for the non usage of the vehicle while under repair and during the period of availment of lemon law rights, the consumer shall be provided a reasonable daily transportation allowance equivalent to first class taxi, in such amount to be agreed upon by the parties, or a service vehicle at the option of manufacturer, distributor, authorized dealer or retailer. Any disagreement on this matter shall be resolved by the implementing agency provided for under this Act.

Nothing herein shall be construed to limit or impair the rights and remedies of a consumer under any other law.

SEC. 8. Remedies for Dispute Resolution.—The DTI shall exercise exclusive and original jurisdiction over disputes arising from the provisions of this Act. All disputes arising from the provisions of this Act shall be settled by the DTI in accordance with the following dispute resolution mechanisms:

8.1. Mediation

- (a) The principle of negotiation, conciliation, and mediation towards amicable settlement between the manufacturer or distributor and consumer shall be strictly observed;
- (b) In the course of its dispute resolution efforts, the DTI shall endeavor to independently establish the validity of the consumer's outstanding complaint. The DTI shall likewise retain the services of other government agencies or independent private entities in the ascertainment of the validity of the consumer's complaint. Any cost incurred in establishing the validity of the consumer's complaint shall be borne jointly by the consumer and the dealer-manufacturer.
- (c) The complaint shall be deemed valid if it is independently established that the vehicle does not conform to the standards or specifications set by the manufacturer.
- (d) Upon failure of the negotiation or mediation between the manufacturer or distributor and consumer, the parties shall execute a certificate attesting to such failure.

It shall be the responsibility of the dealer to make the same disclosure in writing, in turn, to the next purchaser prior to sale. A dealer's responsibility under this section shall cease upon the sale of the affected motor vehicle to the first purchaser.

SEC. 10. Penalty.—The manufacturer, distributor or dealer adjudged to have violated the provisions requiring disclosure as mentioned in the preceding section shall be liable to pay a minimum amount of One hundred thousand pesos (P100,000.00) as damages to the aggrieved party without prejudice to any civil or criminal liability they and/or the responsible officer may incur under existing laws.

SEC. 11. Assistance by Other Agencies. The Department of Transportation and Communications and other agencies, political subdivisions, local government units, including government-owned and-controlled corporations, shall render such assistance as required by the DTI in order to effectively implement the provisions of this Act.

SEC. 12. Implementing Rules and Regulations.—The Department of Trade and Industry shall promulgate the necessary implementing rules and regulations within ninety (90) days from the effectivity of this Act.

SEC. 13. Separability Clause.—If for any reason, any part or provision of this Act is declared invalid, such declaration shall not affect the other provisions of this Act.

SEC. 14. Repealing Clause. All laws, decrees, rules or regulations or parts thereof, which are inconsistent with the provisions of this Act, are hereby deemed repealed, amended or modified accordingly.

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

Approved.

HOUSE OF REPRESENTATIVES

House Bill No. 352

Introduced by Representative Susan A. Yap

EXPLANATORY NOTE

Consumer welfare is a primary concern in commerce, as protection of the consuming public raises quality standards of products and services, naturally boosting the economy.

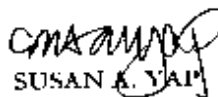
There are few properties that are as important, both symbolically and in practical application, as a motor vehicle. For an average family, the purchase of such requires large savings made possible by blood, sweat and tears exhausted in one's occupation.

Needless to say, there must be a certain level of guarantee in the vehicle's investment. The warranties available for vehicles do not allow the return of a defective vehicle with recurring problems, but only continued repairs, that is, until the warranty period expires. Buyers are at risk of being left with a hunk of junk, or a "lemon," while car manufacturers and dealers find business elsewhere, perhaps from another unwitting victim.

Many Filipinos have been victimized by false warranties and they cannot resort to legal remedies because of the absence of a law addressing their concerns. This bill seeks to promote full protection to the rights of consumers in the sale of motor vehicles against sales and trade practices which are deceptive, unfair, or otherwise inimical to consumers and the public interest. It recognizes that a motor vehicle is a major consumer investment, defines the rights of the buyer and imposes penalties for violations thereof.

The bill proposes a one (1) year period in which buyers of brand-new vehicles can avail of the provisions of this "Lemon Law," which allows up to four repairs on the same defect before a replacement or refund of the vehicle can be claimed. If a consumer happens to buy a defective car or any other product, he or she is entitled to get his or her money back, or to at least get a prompt replacement, thereby ensuring that car buyers get full value for their money.

This bill has been thoroughly deliberated during the 13th and 14th Congress, and it is my fervent hope that we manage to finally enact this proposal into law.


SUSAN A. YAP

Representative, 2nd District of Tarlac

6 HOUSE OF REPRESENTATIVES

7 House Bill No. **352**

8
9
10 Introduced by Representative A. Yap
11
12

13 AN ACT
14 STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF
15 BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES
16

17 *Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*
18

19 SECTION 1. *Short Title.* This Act shall be known as the "Lemon Law of 2010".

20 SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to promote
21 full protection to the rights of consumers in the sale of motor vehicles against sales and trade
22 practices which are deceptive, unfair or otherwise inimical to the consumers and the public
23 interest. The State recognizes that a motor vehicle is a major consumer purchase or
24 investment. The consumer rights should thus be clearly defined including the means for
25 redress for violations thereof.

26 SEC. 3. *Definition of Terms.* - For purposes of this Act, the following terms shall
27 mean:

28 (a) "Brand new motor vehicle" refers to a vehicle constructed entirely from new parts
29 that has never been sold or registered with the Department of Transportation and
30 Communications (DOTC) or an appropriate agency or authority and operated on the highway
31 of the Philippines, or in a foreign state or country;

32 (b) "Collateral charges" refers to the fees paid to the Land Transportation Office (LTO)
33 for the registration of a brand new motor vehicle and other incidental expenses, including the

1 cost of insurance pertaining to the said vehicle.

2 (c) "Comparable motor vehicle" refers to a motor vehicle that is identical or reasonably
3 equivalent to the motor vehicle to be replaced, in terms of specifications and values subject to
4 availability, as the motor vehicle existed at the time of purchase: Provided, That there shall be
5 an offset from this value for reasonable allowance for its use.

6 (d) "Consumer" refers to any person, natural or juridical, who is a purchaser, either in
7 cash or credit, of a brand new motor vehicle.

8 (e) "Dealer" or "Seller" refers to any person other than a manufacturer who sells motor
9 vehicles to the public.

10 (f) "Determination of reasonable allowance for use", for purposes of this Act,
11 "reasonable allowance for use" shall mean twenty percent (20%) *per annum* deduction from
12 the purchase price, or the product of the distance traveled in kilometers and the purchase
13 price divided by one hundred thousand (P100,000,000), whichever is higher.

14 (g) "Distributor" refers to any person or entity other than a manufacturer who sells
15 brand new motor vehicles to their duly authorized dealers or retailers.

16 (h) "Implementing agency" refers to the Department of Trade and Industry (DTI).

17 (i) "Lemon Law rights period" refers to the period ending twelve (12) months after the
18 date of the original delivery of a brand new motor vehicle to a consumer or the first twenty
19 thousand (20,000) kilometers of operation after such delivery, whichever comes first. This
20 shall be the period during which the consumer can report any non conformity, as defined in
21 paragraph (k) herein, to the standards and specifications of the manufacturer, distributor,
22 authorized dealer or retailer, and pursue any right provided for under this Act.

23 (j) "Manufacturer" refers to a person, partnership, association, corporation or entity
24 engaged in the business of manufacturing or assembling motor vehicles, or of distributing

1 motor vehicles to motor vehicle dealers

2 (k) "Motor vehicle" refers to any self-propelled four (4) wheeled road vehicle designed
3 to carry passengers including, but not limited to, sedans, coupes, station wagons, convertibles,
4 pickups, vans, sport utility vehicles (SUVs) and Armatruthy vehicles (AMVs) but excluding
5 motorcycles, delivery trucks, dump trucks, buses, road rollers, trolley cars, street sweepers,
6 sprinklers, lawn mowers and heavy equipment, such as, but not limited to, bulldozers,
7 payloaders, graders, forklifts, amphibian trucks, cranes and vehicles which run only on rails or
8 tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural
9 purposes. Trailers having any number of wheels, when propelled or intended by attachment to
10 a motor vehicle, shall be classified as separate motor vehicle with no power rating

11 (l) "Non-conformity" refers to any defect or condition that substantially impairs the use,
12 value or safety of a brand new motor vehicle which prevents it from conforming to the
13 manufacturer's or distributor's standards or specifications, which cannot be repaired, but
14 excluding conditions resulting from noncompliance by the consumer of his obligations under
15 the warranty, modifications not authorized by the manufacturer or distributor, abuse or
16 neglect, and damage due to accident or *force majeure*.

17 (m) "Purchase price" refers to the invoice price or the amount of money which the
18 dealer or retailer actually received for the brand new motor vehicle, in consideration of the
19 sale of such brand new motor vehicle.

20 (n) "Warranty" refers to the written assurance, so labeled, of the manufacturer of a
21 brand new motor vehicle, including any term or condition precedent to the enforcement of
22 obligations under the warranty

23 (o) "Warranty rights period" refers to the period provided for under the contract of sale
24 when the manufacturer would guarantee the materials used, workmanship and roadworthiness
25 of a brand new motor vehicle for ordinary use or reasonable intended purposes.

1 SEC. 4. **Coverage.** - This Act shall cover brand new motor vehicles with non-
2 conformity reported by the consumer within twelve (12) months from the date of original
3 delivery to the consumer or twenty thousand (20,000) kilometers of operation after such
4 delivery, whichever comes first. The following causes of non conformity shall be excluded:

5 (a) Noncompliance by the consumer of his obligations under the warranty;

6 (b) Modifications not authorized by the manufacturer or distributor;

7 (c) Abuse or neglect of the brand new motor vehicle; and

8 (d) Damage to the vehicle due to an accident or *force majeure*.

9 SEC. 5. **Repair Attempts.** - At any time within the Lemon Law rights period and after
10 at least four (4) separate repair attempts by the same dealer, manufacturer for the same
11 complaint, the consumer, if still unsatisfied with the results of the said repairs, may invoke his
12 rights under this Act.

13 SEC. 6. **Notice of Availment of the Lemon Law Rights.** - Before availing of any
14 remedy under this Act and subject to compliance with the provisions of Section 5 hereof, the
15 consumer shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of
16 the unresolved complaint and the consumer's intention to invoke his rights under this Act
17 within the Lemon Law rights period.

18 The warranty booklet issued by the manufacturer, distributor, authorized dealer or
19 retailer shall clearly state the responsibility of the consumer under this section. It shall likewise
20 provide the manner and form of such notice to constitute a valid and legal notice to the
21 manufacturer, distributor, authorized dealer or retailer.

22 SEC. 7. **Availment of the Lemon Law Rights.** - Subsequent to the filing of the notice
23 of availment referred to in the preceding section, the consumer shall bring the vehicle to the
24 dealer from which the vehicle was purchased for a final attempt to address the consumer's

1 complains to his satisfaction

2 It shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon
3 receipt of the motor vehicle and the notice of non-conformity required under Section 6
4 hereof, to attend to the complaints of the consumer including, as may be necessary, making
5 the repairs and undertaking such actions to make the vehicle conform to the standards or
6 specifications of the manufacturer or distributor for such vehicle.

7 In case the consumer remains unsatisfied with the dealer-manufacturer's efforts to repair
8 the vehicle, pursuant to the consumer's availment of his Lemon Law rights, the consumer may
9 file a complaint before the DTI as provided for under this Act: *Provided, however,* That if the
10 vehicle is not returned for repair based on the same complaint within thirty (30) calendar days
11 from the date of notice of release of the motor vehicle to the consumer following the repair
12 attempt within the Lemon Law rights period, the repair is deemed successful: *Provided, finally,*
13 That, in the event the consumer still remains unsatisfied after the thirty (30) days period but
14 still within the Lemon Law rights period, the consumer may be allowed to avail of the same
15 remedies under Sections 5 and 6 hereof.

16 To compensate for the non-usage of the vehicle while under repair and during the
17 period of availment of the Lemon Law rights, the consumer shall be provided a reasonable
18 daily transportation allowance, an amount which covers the transportation of the consumer
19 from his or her residence to his or her regular workplace and *vice versa*, equivalent to air-
20 conditioned taxi fare or in such amount to be agreed upon by the parties, or a service vehicle
21 at the option of the manufacturer, distributor, authorized dealer or retailer. Any disagreement
22 on this matter shall be resolved by the implementing agency provided for under this Act.

23 Nothing herein shall be construed to limit or impair the rights and remedies of a
24 consumer under any other law.

25 **SEC. 8. Remedies for Dispute Resolution** The DTI shall exercise exclusive and

1 original jurisdiction over disputes arising from the provisions of this Act. All disputes arising
2 from the provisions of this Act shall be settled by the DTI in accordance with the following
3 dispute resolution mechanisms:

4 (a) Mediation

5 (1) The principles of negotiation, conciliation and mediation towards amicable
6 settlement between the manufacturer or distributor and the consumer shall be strictly
7 observed:

8 (2) In the course of its dispute resolution efforts, the DTI shall endeavor to
9 independently establish the validity of the consumer's outstanding complaint. The DTI shall
10 likewise retain the services of other government agencies or independent private entities in the
11 ascertainment of the validity of the consumer's complaint. Any cost incurred in establishing
12 the validity of the consumer's complaint shall be borne jointly by the consumer and the dealer-
13 manufacturer:

14 (3) The complaint shall be deemed valid if it is independently established that the
15 vehicle does not conform to the standards or specifications set by the manufacturer,

16 (4) Upon failure of the negotiation or mediation between the manufacturer or
17 distributor and the consumer, the parties shall execute a certificate attesting to such failure,
18 and

19 (5) At any time during the dispute resolution period, the manufacturer or
20 distributor and the consumer shall be encouraged to settle amicably.

21 All disputes that have been submitted for mediation shall be settled not later than forty
22 five (45) working days from the date of filing of the complaint with the DTI.

23 (b) Arbitration

(1) In the event there is a failure to settle the complaint during the mediation proceedings, the parties may voluntarily enter into arbitration proceedings, likewise to be supervised by the DTI. The DTI shall rule on the independent findings as to conformity to standards and specifications established herein.

(2) In case a non-conformity of the vehicle is found by the DTI, it shall rule in favor of the consumer and direct the dealer-manufactures to grant either of the following remedies to the consumer:

(i) Replace the motor vehicle with a similar or comparable motor vehicle in terms of specifications and values, subject to availability; or

(ii) Accept the return of the motor vehicle and pay the consumer the purchase price plus collateral charges.

In case the consumer decides to purchase another vehicle with a higher value and specifications from the same dealer-manufactures, the consumer shall pay the difference in cost.

In both cases of replacement and repurchase, the reasonable allowance for use, as defined in this Act, shall be deducted in determining the value of the non-conforming vehicle, and

(3) In case a non-conformity of the vehicle is not found by the DTI, it shall rule in favor of the dealer-manufacturer and direct the consumer to reimburse the dealer-manufacturer the costs incurred by the latter in validating the consumer's complaints.

SEC. 9. Determination of Reasonable Allowance for Use. – For purposes of this Act, "reasonable allowance for use" shall mean twenty percent (20%) *per annum* deduction from the purchase price, or the product of the distance traveled in kilometers and the purchase price divided by one hundred thousand (100,000), whichever is higher.

1 SEC. 10. *Disclosure on Resale.* Should the returned vehicle be made available for
2 resale, the manufacturer or distributor shall, prior to sale, lease or transfer, disclose to the
3 dealer in writing that:

4 (a) the motor vehicle was returned to the manufacturer, distributor, factory or branch;

5 (b) the nature of the non-conformity which caused the return; and

6 (c) the condition of the motor vehicle at the time of the transfer to the dealer.

7 It shall be the responsibility of the dealer to make the same disclosure in writing, in turn,
8 to the next purchaser prior to sale. The responsibility of the dealer under this section shall
9 cease upon the sale of the affected motor vehicle to the first purchaser.

10 SEC. 11. *Penalty.* The manufacturer, distributor or dealer adjudged to have violated
11 the provisions requiring disclosure as mentioned in the preceding section shall be liable to pay
12 a minimum amount of One hundred thousand pesos (Php 100,000.00) as damages to the
13 aggrieved party without prejudice to any civil or criminal liability they and/or the responsible
14 officer may incur under existing laws.

15 SEC. 12. *Assistance by Other Agencies.* The DOTC and other agencies, political
16 subdivisions and local government units, including government-owned and -controlled
17 corporations, shall render such assistance as required by the DTI in order to effectively
18 implement the provisions of this Act.

19 SEC. 13. *Implementing Rules and Regulations.* - The DTI shall promulgate the
20 necessary implementing rules and regulations within ninety (90) days from the effectivity of
21 this Act.

22 SEC. 14. *Separability Clause.* If, for any reason, any part or provision of this Act is
23 declared invalid, such declaration shall not affect the other provisions of this Act.

1 SEC. 15. *Repealing Clause.* - All laws, decrees, executive orders, issuances, rules or
2 regulations or parts thereof which are inconsistent with the provisions of this Act are hereby
3 deemed repealed, amended or modified accordingly.

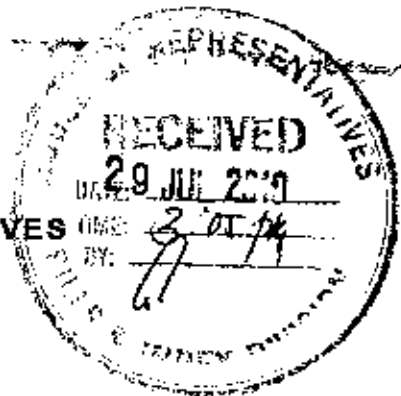
4 SEC. 16. *Effectivity.* This Act shall take effect fifteen (15) days after its publication in
5 the *Official Gazette*, or in two (2) national newspapers of general circulation.

6 Approved,

CONGRESS OF THE PHILIPPINES
FIFTEENTH CONGRESS
First Regular Session

HOUSE OF REPRESENTATIVES

House Bill No. 1966



Introduced by **REP. MARK A. VILLAR**

EXPLANATORY NOTE

Given the fast-paced nature of our times, owning a motor vehicle now is not considered a luxury but more of a necessity to cope with our everyday duties and responsibilities. Complying with this necessity, however, does not come cheap. Owning a motor vehicle is a big investment and could take a substantial chunk of one's savings. For some unfortunate buyers, an investment in this endeavor has become for naught after they acquired a "lemon" or those that fail to meet the standards of quality and performance; they continue with the burden of retaining the "lemon" and paying the expensive cost thereof, without equitable redress for their unlucky fate.

It is one of the guarantees of the State under our Constitution to protect consumers from trade malpractices and from substandard products (*Section 9, Article XVI, 1987 Philippine Constitution*). In support of this State guarantee, I believe it appropriate to recommend the adoption into law of the attached bill that would give ample protection to buyers of motor vehicles, particularly those that are "lemon".

The historical antecedents of the lemon law originated in the United States. It was crafted primarily to return to the consumer the full value of his money. Among others, it provides that if a manufacturer or its authorized dealer cannot successfully repair a defective product within a reasonable number of repair attempts, the manufacturer must either promptly replace or repurchase the product. In sum, the measure provides for legal remedies to buyers who face the ill fate of lemon automobiles ending up in their hands.

The attached bill seeks to adopt the Philippine version of the US lemon law, with provisions appropriate to our country's setting.

In view of the foregoing, I reiterate my recommendation for the approval of this bill

MARK A. VILLAR
Representative, Lone District of Las Pifas City

HOUSE OF REPRESENTATIVES

House Bill No. 1906

Introduced by **REP. MARK A. VILLAR**

**AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF
BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES**

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

SECTION 1. *Short Title.* – This Act shall be know as the *"Philippine Lemon
Law of 2010."*

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State
to promote full protection to the rights of consumers in the sale of motor vehicles
against sales and trade practices which are deceptive, unfair or otherwise inimical to
the consumers and the public interest. The State recognizes that a motor vehicle is a
major consumer purchase or investment. The consumer rights should thus be clearly
defined including the means for redress for violations thereof.

SEC. 3. *Definition of Terms.* – For purposes of this Act, the following terms
shall mean:

- (a) "Brand new motor vehicle" refers to a vehicle constructed entirely from
new parts that has never been sold or registered with the Department
of Transportation and Communications (DOTC) or an appropriate

agency or authority and operated on the highway of the Philippines, or in a foreign state or country;

- (b) "Collateral charges" refers to the fees paid to the Land Transportation Office (LTO) for the registration of a brand new motor vehicle and other incidental expenses, including the cost of insurance pertaining to the said vehicle;
- (c) "Comparable motor vehicle" refers to a motor vehicle that is identical or reasonably equivalent to the motor vehicle to be replaced, in terms of specifications and values subject to availability, as the motor vehicle existed at the time of purchase: *Provided, That* there shall be an offset from this value for reasonable allowance for its use;
- (d) "Consumer" refers to any person, natural or juridical, who is a purchaser, either by cash or credit, of a brand new motor vehicle;
- (e) "Dealer" or "Seller" refers to any person other than a manufacturer who sells motor vehicles to the public;
- (f) "Reasonable allowance for use", for purposes of this Act, shall mean twenty percent (20%) *per annum* deduction from the purchase price, or the product of the distance traveled in kilometers and the purchase price divided by one hundred thousand (100,000), whichever is higher;
- (g) "Distributor" refers to any person or entity other than manufacturer who sells brand new motor vehicles to their duly authorized dealers or retailers;
- (h) "Implementing agency" refers to the Department of Trade and Industry (DTI);
- (i) "Lemon Law rights period" refers to the period ending twelve (12) months after the date of the original delivery of brand new motor vehicle to a consumer or the first twenty thousand (20,000) kilometers

of operation after such delivery, whichever comes first. This shall be the period during which the consumer can report any non-conformity, as defined in paragraph (k) herein, to the standards and specifications of the manufacturer, distributor, authorized dealer or retailer, and pursue any right provided for under this Act;

- (j) "Manufacturer" refers to a person, partnership, association, corporation or entity engaged in the business of manufacturing or assembling motor vehicles, or of distributing motor vehicles to motor vehicle dealers;
- (k) "Motor vehicle" refers to any self-propelled four (4)-wheeled road vehicle designed to carry passengers including, but not limited to, sedans, coupes, station wagons, convertibles, pickups, vans, sport utility vehicles (SUVs) and Asian utility vehicles (AUVs) but excepting motorcycles, delivery trucks, dump trucks, buses, road rollers, trolley cars, street sweepers, sprinklers, lawn mowers and heavy equipment, such as, but not limited to, bulldozers, payloaders, graders, forklifts, amphibian trucks, cranes and vehicles which run only on rails or tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural purposes. Trailers having any number of wheels, when propelled or intended by attachment to a motor vehicle, shall be classified as separate motor vehicle with no power rating;
- (l) "Non-conformity" refers to any defect or condition that substantially impairs the use, value or safety of a brand new motor vehicle which prevents it from conforming to the manufacturer's or distributor's standards or specifications, which cannot be repaired, but excluding conditions resulting from noncompliance by the consumer of his obligations under the warranty, modifications not authorized by the manufacturer or distributor, abuse or neglect, and damage due to accident or *force majeure*;

- (m) "Purchase price" refers to the invoice price or the amount of money which the dealer or retailer actually received for the brand new motor vehicle, in consideration of the sale of such brand new motor vehicle;
- (n) "Warranty" refers to the written assurance, so labeled, of the manufacturer of a brand new motor vehicle, including any term or condition precedent to the enforcement of obligations under the warranty;
- (o) "Warranty rights period" refers to the period provided for under the contract of sale when the manufacturer would guarantee the materials used, workmanship and roadworthiness of a brand new motor vehicle for ordinary use or reasonable intended purposes.

SEC. 4. *Coverage.* — This Act shall cover brand new motor vehicles with non-conformity reported by the consumer within twelve (12) months from the date of original delivery to the consumer or twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. The following causes of non-conformity shall be excluded:

- (a) Non-compliance by the consumer of his obligations under the warranty;
- (b) Modifications not authorized by the manufacturer or distributor;
- (c) Abuse or neglect of the brand new motor vehicle; and
- (d) Damage to the vehicle due to an accident or *force majeure*.

SEC. 5. *Repair Attempts.* — At any time within the Lemon Law rights period and after at least four (4) separate repair attempts by the same dealer manufacturer for the same complaint, the consumer, if still unsatisfied with the results of the said repairs, may invoke his rights under this Act.

SEC. 6. *Notice of Availment of the Lemon Law Rights.* — Before availing of any remedy under this Act and subject to compliance with the provisions of Section 5 hereof, the consumer shall, in writing, notify the manufacturer, distributor, authorized

dealer or retailer of the unresolved complaint and the consumer's intention to invoke his rights under this Act within the Lemon Law rights period.

The warranty booklet issued by the manufacturer, distributor, authorized dealer or retailer shall clearly state the responsibility of the consumer under this section. It shall likewise provide the manner and form of such notice to constitute a valid and legal notice to the manufacturer, distributor, authorized dealer or retailer.

SEC. 7. Availment of the Lemon Law Rights. – Subsequent to the filing of the notice of availment referred to in the preceding section, the consumer shall bring the vehicle to the dealer from which the vehicle was purchased for a final attempt to address the consumer's complaints to his satisfaction.

It shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon receipt of the motor vehicle and the notice of non-conformity required under Section 6 hereof, to attend to the complaints of the consumer including, as may be necessary, making the repairs and undertaking such actions to make the vehicle conform to the standards or specifications of the manufacturer or distributor for such vehicle.

In case the consumer remains unsatisfied with the dealer manufacturer's efforts to repair the vehicle, pursuant to the consumer's availment of his Lemon Law rights, the consumer may file a complaint before the DTI as provided for under this Act. *Provided, however,* That if the vehicle is not returned for repair based on the same complaint within thirty (30) calendar days from the date of notice of release of the motor vehicle to the consumer following this repair attempt within the Lemon Law rights period, the repair is deemed successful. *Provided, finally,* That, in the event the consumer still remains unsatisfied after the thirty (30) days period but still within the Lemon Law rights period, the consumer may be allowed to avail of the same remedies under Sections 5 and 6 hereof.

To compensate for the non-usage of the vehicle while under repair and during the period of availment of the Lemon Law rights, the consumer shall be provided a reasonable daily transportation allowance, an amount which covers the

transportation of the consumer from his or her residence to his or her regular workplace and vice versa, equivalent to air-conditioned taxi fare or in such amount to be agreed upon by the parties, or a service vehicle at the option of the manufacturer, distributor, authorized dealer or retailer. Any disagreement on this matter shall be resolved by the implementing agency provided for under this Act.

Nothing herein shall be construed to limit or impair the rights and remedies of a consumer under any other law.

SEC. 8. Remedies for Dispute Resolution. – The DTI shall exercise exclusive and original jurisdiction over disputes arising from the provisions of this Act. All disputes arising from the provisions of this Act shall be settled by the DTI in accordance with the following dispute resolution mechanisms:

(A) Mediation

- (1)** The principles of negotiation, conciliation and mediation towards amicable settlement between the manufacturer or distributor and the consumer shall be strictly observed;
- (2)** In the course of its dispute resolution efforts, the DTI shall endeavor to independently establish the validity of the consumer's outstanding complaint. The DTI shall likewise retain the services of other government agencies or independent private entities in the ascertainment of the validity of the consumer's complaint. Any cost incurred in establishing the validity of the consumer's complaint shall be borne jointly by the consumer and the dealer manufacturer;
- (3)** The complaint shall be deemed valid if it is independently established that the vehicle does not conform to the standards or specifications set by the manufacturer;

- (4) Upon failure of the negotiation or mediation between the manufacturer or distributor and the consumer, the parties shall execute a certificate attesting to such failure; and
- (5) At any time during the dispute resolution period, the manufacturer or distributor and the consumer shall be encouraged to settle amicably. All disputes that have been submitted for mediation shall be settled not later than forty-five (45) working days from the date of filing of the complaint with the DTI.

(B) Arbitration

- (1) In the event there is a failure to settle the complaint during the mediation proceedings, the parties may voluntarily enter into arbitration proceedings, likewise to be supervised by the DTI. The DTI shall rely on the independent findings as to conformity to standards and specifications established herein;
- (2) In case a non-conformity of the vehicle is found by the DTI, it shall rule in favor of the consumer and direct the dealer-manufacturer to grant either of the following remedies to the consumer:
 - (i) Replace the motor vehicle with a similar or comparable motor vehicle in terms of specifications and values, subject to availability; or
 - (ii) Accept the return of the motor vehicle and pay the consumer the purchase price plus collateral charges.

In case the consumer decides to purchase another vehicle with a higher value and specifications from the same dealer-manufacturer, the consumer shall pay the difference in cost.

In both cases of replacement and repurchase, the reasonable allowance for use, as defined in this Act, shall be deducted in determining the value of the non-conforming vehicle.

- (3) In case a non-conformity of the vehicle is not found by the DTI, it shall rule in favor of the dealer-manufacturer and direct the consumer to reimburse the dealer-manufacturer the costs incurred by the latter in validating the consumer's complaints.

SEC. 9. Determination of Reasonable Allowance for Use. — For purposes of this Act, "reasonable allowance for use" shall mean twenty percent (20%) *per annum* deduction from the purchase price, or the product of the distance traveled in kilometers and the purchase price divided by one hundred thousand (100,000), whichever is higher.

SEC. 10. Disclosure on Resale. — Should the returned vehicle be made available for resale, the manufacturer or distributor shall, prior to sale, lease or transfer, disclose to the dealer in writing that

- (a) The motor vehicle was returned to the manufacturer, distributor, factory or branch;
- (b) The nature of the non-conformity which caused the return; and
- (c) The condition of the motor vehicle at the time of the transfer to the dealer.

It shall be the responsibility of the dealer to make the same disclosure in writing, in turn, to the next purchaser prior to sale. The responsibility of the dealer under this section shall cease upon the sale of the affected motor vehicle to the first purchaser.

SEC. 11. Penalty. — The manufacturer, distributor or dealer adjudged to have violated the provisions requiring disclosure as mentioned in the preceding section shall be liable to pay a minimum amount of One hundred thousand pesos

(Php100,000.00) as damages to the aggrieved party without prejudice to any civil or criminal liability they and/or the responsible officer may incur under existing laws.

SEC. 12. *Assistance by Other Agencies.* – The DOTC and other agencies, political subdivisions and local government units, including government-owned and -controlled corporations, shall render such assistance as required by the DTI in order to effectively implement the provisions of this Act.

SEC. 13. *Implementing Rules and Regulations.* – The DTI shall promulgate the necessary implementing rules and regulations within ninety (90) days from the effectivity of this Act.

SEC. 14. *Separability Clause.* – If, for any reason, any part or provision of this Act is declared invalid, such declaration shall not affect the other provisions of this Act.

SEC. 15. *Repealing Clause.* – All laws, decrees, executive orders, issuances, rules or regulations or parts thereof which are inconsistent with the provisions of this Act are hereby deemed repealed, amended or modified accordingly.

SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in two (2) national newspapers of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3495

Introduced by Rep. Wilfrido Mark M. Enverga

EXPLANATORY NOTE

Protecting the interests of the consumers is paramount in the social and economic activities of the country. It is the policy of the State to protect the interests of the consumer, promote his general welfare and to establish standards of conduct for business and industry.

Section 9, Article XVI of the constitution provides that the state shall protect consumers from trade malpractices and from substandard or hazardous products. For these reasons, the government enacted consumer protection law (RA 7394) as means to protect consumers against malpractices such as substandard goods and unsatisfactory services.

Among the many industries and services, consumers in the motor vehicle sector needs to be protected against hidden defects, defective and substandard vehicles. While we do have RA 7394 which makes the Department of Trade and Industry (DTI) as primary government regulatory agency in charge for the motor vehicles trade and industry, there is a need to enact a law which will give full protection to the rights of consumers in the sale for motor vehicles against sales and trade practices which are deceptive, unfair, or otherwise inimical to consumers and the public interest.

In other countries as in the United States, the law is called Lemon Law that provide a remedy for purchasers of cars in order to compensate for cars that repeatedly fail to meet standards of quality and performance. These cars are called lemons which is the slang sense of "worthless thing". Over time, 'lemon' came to refer to anything that was defective or broken or which breaks constantly, particularly a car. Hence, a motor vehicle is considered a lemon if it is unfit, unreliable, or unsafe for ordinary use.

There is no lemon law yet enacted in the Philippines. Although several attempts had made in the previous congresses, due to time constraints, all bills filed in relation to lemon motor vehicles were not enacted. Hence, the attached bill is necessary and very timely.

The bill in the hindsight provides protection to buyers to new motor vehicles. If a new vehicle turns out to be defective and has not been properly repaired after a reasonable number of attempts, the law requires a refund or replacement vehicle.

Only a small percentage of new vehicles will be declared lemons. However, all new vehicle buyers will benefit from this law. The manufacturer and the dealer now have a stronger economic incentive to deliver the vehicle free from defects, and if problems develop, to correct them quickly and accurately.

It is the intent of the proposed bill that a good faith motor vehicle warranty complaint by a consumer be resolved by the manufacturer within a specified period of time. It is further the intent of the bill to provide the statutory procedures whereby a consumer may receive a replacement motor vehicle, or a full refund, for a motor vehicle which cannot be brought into conformity with the warranty provided for. However, nothing in the bill shall in any way limit or expand the rights or remedies which are otherwise available to a consumer under any other existing law.

At the core of this proposed legislation is the manufacturer's breach of warranty. A manufacturer's warranty (express or implied) is what makes the manufacturer legally responsible for repairs to the consumer's vehicle or good. The law imposes these obligations on the manufacturer, the seller or both as a matter of public policy. Hence the public policy behind the proposed legislation is to place upon the manufacturers of motor vehicles the duty to meet their obligations and responsibilities under the terms of the express warranties extended to the consumers- buyers of motor vehicles.

In view of the foregoing, approval of the Bill is earnestly sought.


WILFRIDO MARK ENVERGA

FIFTEENTH CONGRESS
First Regular Session

Introduced by Rep. Wilfrido Mark M. Enverga

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

SEC. 2. Declaration of Policy - It is hereby declared the policy of the State to protect the interests of the consumers in the sale of motor vehicles against deceptive and unfair sales and trade practices, promote their welfare and establish statutory procedures on enforcement of warranties extended to motor vehicle buyers.

SEC. 3. *When a motor vehicle is deemed a lemon.*- A motor vehicle shall be presumed to be a lemon, when the following conditions concur:

- a) the motor vehicle was purchased within the Philippines;
- b) the buyer must have reported the failure to repair the non-conformity to the seller or manufacturer within the first 6 months from the date of original delivery to the consumer or fifteen thousand (3,000) kilometers of operation after such delivery, whichever comes first.

The following causes of non-conformity shall be excluded:

- (1) Noncompliance by the consumer of his obligations under the warranty;
- (2) Modifications not authorized by the manufacturer or distributor;
- (3) Abuse or neglect of the brand new motor vehicle; and
- (4) Damage to the vehicle due to an accident or force majeure.

c) the defect of the automobile must substantially impair the use, value, or safety of the motor vehicle; and

d) the motor vehicle has been out of service for the same defect for a cumulative total of thirty (30) days or more or the defect was not corrected within the reasonable number of attempts.

Motorcycles, conversion vans or farm equipment are not included under this Act.

SEC. 4. Repair Attempts. — At any time within the Lemon Law rights period and after at least four (4) separate repair attempts by the same dealer- manufacturer for the same complaint, the consumer, if still unsatisfied with the results of the said repairs, may invoke his rights under this Act.

SEC. 5. Notice of Availment of the Lemon Law Rights. — Before availing of any remedy under this Act and subject to compliance with the provisions of Section 4 hereof, the consumer shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of the unresolved complaint and the consumer's intention to invoke his rights under this Act within the Lemon Law rights period.

SEC. 6. Buyer's remedy when motor vehicle is a lemon. — A buyer of a new motor vehicle shall have the right to either the remedy of a prompt repurchase or replacement from a seller or manufacturer should his automobile is shown to be a lemon in accordance with the next preceding section. Nothing in this law shall in any way limit or expand the rights or remedies which are otherwise available to a consumer-buyer of motor vehicle under any other existing laws or jurisprudence.

SEC. 7. Replacement. — The buyer who chooses replacement as a remedy is entitled to a motor vehicle identical to the vehicle being replaced. The seller or manufacturer shall be responsible for paying all taxes and licensing fees.

SEC. 8. Repurchase. — A buyer may at his option be entitled to a refund of all monies invested in the lemon including the down payment, monthly finance payments and payoff of the finance contract. In both cases of replacement or repurchase, the buyer is also entitled to recover expenses such as towing costs and repair costs.

SEC. 9. *Attorney's Fees.* -In addition to the foregoing sections, a buyer is also entitled to an award of attorney's fees and other costs of litigation.

SEC. 10. *Civil liability of seller who refuses to comply.* -A seller of a lemon motor vehicle who willfully fails to comply with his obligations to repurchase or replace lemon products after final judgment shall be subject to a civil penalty of up to two times the buyer's actual damages.

SEC.11. *Implementing Rules and Regulations.* - The DTI shall promulgate the necessary implementing rules and regulations within ninety (90) days from the affectivity of this Act.

SEC. 12. *Assistance by Other Agencies.* - The DOTC and other agencies, political subdivisions and local government units, including government-owned and -controlled corporations, shall render such assistance as required by the DTI in order to effectively implement the provisions of this Act.

SEC. 13. *Separability Clause.* - If, for any reason, any part or provision of this Act is declared invalid, such declaration shall not affect the other provisions of this Act.

SEC. 14. *Repealing Clause.* - All laws, decrees, executive orders, issuances, rules or regulations or parts thereof which are inconsistent with the provisions of this Act are hereby deemed repealed, amended or modified accordingly.

SEC. 15. *Effectivity* - This Act shall take effect immediately upon its publication in two (2) newspaper of general circulation.

APPROVED,

HOUSE OF REPRESENTATIVES

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

House Bill No. **3869**

EXPLANATORY NOTE

From January to September 2010, there were approximately 126,901 units of vehicles sold in the Philippines and from these units, there are more or less 100-150 units that were reported to have factory defects. There have been reports that newly bought brand new vehicles from dealers suffer from defects that no matter how many times it is brought back for repairs simply just would go away.

For majority of the population in the Philippines, the purchase of a new vehicle is a huge expenditure which resulted from hard work. And it would be very unjust if all their hard work would result in something that is defective and they have no recourse in the law.

Also, there have numerous recalls of motor vehicles in the Philippines, and all over the world. The difference, however, is that in other countries, the buyers are protected by their laws and have some recourse or remedy that entitles them to be properly compensated.

As such, it is high time that legislation be enacted to give buyers of motor vehicles protection and added rights against factory defective vehicles and false warranties.

In view of the foregoing, immediate approval of this bill is earnestly requested.


RUFUS B. RODRIGUEZ


MAXIMO B. RODRIGUEZ, JR.

HOUSE OF REPRESENTATIVES

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

House Bill No. 3869

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND
NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

*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 “Lemon Law of 2010”.

SEC. 2. Declaration of Policy. – It is hereby declared the policy of the State to promote full protection to the rights of consumers in the sale of motor vehicles against sales and trade practices which are deceptive, unfair or otherwise inimical to the consumers and the public interest.

The State recognizes that a motor vehicle is a major consumer purchase or investment. The consumer rights should thus be clearly defined including the means for redress for violations thereof.

SEC. 3. Definition of Terms. – For purposes of this Act, the following terms shall mean:

- (a) “Brand new motor vehicle” refers to a vehicle constructed entirely from new parts that has never been sold or registered with the Department of Transportation and Communications (DOTC) or an appropriate agency or authority and operated on the highway of the Philippines, or in a foreign state or country.
- (b) “Collateral charges” refers to the fees paid to the Land Transportation Office (LTO) for the registration of a brand new motor vehicle and other incidental expenses, including the cost of insurance pertaining to the said vehicle.
- (c) “Comparable motor vehicle” refers to a motor vehicle that is identical or reasonably equivalent to the motor vehicle to be replaced, in terms of specifications and values subject to availability, as the motor vehicle existed at the time of purchase: *Provided*, That there shall be an offset from this value for reasonable allowance for its use.
- (d) “Consumer” refers to any person, natural or juridical, who is a purchaser, either by cash or credit, of a brand new motor vehicle.

(e) "Dealer" or "Seller" refers to any person other than a manufacturer who sells motor vehicles to the public.

(f) ~~"Determination of reasonable allowance for use"~~, for purposes of this Act, "reasonable allowance for use" shall mean twenty percent (20%) *per annum* deduction from the purchase price, or the product of the distance traveled in kilometers and the purchase price divided by one hundred thousand (100,000), whichever is higher.

(g) "Distributor" refers to any person or entity other than a manufacturer who sells brand new motor vehicles to their duly authorized dealers or retailers.

(h) "Implementing agency" refers to the Department of Trade and Industry (DTI).

(i) "Lemon Law rights period" refers to the period ending twelve (12) months after the date of the original delivery of a brand new motor vehicle to a consumer or the first twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. This shall be the period during which the consumer can report any non-conformity, as defined in paragraph (k) herein, to the standards and specifications of the manufacturer, distributor, authorized dealer or retailer, and pursue any right provided for under this Act.

(j) "Manufacturer" refers to a person, partnership, association, corporation or entity engaged in the business of manufacturing or assembling motor vehicles, or of distributing motor vehicles to motor vehicle dealers.

(k) "Motor vehicle" refers to any self-propelled four (4)-wheeled road vehicle designed to carry passengers including, but not limited to, sedans, coupes, station wagons, convertibles, pickups, vans, sport utility vehicles (SUVs) and Asian utility vehicles (AUVs) but excepting motorcycles, delivery trucks, dump trucks, buses, road rollers, trolley cars, street sweepers, sprinklers, lawn mowers and heavy equipment, such as, but not limited to, bulldozers, payloaders, graders, forklifts, amphibian trucks, cranes and vehicles which run only on rails or tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural purposes. Trailers having any number of wheels, when propelled or intended by attachment to a motor vehicle, shall be classified as separate motor vehicle with no power rating.

(l) "Non-conformity" refers to any defect or condition that substantially impairs the use, value or safety of a brand new motor vehicle which prevents it from conforming to the manufacturer's or distributor's standards or specifications, which cannot be repaired, but excluding conditions resulting from noncompliance by the consumer of his obligations under the warranty, modifications not authorized by the manufacturer or distributor, abuse or neglect, and damage due to accident or *force majeure*.

(m) "Purchase price" refers to the invoice price or the amount of money which the dealer or retailer actually received for the brand new motor vehicle, in consideration of the sale of such brand new motor vehicle.

(n) "Warranty" refers to the written assurance, so labeled, of the manufacturer of a brand new motor vehicle, including any term or condition precedent to the enforcement of obligations under the warranty.

(o) "Warranty rights period" refers to the period provided for under the contract of sale when the manufacturer would guarantee the materials used, workmanship and roadworthiness of a brand new motor vehicle for ordinary use or reasonable intended purposes.

SEC. 4. Coverage. – This Act shall cover brand new motor vehicles with non-conformity reported by the consumer within twelve (12) months from the date of original delivery to the consumer or twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. The following causes of non-conformity shall be excluded:

- (a) Noncompliance by the consumer of his obligations under the warranty;
- (b) Modifications not authorized by the manufacturer or distributor;
- (c) Abuse or neglect of the brand new motor vehicle; and
- (d) Damage to the vehicle due to an accident or *force majeure*.

SEC. 5. Repair Attempts. – At any time within the Lemon Law rights period and after at least four (4) separate repair attempts by the same dealer/manufacturer for the same complaint, the consumer, if still unsatisfied with the results of the said repairs, may invoke his rights under this Act.

SEC. 6. Notice of Availment of the Lemon Law Rights. – Before availing of any remedy under this Act and subject to compliance with the provisions of Section 5 hereof, the consumer shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of the unresolved complaint and the consumer's intention to invoke his rights under this Act within the Lemon Law rights period.

The warranty booklet issued by the manufacturer, distributor, authorized dealer or retailer shall clearly state the responsibility of the consumer under this section. It shall likewise provide the manner and form of such notice to constitute a valid and legal notice to the manufacturer, distributor, authorized dealer or retailer.

SEC. 7. Availment of the Lemon Law Rights. – Subsequent to the filing of the notice of availment referred to in the preceding section, the consumer shall bring the vehicle to the dealer from which the vehicle was purchased for a final attempt to address the consumer's complaints to his satisfaction. It shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon receipt of the motor vehicle and the notice of non-conformity required under Section 6 hereof, to attend to the complaints of the consumer including, as may be necessary, making the repairs and undertaking such actions to make the vehicle conform to the standards or specifications of the manufacturer or distributor for such vehicle.

In case the consumer remains unsatisfied with the dealer/manufacturer's efforts to repair the vehicle, pursuant to the consumer's availment of his Lemon Law rights, the consumer may file a complaint before the DTI as provided for under this Act: *Provided, however,* That if the vehicle is not returned for repair based on the same complaint within thirty (30) calendar days from the date of notice of release of the motor vehicle to the consumer following this repair attempt within the Lemon Law rights period, the repair is deemed successful: *Provided, finally,* That, in the event the consumer still remains unsatisfied after the thirty (30) days period but still within the Lemon Law rights period, the consumer may be allowed to avail of the same remedies under Sections 5 and 6 hereof.

To compensate for the non-usage of the vehicle while under repair and during the period of availment of the Lemon Law rights, the consumer shall be provided a reasonable daily transportation allowance, an amount which covers the transportation of the consumer from his or her residence to his or her regular workplace and *vice versa*,

equivalent to air-conditioned taxi fare or in such amount to be agreed upon by the parties, or a service vehicle at the option of the manufacturer, distributor, authorized dealer or retailer. Any disagreement on this matter shall be resolved by the implementing agency provided for under this Act.

Nothing herein shall be construed to limit or impair the rights and remedies of a consumer under any other law.

SEC. 8. Remedies for Dispute Resolution. -- The DTI shall exercise exclusive and original jurisdiction over disputes arising from the provisions of this Act. All disputes arising from the provisions of this Act shall be settled by the DTI in accordance with the following dispute resolution mechanisms:

(a) Mediation

- (1) The principles of negotiation, conciliation and mediation towards amicable settlement between the manufacturer or distributor and the consumer shall be strictly observed;
- (2) In the course of its dispute resolution efforts, the DTI shall endeavor to independently establish the validity of the consumer's outstanding complaint. The DTI shall likewise retain the services of other government agencies or independent private entities in the ascertainment of the validity of the consumer's complaint. Any cost incurred in establishing the validity of the consumer's complaint shall be borne jointly by the consumer and the dealer/manufacturer;
- (3) The complaint shall be deemed valid if it is independently established that the vehicle does not conform to the standards or specifications set by the manufacturer;
- (4) Upon failure of the negotiation or mediation between the manufacturer or distributor and the consumer, the parties shall execute a certificate attesting to such failure; and
- (5) At any time during the dispute resolution period, the manufacturer or distributor and the consumer shall be encouraged to settle amicably.

All disputes that have been submitted for mediation shall be settled not later than forty-five (45) working days from the date of filing of the complaint with the DTI.

(b) Arbitration

- (1) In the event there is a failure to settle the complaint during the mediation proceedings, the parties may voluntarily enter into arbitration proceedings, likewise to be supervised by the DTI. The DTI shall rely on the independent findings as to conformity to standards and specifications established herein;
- (2) In case non-conformity of the vehicle is found by the DTI, it shall rule in favor of the consumer and direct the dealer-manufacturer to grant either of the following remedies to the consumer:
 - (i) Replace the motor vehicle with a similar or comparable motor vehicle in terms of specifications and values, subject to availability;
 - or
 - (ii) Accept the return of the motor vehicle and pay the consumer the purchase price plus collateral charges.

In case the consumer decides to purchase another vehicle with a higher value and specifications from the same dealer-manufacturer, the consumer shall pay the difference in cost.

In both cases of replacement and repurchase, the reasonable allowance for use, as defined in this Act, shall be deducted in determining the value of the non-conforming vehicle; and

(3) In case non-conformity of the vehicle is not found by the DTI, it shall rule in favor of the dealer-manufacturer and direct the consumer to reimburse the dealer-manufacturer the costs incurred by the latter in validating the consumer's complaints.

SEC. 9. Determination of Reasonable Allowance for Use. – For purposes of this Act, "reasonable allowance for use" shall mean twenty percent (20%) *per annum* deduction from the purchase price, or the product of the distance traveled in kilometers and the purchase price divided by one hundred thousand (100,000), whichever is higher.

SEC. 10. Disclosure on Resale. – Should the returned vehicle be made available for resale, the manufacturer or distributor shall, prior to sale, lease or transfer, disclose to the dealer in writing that:

- (a) The motor vehicle was returned to the manufacturer, distributor, factory or branch;
- (b) The nature of the non-conformity which caused the return; and
- (c) The condition of the motor vehicle at the time of the transfer to the dealer.

It shall be the responsibility of the dealer to make the same disclosure in writing, in turn, to the next purchaser prior to sale. The responsibility of the dealer under this section shall cease upon the sale of the affected motor vehicle to the first purchaser.

SEC. 11. Penalty. – The manufacturer, distributor or dealer adjudged to have violated the provisions requiring disclosure as mentioned in the preceding section shall be liable to pay a minimum amount of One hundred thousand pesos (Php100,000.00) as damages to the aggrieved party without prejudice to any civil or criminal liability they and/or the responsible officer may incur under existing laws.

SEC. 12. Assistance by Other Agencies. – The DOTC and other agencies, political subdivisions and local government units, including government-owned and -controlled corporations, shall render such assistance as required by the DTI in order to effectively implement the provisions of this Act.

SEC. 13. Implementing Rules and Regulations. – The DTI shall promulgate the necessary implementing rules and regulations within ninety (90) days from the effectivity of this Act.

SEC. 14. Separability Clause. – If, for any reason, any part or provision of this Act is declared invalid, such declaration shall not affect the other provisions of this Act.

SEC. 15. *Repealing Clause.* – All laws, decrees, executive orders, issuances, rules or regulations or parts thereof which are inconsistent with the provisions of this Act are hereby deemed repealed; amended or modified accordingly.

SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in two (2) national newspapers of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

First Regular Session

House Bill No. 4143

Introduced by Representative ROGER G. MERCADO

EXPLANATORY NOTE

Every consumer wants nothing but get the fair value of his money. The State recognizes the right of the consumers and assures its full protection against unfair trade practices.

In normal practice, all brand new products provide warranty against defects, apparent or otherwise, allowing consumers to seek redress, within a fix period, under certain circumstances. However, there are some instances where warranties do not apply as when adequate remedy cannot be given to the satisfaction of the consumer like in the case of automobile industry.

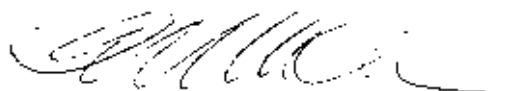
We heard a lot of reports involving large car manufacturers recalling their units due to complaints relating to product standards rendering the unit unfit and unsafe for use. This initiative, however, belongs to the manufacturers who in the first place have all the liberty in designing the vehicles coming out of their plants.

While every vehicle is coupled with warranty, in most cases, the remedies provided to the consumers seem not enough to fairly address the complained defects particularly those requiring major rectification.

It was for this reason that the United States, majority of the European states and some of the countries around the world enacted what is globally known as the "Lemon Law"

It is the objective of this measure to afford the same protection which our consumers cannot fairly avail under the product's warranty.

Thus, passage of this bill is earnestly sought.



ROGER G. MERCADO

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Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FOURTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4143

Introduced by Representative **ROGER G. MERCADO**

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF
BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

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

1 **SECTION 1. Short Title.** – This Act shall be known as the “Lemon Law of
2 2010.”

3 **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of the State
4 to promote full protection to the rights of consumers in the sale of motor
5 vehicles against sales and trade practices which are deceptive, unfair or
6 otherwise inimical to the consumers and the public interest.

7 The State recognizes that a motor vehicle is a major consumer purchase or
8 investment. The consumer rights should thus be clearly defined including the
9 means for redress for violations thereof.

10 **SEC. 3. Definition of Terms.** – For purposes of this Act, the following terms
11 shall mean:

12 (a) “Brand new motor vehicle” refers to a vehicle constructed entirely from
13 new parts that has never been sold or registered with the Department of
14 Transportation and Communications or an appropriate agency or
15 authority and operated on the highway of the Philippines, or in a foreign
16 state or country.

17 (b) “Collateral Charges” refer to the fees paid to the Land Transportation
18 Office for the registration of a brand new motor vehicle.

19 (c) “Comparable Motor Vehicle” refers to a motor vehicle that is identical or
20 reasonably equivalent to the motor vehicle to be replaced, in terms of
21 specifications and values subject to availability, as the motor vehicle
22 existed at the time of purchase; Provided, That there shall be an offset
23 from this value for reasonable allowance for its use.

(d) "Consumer" refers to any person, natural or juridical, who is a purchaser either by cash or credit of a brand new motor vehicle.

(e) "Dealer" or "Seller" refers to any person other than a manufacturer which sells motor vehicles to the public.

(f) "Distributor" refers to any person or entity other than a manufacturer who sells brand new motor vehicles to their duly authorized dealers or retailers.

(g) "Implementing Agency" refers to the Department of Trade and Industry.

(h) "Lemon Law Rights Period" refers to the period ending twelve (12) months after the date of the original delivery of a brand new motor vehicle to a consumer or the first twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. This shall be the period during which the consumer can report any non-conformity to the manufacturer, distributor, authorized dealer or retailer, and pursue any right provided for under this Act.

(i) "Manufacturer" refers to a person, partnership, association, corporation or entity engaged in the business of manufacturing or assembling motor vehicles, or of distributing motor vehicles to motor vehicle dealers.

(j) "Motor Vehicle" refers to any self-propelled four-wheeled road vehicle designed to carry passengers including, but not limited to, sedans, coupes, station wagons, convertibles, pick-ups, vans, sport utility vehicles (SUVs) and Asian utility vehicles (AUVs) but excepting motorcycles, delivery trucks, dump trucks, buses, road rollers, trolley cars, street sweepers, sprinklers, lawn mowers and heavy equipment, such as, but not limited to bulldozers, payloaders, graders, forklifts, amphibian trucks, cranes, and vehicles which run only on rails or tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural purposes. Trailers having any number of wheels, when propelled or intended by attachment to a motor vehicle, shall be classified as separate motor vehicle with no power rating.

(k) "Non-Conformity" refers to any condition that substantially impairs the use, or safety of a brand new motor vehicle which prevents it from conforming to the manufacturer's or distributor's standards or specifications, which cannot be repaired, but excluding conditions resulting from accident, *force majeure*, abuse, neglect, or unauthorized modification or alteration of the brand new motor vehicle.

(l) "Purchase Price" refers to the invoice price or the amount of money which the dealer or retailer actually received for the brand new motor vehicle in consideration of the sale of such brand new motor vehicle.

(m) "Warranty" refers to the written assurance, so labeled of the manufacturer of a brand new motor vehicle, including any term or condition precedent to the enforcement of obligations under the warranty.

(n) "Warranty Rights Period" refers to the period provided for under the contract of sale when the manufacturer would guarantee the materials used, workmanship and fitness of a brand new motor vehicle for ordinary use or reasonable intended purposes.

SEC. 4. Coverage. – This Act shall cover brand new motor vehicles with non-conformity reported by the consumer within twelve (12) months from date of original delivery to the consumer or twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. The following causes of non-conformity shall be excluded:

- a. non-compliance by the consumer of his obligations under the warranty;
- b. modifications not authorized by the manufacturer or distributor
- c. abuse or neglect of the brand new motor vehicle; and
- d. damage to the vehicle due to an accident or *force majeure*.

SEC. 5. Repair Attempts. – At any time within the lemon law rights period, and after at least four (4) times by the same dealer- manufacturer for the same complaint, the consumer, if still unsatisfied with the results of the said repairs, may invoke his rights under this Act.

It shall be understood that a reasonable number of repair attempts have been undertaken to make the vehicle conform to the standards or specifications if during the lemon law rights period, but before the filing of the notice of non-conformity under the succeeding section, the same non-conformity has been subject to repair as the case may be, and the same non-conformity continues to exist.

SEC. 6. Notice of Availment of Lemon Law Rights – Before availing of any remedy under this Act and subject to compliance with the provisions of Section 5 hereof, the consumer shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of the non-conformity of the motor vehicle, and the consumer's intention to invoke his rights under this Act within the lemon law rights period

The warranty booklet issued by the manufacturer, distributor, authorized dealer or retailer shall clearly state the responsibility of the consumer under this section. It shall likewise provide the manner and form of such notice to constitute a valid and legal notice to the manufacturer, distributor, authorized dealer or retailer.

SEC. 7. Availment of Lemon Law Rights – Subsequent to filing of notice of availment referred to in the preceding section, the consumer shall bring the vehicle to the dealer from which the vehicle was purchased for a final attempt to address the consumer's complaint to his satisfaction.

it shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon receipt of the motor vehicle and the notice of non-conformity required under Section 6 hereof, to attend to the complaint of the consumer including, as may be necessary, make the repairs and undertaking such actions as to make the vehicle conform to the standards or specifications of the manufacturer or distributor for such vehicle.

In case the consumer remains unsatisfied the dealer-manufacturer's effort to repair the vehicle, pursuant to the consumer's availment of his lemon law rights, the consumer may file a complaint before the DTI as provided under this Act, *Provided, however*, That if the vehicle is not returned for repair for the same complaint within thirty (30) calendar days from the date of notice of release of the motor vehicle to the consumer following this repair attempt under the availment of lemon law rights period, the repair is deemed successful; *Provided, finally*, That in the event that the consumer still remains unsatisfied after the thirty (30) day period, but still within the lemon law rights period, the consumer may still avail of the same remedies under Sections 5 and 6 hereof.

To compensate for the non-usage of the vehicle while under repair, the consumer shall be provided a reasonable daily transportation allowance equivalent to first class taxi fare from the second repair attempt, in such amount to be agreed upon by the parties, or a service vehicle at the option of manufacturer, distributor, authorized dealer or retailer. Any disagreement on this matter shall be resolved by the implementing agency provided for under this Act.

Nothing herein shall be construed to limit or impair the rights and remedies of a consumer under any other law.

SEC. 8. Remedies for Dispute Resolution. –The DTI shall exercise exclusive and original jurisdiction over disputes arising from the provisions of this Act. All disputes arising from the provisions of this Act shall be settled by the DTI in accordance with the following dispute resolution mechanism.

8.1 Mediation

- (a) The principle of negotiation, conciliation and mediation towards amicable settlement between the manufacturer or distributor and consumer shall strictly be observed;
- (b) In the course of its dispute resolution efforts, the DTI shall endeavor to independently establish the validity of the consumer's outstanding complaint. The DTI shall likewise retain the services of other government agencies or independent private entities in the ascertainment of the validity of the consumer's complaint. Any cost in establishing the validity of the consumer's complaint shall be borne jointly by the consumer and the dealer-manufacturer.
- (c) The complaint shall be deemed valid if it is independently established that the vehicle does not conform to the standards or specifications set by the manufacturer.

(d) Upon the failure of the negotiation or mediation between the manufacturer or distributor and consumer, the parties shall execute a certificate attesting to such failure;

(e) At any time during the dispute resolution period, the manufacturer or distributor shall be precluded from offering easier remedial terms to the consumer to reach an amicable settlement at any stage of the dispute mechanism.

All disputes that have been submitted for amicable settlement shall be settled not later than forty-five (45) days from the date of filing of the complaint with the DTI

8.2 Arbitration

(a) In the event there is a failure to settle the complaint during the mediation proceedings, the parties may voluntarily enter into arbitration proceedings likewise to be supervised by the DTI. The DTI shall rely on the independent findings as to conformity to standards and specifications established herein.

(b) In case a non-conformity of the vehicle is found by the DTI, it shall rule in favor of the consumer and direct the dealer-manufacturer to grant either of the following remedies to the consumer:

(i) replace the motor vehicle with similar or compatible motor vehicle in terms of specifications and values, subject to availability; *Provided*, That there be an offset from its value for reasonable allowance for use as defined in the immediately succeeding section; or

(ii) accept the return of the motor vehicle and pay the consumer the purchase price plus collateral charges

(c) In case a non-conformity of the vehicle is not found by the DTI, it shall rule in favor of the dealer-manufacturer and direct the consumer to reimburse the dealer-manufacturer the cost incurred by the latter in validating the consumer's complaint.

SEC. 9. Determination of Reasonable Allowance for Use. - For purposes of this Act, "Reasonable Allowance for Use" shall mean twenty per cent (20%) per annum deduction from the purchase price, or the product of the distance traveled in kilometers and the purchase price divided by one hundred thousand (100,000), whichever is higher.

SEC. 10. Disclosure on Re-sale. - If the returned vehicle is then made available for resale, the manufacturer or distributor shall, prior to sale, lease or transfer, disclose to the dealer in writing that:

(a) the motor vehicle was returned to the manufacturer, distributor, factory or branch;

(b) the nature of the non-conformity which caused the return; and

(c) the condition of the motor vehicle at the time of the transfer to the dealer;

It shall be the responsibility of the dealer to make the same disclosure in writing, in turn, to the next purchaser prior to sale. A dealer's responsibility

under this section shall cease upon the sale of the affected motor vehicle to the first purchaser.

SEC. 11. *Penalty.* – The manufacturer, distributor or dealer adjudged to have violated the provisions requiring disclosure as mentioned in the preceding section shall be liable to pay a minimum amount of One hundred thousand pesos (Php100,000.00) as damages to the aggrieved party without prejudice to any civil or criminal liability they and/or the responsible officer may incur under existing laws.

SEC. 12. *Assistance by Other Agencies.* – The Department of Transportation and Communications and other agencies, political subdivisions, local government units, including government-owned and controlled corporations shall render such assistance as required by the DTI in order to effectively implement the provisions of this Act.

SEC. 13. *Implementing Rules and Regulations.* – The Department of Trade and Industry shall promulgate the necessary implementing rules and regulations within ninety days (90) days from the effectivity of this Act.

SEC. 14. *Separability Clause.* – If, for any reason, any part or provision of this Act is declared invalid, such declaration shall not affect the other provisions of this Act.

SEC. 15. *Repealing Clause.* – All laws, decrees, executive orders, issuances, rules or regulations or parts thereof, which are inconsistent with the provisions of this Act, are hereby deemed repealed, amended or modified accordingly

SEC. 16. *Effectivity.* – This Act shall take effect thirty (30) days after its publication in the *Official Gazette* or in two national newspapers of general circulation.

Approved

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4295

Introduced by: Representative **AUGUSTO BOBOY SYJUCO, Ph.D.**

EXPLANATORY NOTE

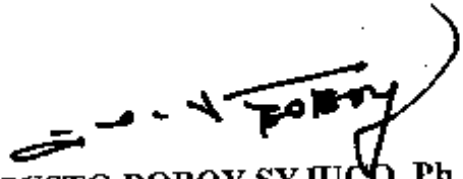
This bill seeks to provide protection for consumers against the fraudulent sale of defective motor vehicles machineries and appliances and breach of warranties by its seller or manufacturer.

There have been reported cases of newly purchased motor vehicle proving to be defective or failing to meet standards of quality and performance guaranteed by its seller or manufacturer. Unfortunately, there is no "*Lemon Law*" in the Philippines. In the United States, the "*Lemon Law*" provides full protection to consumers against sales and trade practices of sellers or manufacturers of motor vehicles which are deceptive, unfair or otherwise inimical to consumers and the public interest. With the proposed "*Lemon Law*" protection is provided not only to buyers of motor vehicles but it also protects the right of buyers of machineries and appliances

Under the proposed measure, if the seller or the manufacturer fails to repair a new motor vehicle machinery or appliance to meet the terms of an express written warranty, after reasonable notice and attempts, the manufacturer shall be required to replace the vehicle machinery or appliance with a new one of the same kind and value, or return the purchase price to the buyer, at the option of the latter. The manufacturer shall also be responsible to pay for sales or license, registration and other official fees including incidental damages that the buyer or lessee may have incurred due to the breach of warranty.

This measure intends to provide the same protection to consumers in the Philippines against breach of warranties of motor vehicle machinery and appliance sellers or manufacturers. This bill will also ensure that the consumers will get the full value of their hard earned money or investment when buying a new motor vehicle machinery or appliance.

In view of the foregoing, approval of this bill is urgently recommended.


AUGUSTO BOBOY SYJUCO, Ph.D.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

FIFTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. **4295**

Introduced by: Representative **AUGUSTO Boboy SYJUCO, Ph.D.**

AN ACT
PROTECTING CONSUMERS AGAINST THE SALE OF DEFECTIVE MOTOR
VEHICLE, MACHINERIES AND APPLIANCES USUALLY SOLD TO
COMMON CONSUMERS AND IMPOSING PENALTIES FOR VIOLATION
THEREOF

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 "*Philippine Lemon Law.*"

SEC. 2. Declaration of Policy. - It is hereby declared the policy of the State to promote consumer rights and provide full protection to buyers of motor vehicles, machineries and appliances usually sold to common consumers against trade practices of sellers or manufacturers which are inimical to the economy and the public interest.

SEC. 3. Definition of Terms. - As used in this Act:

- a) *Common Consumer* refers to the purchaser, other than for purposes of resale, of a motor vehicles, machineries and appliances which is used primarily for personal, family, or household purposes, and any person to whom the motor vehicle, machineries or appliance is transferred for the same purposes during the duration of any warranty applicable to the the item bought, and any other person entitled by the terms of such warranty to enforce the obligations of the warranty;
- b) *Manufacturer* refers to a person, partnership, association, corporation or entity engaged in the business of manufacturing or assembling motor vehicles, machineries or appliances or of distributing motor vehicles, machineries and appliances to sellers;
- c) *Express warranty* refers to the written warranty of the manufacturer of a new motor vehicle, machinery or appliance including any terms or conditions precedent to the enforcement of obligations under that warranty;
- d) *Motor vehicle* refers to passenger cars, pick-up or panel -trucks, sports utility vehicles, Asian utility vehicles, vans, motorcycles, and demonstrators or lease purchase vehicles which was subject to a manufacturer's express warranty at the time of the delivery and was purchased and registered in the Philippines;

e) *Machineries*-device designed to yield a high mechanical advantage to reduce the effort needed to do that work.

f) *Appliances*- A device or instrument designed to perform a specific function, especially an electrical device usually used within the household

g) *Seller* refers to any person other than a manufacturer which sells motor vehicles, machineries or appliances to the public. It includes manufacturers' authorized dealer, retailer, distributor or agent;

h) *Collateral charges* refer to sales-related charges including but not limited to sales tax, license fees, finance charges and interest, transportation charges, dealer preparation charges or any other charges for service contracts, undergoing rust-proofing or installed options, not recoverable from a third party;

i) *Comparable motor vehicle/machinery/appliance* refers to a motor vehicle or machinery or appliance that is identical or reasonably equivalent to the motor vehicle or machinery or appliance to be replaced, in terms of specifications and value;

j) *Non-conformity* refers to a failure to conform to a warranty, a defect or a condition, including those that do not affect the driveability of the vehicle or the operation of machinery or the appliance but significantly impairs the use, market value, or safety of a motor vehicle;

k) *Notification* means a written complaint of the defect or defects communicated to the manufacturer who has responded to the consumer in writing regarding said complaint, or that a representative of the manufacturer or seller has either inspected the vehicle or machinery or the appliance or met with the consumer regarding the non-conformity;

l) *Reasonable allowance for use* refers to twenty percent (20%) per annum deduction from the purchase price, or the product of the distance traveled in kilometers and the purchase price divided by one hundred thousand (100,000), whichever is higher; and

k) *Warranty* refers to any undertaking, written or otherwise, of the manufacturer, or any affirmations of fact or promise made by the manufacturer in connection with the sale of a motor vehicle/machinery or appliance that become part of the basis of the bargain which includes the obligations of the manufacturer in relation to materials, workmanship, and fitness of a motor vehicle/machinery/appliance for ordinary use or reasonable intended purposes throughout the duration of the lemon law rights period as defined in this section.

SEC. 4. *Lemon Law Rights Period.* – The period ending twenty four (24) months after the date of original delivery of a brand new motor vehicle to a consumer or the first ten (10) thousand kilometers of operation after such delivery, whichever comes first, during which the consumer can report any non-conformity to the standards and specifications of the manufacturer or seller, and pursue any right provided for under this Act. In the case of machineries, the period of 24 months after the date of original delivery, the consumer may pursue any right under this Act. Consumers who bought appliances shall have 6 months from the date of purchase to pursue their rights under this Act.

SEC. 5. *Conformity to Warranties.* – If a new motor vehicle or machinery does not conform to all express warranties, and the consumer reports the non-conformity within the lemon rights period, the seller shall make such repairs within seven (7) days after the receipt of the written notice to correct the defect or the non-conformity. The repair shall be free of any charges against the consumer, notwithstanding the fact that

such repairs are made after the expiration of the manufacturer's or seller's warranty period. In the case of purchasers of appliances, if the appliance prove to be defective within one month after purchase, the seller is required to replace the same with a similar appliance. Any defect of the appliance on the succeeding months but not longer than six months, repair of which shall be made by the seller without cost.

SEC. 6. Lemon Law Rights. - If the seller does not repair the defect within the seven (7) day period despite receipt of the notification, the consumer may forward a written notice of refusal or failure to correct the non-conformity to the manufacturer. The manufacturer shall repair the non-conformity within twenty (20) days.

If the manufacturer fails to repair the non-conformity within the twenty (20) day period or after a reasonable number of attempts, the manufacturer or seller shall:

a) Replace the motor vehicle or machinery with a comparable motor vehicle or machinery; or

b) Accept the return of the motor vehicle or machinery and refund to the consumer and any lien holder as their interest may appear the full purchase price, including all collateral charges, incidental charges, incidental damages, less reasonable allowance for use of the vehicle up to the date of the first notice of non-conformity that is given to the manufacturer or seller.

The consumer shall have the unconditional right to choose a refund rather than a replacement vehicle or machinery and to drive a motor service vehicle or temporary replacement to be used in cases of machinery which shall be provided by the manufacturer, until he receives either a replacement or a refund. The subtraction of a reasonable allowance for the use of the vehicle in excess of the first five thousand kilometers of operation shall apply to either a replacement or refund of the motor vehicle. Mileage, expenses, and reasonable loss of use necessitated by attempts to conform such motor vehicle to the express warranty may be recovered by the consumer.

Four (4) attempts to repair the same defect shall be presumed to be reasonable.

In the case of appliances if there be failure to replace or repair the defective appliance, after due notice to the seller, the consumer may right away file complaint with the Department of Trade and Industry.

Any disagreement on this matter shall be resolved by the Department of Trade and Industry (DTI).

SEC. 7. Notification Requirement. - Prior to availing himself of the rights under the preceding section, it shall be the responsibility of the consumer or his representative to notify the manufacturer or seller in writing of the need for the correction or repair of the non-conformity and ensure that the same is properly received by the latter. If the seller was the one notified, the latter shall, upon receipt, forward a copy of such notification to the manufacturer.

SEC. 8. Remedies. - Any consumer who suffers loss by reason of a violation of any provision of this Act may file a complaint before the Department of Trade and Industry (DTI) for mediation proceedings as provided for in this Act.

Nothing in this Act shall be construed to limit or impair the rights and remedies of a consumer under any other law.

SEC. 9. Dispute Resolution. - The DTI shall exercise exclusive and original jurisdiction over disputes arising from the provisions of this Act. All disputes arising from the provisions of this Act shall be settled by the DTI in accordance with the following dispute resolution mechanisms:

a) *Mediation Proceedings.* – Prior to litigation, the parties shall be required to undergo mediation proceedings under the Bureau of Trade Regulation and Consumer Protection and the Consumer Welfare and Trade Regulation Group or any office under DTI as may be designated by the Secretary of the Department of Trade and Industry which has the necessary capability and expertise pertaining to motor vehicles.

Within six (6) months after the effectivity of this Act, the offices above mentioned are mandated to draft and promulgate its rules and procedures for said mediation proceedings. The rules shall incorporate an evaluation by the experts of the government on any technical issues, which shall be considered with finality.

The principles of negotiation, conciliation and mediation towards amicable settlement between the manufacturer or seller and the consumer shall be strictly observed.

In the course of its dispute resolution efforts, the DTI shall endeavor to independently establish the validity of the outstanding complaint of the consumer. The DTI shall likewise retain the services of other government agencies or independent private entities in the ascertainment of the validity of the complaint. Any cost incurred in establishing the validity of the complaint shall be borne jointly by the consumer and the manufacturer.

The complaint shall be deemed valid if it is independently established that the vehicle does not conform to the standards or specifications set by the manufacturer.

Upon failure of the negotiation or mediation between the manufacturer and the consumer, the DTI shall issue a certificate attesting to such failure and, at any time during the dispute resolution period, the manufacturer or seller and the consumer shall be encouraged to settle amicably.

All disputes that have been submitted for mediation shall be settled not later than forty-five (45) working days from the date of filing of the complaint with the DTI.

In case a non-conformity of the vehicle is not found by the DTI, it shall rule in favor of the manufacturer and direct the consumer to reimburse the manufacturer the costs incurred by the latter in validating the complaints.

(b) *Arbitration proceedings.* – In the event there is a failure to settle the complaint during the mediation proceedings, the parties may voluntarily enter into arbitration proceedings which shall be governed by Republic Act (RA) No. 876, otherwise known as "The Arbitration Law" and Republic Act (RA) No. 9285, otherwise known as "The Alternative Dispute Resolution Act of 2004."

The arbitral tribunal which shall be constituted to settle the dispute arising from the provisions of this Act shall have a representative from DTI, as member.

The parties are free to agree on the place of arbitration. Failing such agreement, the place of arbitration shall be in Metro Manila, unless the arbitral tribunal, having regard to the circumstances of the case, including the convenience of the parties, shall decide on a different place of arbitration.

The arbitral tribunal may, unless otherwise agreed by the parties, meet at any place it considers appropriate for consultation among its members, for hearing witnesses, experts, or the parties, or for inspection of goods, properties or documents.

SEC. 10. *Defenses.* – The manufacturer or any other person against whom an action is brought may deny liability by raising the following affirmative defenses:

a) The alleged non-conformity, defect or condition does not substantially impair its value neither there is a significant impairment or is a serious safety defect as defined under this Act; and

b) The non-conformity is the result of abuse, neglect, or unauthorized modification or alteration of a motor vehicle by a consumer.

SEC. 11. *Court Action.* – At any time after the mediation proceedings, the consumer may elect to voluntarily submit to arbitration proceedings or bring an action with the court to enforce the provisions of this Act.

SEC. 12. *Award of Damages.* – In any action brought by the consumer due to the failure of the manufacturer to comply with the decision rendered in a dispute resolution proceeding or court order, the consumer shall have the right to recover attorneys fees, moral and exemplary damages, and other equitable relief as the court may deem appropriate.

SEC. 13. *Prescriptive Period.* – Any action brought to enforce the provisions of this Act shall be commenced within four (4) years from the date of the original delivery of the motor vehicle to the consumer.

SEC. 14. *Disclosure on Resale or Transfer of Vehicles or Machinery.* – If a motor vehicle or machinery that is returned to the manufacturer or distributor either under this Act or by judgment, decree or award is then transferred to a dealer, the manufacturer or distributor shall disclose this information to the dealer prior to any sale, lease, or transfer. The manufacturer or distributor shall disclose the same to the Land Transportation Office (LTO) which shall then inscribe the ownership certificate with notation "*Lemon Buyback*" and affix a decal to the vehicle if the manufacturer knew or should have known that the vehicle is required by law to be replaced or accepted for restitution due to failure to comply with warranties.

SEC. 15. *Tax Refund.* – The manufacturer who accepts a returned motor vehicle, machinery and appliance shall be entitled to a tax refund or credit for the sales taxes paid on the returned vehicle: *Provided*, That the claim for the tax refund or credit was made in accordance with the provisions of applicable tax laws.

SEC. 16. *Prohibitions.* – Any motor vehicle/ machinery or appliance manufacturer or seller or lien-holder who reacquires, or assists in reacquiring a motor vehicle or machinery or appliance whether by judgment, decree, arbitration award, settlement agreement, or voluntary agreement, is prohibited from:

a) Requiring as a condition of the reacquisition of the motor vehicle, machinery or appliance that a buyer or lessee who is a resident of the Philippines agrees not to disclose the problems with the vehicle experienced by the buyer or lessee or the non-financial terms of the reacquisition; and

b) Including in any release or other agreement, whether prepared by the manufacturer, seller or lien-holder for signature by the buyer or lessee, a confidentiality clause, gag clause, or similar clauses prohibiting the buyer or lessee from disclosing information to anyone about the problems with the vehicle, or the non-financial terms of the reacquisition of the vehicle by the manufacturer or seller.

Any confidentiality clause, gag clause, or similar clauses in such a release or other agreement in violation of this section shall be null and void.

Nothing in this section is intended to prevent any confidentiality clause, gag clauses, or similar clause regarding the financial terms of the reacquisition of the vehicle.

SEC. 17. *Consumer Waiver of Rights.* – Any agreement entered into by a consumer for the purchase of a new motor vehicle/machinery or appliance which waives, limits or disclaims the rights set forth in this Act shall be void as contrary to public policy. Said rights shall inure to a subsequent transferee of such motor vehicle.

SEC. 18. *Lemon Law Rights Notice.* - Any motor vehicle machinery or appliance seller, manufacturer, agent or authorized dealer shall notify its buyers of the lemon law rights provided under Section 6 of this Act and shall post a written notice of these rights printed in bold face type, and displayed in conspicuous places in its sales offices.

SEC. 19. *Penalties.* - Any person found guilty of violating any of the provisions of this Act shall be penalized with a fine of not less than One hundred thousand pesos (P100,000.00) in the case of motor vehicles and machineries and in the case of appliances the fine equivalent to fifty percent (50%) of the original price of the said appliance.

The foregoing penalty shall be without prejudice to any civil or criminal liability that the offender or the responsible officers of the manufacturer, agent or authorized dealer may incur under existing law. If the offender is an alien, he shall be deported after payment of fine without further deportation proceedings.

In case the offender is a naturalized citizen, he shall, in addition to the penalty prescribed herein, suffer the penalty of cancellation of his naturalization certificate and its registration in the civil registrar and immediate deportation after payment of fine.

Any director, officer, agent of a corporation who shall authorize, order or perform any of the acts or practices constituting in whole or in part a violation of the preceding section, and who has knowledge or notice of non-compliance received by the corporation from the concerned department, shall be subject to penalties to which that corporation may be subject.

In case the violation is committed by, or in the interest of a foreign juridical person duly licensed to engage in business in the Philippines, such license to engage in business in the Philippines shall immediately be revoked.

SEC. 20. *Assistance by Other Agencies.* - The Land Transportation Office, Bureau of Internal Revenue and other government agencies, political subdivisions and local government units, including government-owned and controlled corporations, shall render such assistance as required by the DTI in order to effectively implement the provisions of this Act.

SEC. 21. *Implementing Agency.* - The Secretary of Trade and Industry shall promulgate the necessary implementing rules and regulations within ninety (90) days from the effectivity of this Act.

SEC. 22. *Repealing Clause.* - All laws, decrees, executive orders, issuances, rules or regulations or parts thereof, which are inconsistent with the provisions of this Act, are hereby deemed repealed, amended or modified accordingly.

SEC. 23. *Separability Clause.* - If any provision or part of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

SEC. 24. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session



HOUSE BILL No. 4532

Introduced by Honorable CARMELO F. LAZATIN

EXPLANATORY NOTE

The protection of consumers against trade malpractices and from substandard products is guaranteed under our 1987 Philippine Constitution. The consumer satisfaction is a measure of quality standards and services in a given product or service. Without this element of satisfaction from consumers, the expansion of business is affected. Conversely, when there is a positive consumer satisfaction to a particular product or service, business expands.

Specifically in the auto industry, the prevalence of substandard brand new vehicles in the local market had caused undue damages to many unsuspecting Filipino buyers. To address this problem, this propose bill aims to protect consumer protection in buying brand new motor vehicles by defining rights of the buyer, institution of mechanism for redress and providing penalties for violations thereof.

In line with the above, the approval of this bill is earnestly sought.


CARMELO F. LAZATIN
First District, Pampanga

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL No. ~~4532~~

Introduced by Honorable CARMELO F. LAZATIN

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW
MOTOR VEHICLES AND FOR OTHER PURPOSES

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 "Philippine Lemon Law of 2010".

SEC. 2. Declaration of Policy. - It is hereby declared the policy of the State to promote full protection to the rights of consumers in the sale of motor vehicles against sales and trade practices which are deceptive, unfair or otherwise inimical to the consumers and the public interest. The State recognizes that a motor vehicle is a major consumer purchase or investment. The consumer rights should thus be clearly defined including the means for redress for violations thereof.

SEC. 3. Definition of Terms. - For purposes of this Act, the following terms shall mean:

(a) "Brand new motor vehicle" refers to a vehicle constructed entirely from new parts that has never been sold or registered with the Department of Transportation and Communications (DOTC) or an appropriate agency or authority and operated on the highway of the Philippines, or in a foreign state or country.

(b) "Collateral charges" refers to the fees paid to the Land Transportation Office (LTO) for the registration of a brand new motor vehicle and other incidental expenses, including the cost of insurance pertaining to the said vehicle.

(c) "Comparable motor vehicle" refers to a motor vehicle that is identical or reasonably equivalent to the motor vehicle to be replaced, in terms of specifications and values subject to availability, as the motor vehicle existed at the time of purchase: Provided, That there shall be an offset from this value for reasonable allowance for its use.

(d) "Consumer" refers to any person, natural or juridical, who is a purchaser, either by cash or credit, of a brand new motor vehicle.

(e) "Dealer" or "Seller" refers to any person other than a manufacturer who sells motor vehicles to the public.

(f) "Determination of reasonable allowance for use", for purposes of this Act, "reasonable allowance for use" shall mean twenty percent (20%) *per annum* deduction from purchase price, or the product of the distance traveled in kilometers and the purchase price divided by one hundred thousand (P100,000.00), whichever is higher.

(g) "Distributor" refers to any person or entity other than a manufacturer who sells brand new motor vehicles to their duly authorized dealers or retailers.

(h) "Implementing agency" refers to the Department of Trade and Industry (DTI).

(i) "Lemon Law rights period" refers to the period ending twelve (12) months after the date of the original delivery of a brand new motor vehicle to a consumer or the first twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. This shall be the period during which the consumer can report any non-conformity, as defined in paragraph (k) herein, to the standards and specifications of the manufacturer, distributor, authorized dealer or retailer, and pursue any right provided for under this Act.

(j) "Manufacturer" refers to a person, partnership, association, corporation or entity engaged in the business of manufacturing or assembling motor vehicles, or of distributing motor vehicles to motor vehicle dealers.

(k) "Motor vehicle" refers to any self-propelled four (4)-wheeled road vehicle designed to carry passengers including, but not limited to, sedans, coupes, station wagons, convertibles, pickups, vans, sport utility vehicles (SUVs) and Asian utility vehicles (AUVs) but excluding motorcycles, delivery trucks, dump trucks, buses, road rollers, trolley cars, street sweepers, sprinklers, lawn mowers and heavy equipment, such as, but not limited to, bulldozers, payloaders, graders, forklifts, amphibian trucks, cranes and vehicles which run exclusively on rails or tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural purposes. Trailers having any number of wheels, when propelled or intended for attachment to a motor vehicle, shall be classified as separate motor vehicle with no power rating.

(l) "Non-conformity" refers to any defect or condition that substantially impairs the use, performance or safety of a brand new motor vehicle which prevents it from conforming to the manufacturer's or distributor's standards or specifications, which cannot be repaired, but excluding conditions resulting from noncompliance by the consumer of his obligations under warranty, modifications not authorized by the manufacturer or distributor, abuse or

neglect, and damage due to accident or *force majeure*.

(m) "Purchase price" refers to the invoice price or the amount of money which the dealer or retailer actually received for the brand new motor vehicle, in consideration of the sale of such brand new motor vehicle.

(n) "Warranty" refers to the written assurance, so labeled, of the manufacturer of a brand new motor vehicle, including any term or condition precedent to the enforcement of obligations under the warranty.

(o) "Warranty rights period" refers to the period provided for under the contract of sale when the manufacturer would guarantee the materials used, workmanship and roadworthiness of a brand new motor vehicle for ordinary use or reasonable intended purposes.

SEC. 4. Coverage. - This Act shall cover brand new motor vehicles with non-conformity reported by the consumer within twelve (12) months from the date of original delivery to the consumer or twenty thousand (20,000) kilometers of operation after such delivery, whichever comes first. The following causes of non-conformity shall be excluded:

- (a) Noncompliance by the consumer of his obligations under the warranty;
- (b) Modifications not authorized by the manufacturer or distributor;
- (c) Abuse or neglect of the brand new motor vehicle; and
- (d) Damage to the vehicle due to an accident or *force majeure*.

SEC. 5. Repair Attempt. - At any time within the Lemon Law rights period and after at least one (1) separate repair attempt by the same dealer- manufacturer for the same complaint, the consumer, if unsatisfied with the result of the said repair, may invoke his rights under this Act.

SEC. 6. Notice of Availment of the Lemon Law Rights. - Before availing of any remedy under this Act and subject to compliance with the provisions of Section 5 hereof, the consumer shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of the unresolved complaint and the consumer's intention to invoke his rights under this Act within the Lemon Law rights period.

The warranty booklet issued by the manufacturer, distributor, authorized dealer or retailer shall clearly state the responsibility of the consumer under this section. It shall likewise provide the manner and form of such notice to constitute a valid and legal notice to the manufacturer, distributor, authorized dealer or retailer.

SEC. 7. Availment of the Lemon Law Rights. - Subsequent to the filing of the notice of availment referred to in the preceding section, the consumer shall bring the vehicle to the dealer from which the vehicle was purchased for a final attempt to address the consumer's

complaints to his satisfaction.

It shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon receipt of the motor vehicle and the notice of non-conformity required under Section 6 hereof, to attend to the complaints of the consumer including, as may be necessary, making the repairs and undertaking such actions to make the vehicle conform to the standards or specifications of the manufacturer or distributor for such vehicle.

In case the consumer remains unsatisfied with the dealer-manufacturer's efforts to repair the vehicle, pursuant to the consumer's availment of his Lemon Law rights, the consumer may file a complaint before the DTI as provided for under this Act: *Provided*, however, That if the vehicle is not returned for repair based on the same complaint within thirty (30) calendar days from the date of notice of release of the motor vehicle to the consumer following this repair attempt within the Lemon Law rights period, the repair is deemed successful: *Provided*, finally, That, in the event the consumer still remains unsatisfied after the thirty (30) days period but still within the Lemon Law rights period, the consumer may be allowed to avail of the same remedies under Sections 5 and 6 hereof.

To compensate for the non-usage of the vehicle while under repair and during the period of availment of the Lemon Law rights, the consumer shall be provided a reasonable daily transportation allowance, an amount which covers the transportation of the consumer from his or her residence to his or her regular workplace and vice versa, equivalent to air-conditioned taxi fare or in such amount to be agreed upon by the parties, or a service vehicle at the option of the manufacturer, distributor, authorized dealer or retailer. Any disagreement on this matter shall be resolved by the implementing agency provided for under this Act.

Nothing herein shall be construed to limit or impair the rights and remedies of a consumer under any other law.

SEC. 8. Remedies for Dispute Resolution. - The DTI shall exercise exclusive and original jurisdiction over disputes arising from the provisions of this Act. All disputes arising from the provisions of this Act shall be settled by the DTI in accordance with the following dispute resolution mechanisms:

(a) Mediation

(1) The principles of negotiation, conciliation and mediation towards amicable settlement between the manufacturer or distributor and the consumer shall be strictly observed;

(2) In the course of its dispute resolution efforts, the DTI shall endeavor to independently establish the validity of the consumer's outstanding complaint. The DTI shall likewise retain the services of other government agencies or independent private entities in the ascertainment of the validity of the consumer's complaint. Any cost incurred in establishing the validity of the consumer's complaint shall be borne jointly by the consumer

and the dealer-manufacturer:

(3) The complaint shall be deemed valid if it is independently established that the vehicle does not conform to the standards or specifications set by the manufacturer;

(4) Upon failure of the negotiation or mediation between the manufacturer or distributor and the consumer, the parties shall execute a certificate attesting to such failure; and

(5) At any time during the dispute resolution period, the manufacturer or distributor and the consumer shall be encouraged to settle amicably.

All disputes that have been submitted for mediation shall be settled not later than forty-five (45) working days from the date of filing of the complaint with the DTI.

(b) Arbitration

(1) In the event there is a failure to settle the complaint during the mediation proceedings, the parties may voluntarily enter into arbitration proceedings, likewise to be supervised by the DTI. The DTI shall rely on the independent findings as to conformity to standards and specifications established herein;

(2) In case a non-conformity of the vehicle is found by the DTI, it shall rule in favor of the consumer and direct the dealer-manufactures to grant either of the following remedies to the consumer:

(i) Replace the motor vehicle with a similar or comparable motor vehicle in terms of specifications and values, subject to availability; or

(ii) Accept the return of the motor vehicle and pay the consumer the purchase price plus collateral charges.

In case the consumer decides to purchase another vehicle with a higher value and specifications from the same dealer-manufactures, the consumer shall pay the difference in cost.

In both cases of replacement and repurchase, the reasonable allowance for use, as defined in this Act, shall be deducted in determining the value of the non-conforming vehicle; and

(3) In case a non-conformity of the vehicle is not found by the DTI, it shall rule in favor of the dealer-manufacturer and direct the consumer to reimburse the dealer-manufacturer the costs incurred by the latter in validating the consumer's complaints.

SEC. 9. Determination of Reasonable Allowance for Use. – For purposes of this Act, "reasonable allowance for use" shall mean twenty percent (20%) *per annum* deduction from the purchase price, or the product of the distance traveled in kilometers and the purchase

price divided by one hundred thousand (100,00), whichever is higher.

SEC. 10. **Disclosure on Resale.** - Should the returned vehicle be made available for resale, the manufacturer or distributor shall, prior to sale, lease or transfer, disclose to the dealer in writing that:

- (a) the motor vehicle was returned to the manufacturer, distributor, factory or branch;
- (b) the nature of the non-conformity which caused the return; and
- (c) the condition of the motor vehicle at the time of the transfer to the dealer.

It shall be the responsibility of the dealer to make the same disclosure in writing, in turn, to the next purchaser prior to sale. The responsibility of the dealer under this section shall cease upon the sale of the affected motor vehicle to the first purchaser.

SEC. 11. **Penalty.** -The manufacturer, distributor or dealer adjudged to have violated the provisions requiring disclosure as mentioned in the preceding section shall be liable to pay a minimum amount of One hundred thousand pesos (Php 100,000.00) as damages to the aggrieved party without prejudice to any civil or criminal liability they and/or the responsible officer may incur under existing laws.

SEC. 12. **Assistance by Other Agencies.** - The DOTC and other agencies, political subdivisions and local government units, including government-owned and -controlled corporations, shall render such assistance as required by the DTI in order to effectively implement the provisions of this Act.

SEC. 13. **Implementing Rules and Regulations.** - The DTI shall promulgate the necessary implementing rules and regulations within ninety (90) days from the effectivity of this Act.

SEC. 14. **Separability Clause.** - If, for any reason, any part or provision of this Act is declared invalid, such declaration shall not affect the other provisions of this Act.

SEC. 15. **Repealing Clause.** - All laws, decrees, executive orders, issuances, rules or regulations or parts thereof which are inconsistent with the provisions of this Act are hereby deemed repealed, amended or modified accordingly.

SEC. 16. **Effectivity** - This Act shall take effect fifteen (15) days after its publication in the **Official Gazette** or in two (2) national newspapers of general circulation.

Approved,
