

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. ____ 197



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

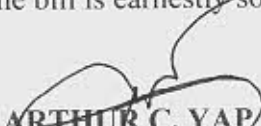
This bill aims to strengthen the Consumer Protection Act, specifically on the purchase of brand new motor vehicles.

There have been bitter stories of love lost between car owners and their car dealers with the former complaining about defects on their newly purchased cars. According to the Bureau of Trade Regulation and Consumer Protection (BTRCP), car buyers complain about defective products and services, product and service warranty, and deceptive sales acts and practices. Records of the BTRCP show that in the period of November 5, 2012 to January 31, 2013, a total of 49 complaints had been submitted and received by the agency. The Department of Trade and Industry (DTI) regional offices across the country handle and resolve actual consumer complaints.

Primarily, this measure seeks to give buyers of brand-new cars the right to demand a replacement with a similar or comparable motor vehicle if the first vehicle is discovered to have a factory defect. The buyer may also opt to return a defective vehicle and get a refund of its purchase price and collateral charges such as the vehicle registration fee (Lemon Law Rights). Furthermore, the bill provides parameters in handling and resolving consumer complaints involving brand new motor vehicles.

This bill has been filed and re-filed in several past Congresses and has even approved by the Committee on Trade and Industry of the House of Representatives in the 15th Congress.

For the foregoing reasons, the immediate passage of the bill is earnestly sought.


ARTHUR C. YAP
Representative

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session
197
House Bill No. _____

INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

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:

1 **SECTION 1. *Short Title.*** - This Act shall be known as the “Lemon Law of
2 2013”.

3 **SECTION 2. *Declaration of Policy.*** - It is hereby declared the policy of the
4 State to promote full protection to the rights of consumer in the sale of motor vehicles
5 against sales and trade practices which are deceptive, unfair or otherwise inimical to the
6 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 means for
9 redress for violations thereof.

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

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

- 1 b) *Collateral Charges* refer to the fees paid to the Land Transportation Office (LTO)
2 for the registration of a brand new motor vehicle and other incidental expenses,
3 including the cost of insurance pertaining to the said vehicle.
- 4 c) *Comparable Motor Vehicle* refers to a motor vehicle that is identical or
5 reasonably equivalent to the motor vehicle to be replaced, in terms of
6 specification and values, subject to availability, as the motor vehicle existed at the
7 time of the purchase; *Provided*, That there shall be an offset from this value for
8 reasonable allowance for its use.
- 9 d) *Consumer* refers to any person, natural or juridical, who is a purchaser, either by
10 cash or credit, of a brand new motor vehicle.
- 11 e) *Dealer or Seller* refers to any person other than a manufacturer who sells motor
12 vehicles to the public.
- 13 f) *Distributor* refers to any person or entity other than a manufacturer who sells
14 brand new motor vehicles to their duly authorized dealers or retailers.
- 15 g) *Implementing Agency* refers to the Department of Trade and Industry (DTI).
- 16 h) *Lemon Law Rights Period* refers to the period ending twelve (12) months after the
17 date of the original delivery of a brand new motor vehicle to a consumer or the
18 first twenty thousand (20,000) kilometers of operation after such delivery,
19 whichever comes first. This shall be the period during which the consumer can
20 report can report any nonconformity, as defined in paragraph (k) herein, to the
21 standards and specifications of the manufacturer, distributor, authorized dealer or
22 retailer, and pursue any right provided for under this Act.
- 23 i) *Manufacturer* refers to a person, partnership, association, corporation or entity
24 engaged in the business of manufacturing or assembling motor vehicles or
25 distributing motor vehicles to motor vehicle dealers.
- 26 j) *Motor Vehicle* refers to any self-propelled four-wheeled road vehicles designed to
27 carry passengers including, but not limited to, sedans, coupes, station wagons,
28 convertibles, pick-ups, vans, sports utility vehicles (SUVs) and Asian Utility
29 Vehicles (AUVs) but excepting motorcycles, delivery trucks, dump trucks, buses,

1 road rollers, trolley cars, street sweepers, sprinkles, lawn mowers and heavy
2 equipment such as, but not limited to, bulldozers, payloaders, graders, forklifts,
3 amphibian trucks, cranes, and vehicles which run only on rails or tracks, and
4 tractors, trailers and traction engines of all kinds used exclusively for agricultural
5 purposes. Trailers having any number of wheels, when propelled or intended by
6 attachment to a motor vehicle, shall be classified as separate motor vehicle with
7 no power rating.

8 k) *Nonconformity* refers to any defect or condition that substantially impairs the use,
9 value or safety of a brand new motor vehicle which prevents it from confirming to
10 the manufacturer's or distributor's standards or specifications which cannot be
11 repaired, but excluding conditions resulting from noncompliance by the consumer
12 of his or her obligations under the warranty, modifications not authorized by the
13 manufacturer or distributor, abuse or neglect, and damage due to accident or *force*
14 *majeure*.

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

18 m) *Warranty* refers to the written assurance, so labelled, of the manufacturer of a
19 brand new motor vehicle including any term or condition precedent to the
20 enforcement of obligations under the warranty.

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

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

- a) Noncompliance by the consumer of his or her 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*.

SECTION 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 within the result of the said repairs, may invoke his or her rights under this Act.

SECTION 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 or her 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, and authorized dealer or retailer.

SECTION 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 where the vehicle was purchased for a final attempt to address the complaint of the consumer to his or her satisfaction.

It shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon receipt of the motor vehicle and the notice of nonconformity 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 consumer's availment of his or her Lemon Law rights, the consumer may file a complaint before the DTI as provided for this Act: *Provided, however,* That if the vehicle is not returned for repair, based on the same complaint,

1 within thirty (30) calendar days from the date of notice of release of the motor vehicle to
2 the consumer following this repair attempt within the Lemon Law rights period, the
3 repair is deemed successful: *Provided, finally,* That, in the event the consumer still
4 remains unsatisfied after thirty (30) -day period but still within the Lemon Law rights
5 period, the consumer may be allowed to avail of the same remedies under Section 5 and 6
6 hereof.

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

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

15 **SECTION 8. Remedies for Dispute Resolution.** - The DTI shall exercise
16 exclusive and original jurisdiction over disputes arising from the provision of this Act.
17 All disputes arising from the provision of this Act shall be settled by the DTI in
18 accordance with the following dispute resolution mechanisms:

19 a) Mediation:

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

23 (2) In the course of its dispute resolution efforts, the DTI shall endeavor to
24 independently establish the validity of the consumer's outstanding
25 complaint. The DTI shall likewise retain the services of other government
26 agencies or independent private entities in the ascertainment of the validity
27 of the consumer's complaint. Any cost incurred in establishing the validity
28 of the consumer's complaint shall be borne jointly by the consumer and
29 the dealer-manufacturer;

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

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

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

11 All disputes that have been submitted for amicable settlement shall be settled
12 no later than forty-five (45) working days from the date of filing of the
13 complaint with the DTI.

14 b) Arbitration:

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

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

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

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

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

1 In both cases of the replacement and repurchase, the reasonable allowance
2 for use, as provided for this Act, shall be deducted in determining the
3 value of the nonconforming vehicle.

4 (3) In case a nonconformity of the vehicle is not found by the DTI, it shall
5 rule in favor of the dealer or manufacturer, and direct the consumer to
6 reimburse the dealer or manufacturer the costs incurred by the latter in
7 validating the consumer's complaint.

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

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

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

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

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

28 **SECTION 12. *Assistance by Other Agencies.*** The DOTC and other agencies,
29 political subdivisions, local government units, including government-owned and –

1 controlled corporations shall render such assistance as required by DTI in order to
2 effectively implement the provisions of this Act.

3 **SECTION 13. *Implementing Rules and Regulations.*** - Within sixty (60) days
4 from the effectivity of this Act, the DTI Secretary shall promulgate the rules and
5 regulations necessary for the effective implementation of this Act.

6 **SECTION 14. *Separability Clause.*** - If any of the provisions of this is declared
7 invalid or unconstitutional, the remaining parts or provisions hereof not affected thereby
8 shall remain in full force and effect.

9 **SECTION 15. *Repealing Clause.*** - All laws, decrees, executive orders,
10 proclamations, rules and regulations, and issuances, or parts thereof, inconsistent with the
11 provisions of this Act are hereby repealed or modified accordingly.

12 **SECTION 16. *Effectivity Clause*** - This Act shall take effect fifteen (15) days
13 after its complete publication in the Official Gazette or in at least two (2) newspapers of
14 general circulation.

15 **Approved.**