

SIXTEENTH CONGRESS
OF THE REPUBLIC OF THE PHILIPPINES
First Regular Session



HOUSE OF REPRESENTATIVES

House Bill No. 303

Introduced by Representative Susan A. Yap

EXPLANATORY NOTE

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.

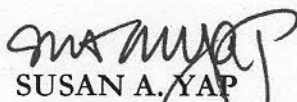
Many Filipinos have been victimized by false warranties and they cannot resort to legal remedies because of the absence of a law addressing their concerns. The warranties available for vehicles do not allow the return of a defective vehicle with recurring problems, but only continued repairs, that is, 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.

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. Republic Act 7394 or the Consumer Protection Law provides for the protection of consumers from scheming manufacturers and defective products but it doesn't deal with the problem of defective brand new vehicles.

The proposed measure would 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. The measure will provide the consumers with relief upon purchase of brand new vehicles with factory defects that substantially impairs their use and safety through a refund of the full value of these vehicles. It will also define the parameters in handling consumer complaints involving brand new vehicles.

Under this bill, if the manufacturers or distributor is not able to correct the defects of the vehicle after four separate repair attempts, the buyer may invoke his right to have the whole amount he paid for the car refunded. The proposed measure will cover a 12-month period or the first 20,000 kilometers mileage, whichever comes first. During this period, the consumer can report any nonconformity with the standards and specifications of the manufacturer, distributor, authorized dealer, or retailer, and pursue any right provided the law.

This bill has been thoroughly deliberated during the last three Congresses, and it is my fervent hope that we manage to finally enact this proposal into law.


SUSAN A. YAP
Representative, 2nd District of Tarlac

HOUSE OF REPRESENTATIVES

House Bill No. 303

Introduced by Representative Susan A. 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 2013”.

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

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

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

13 (a) *Brand New Motor Vehicle* refers to a vehicle constructed entirely from new parts that has
14 never been sold or registered with the Department of Transportation and Communications (DOTC)
15 or an appropriate agency or 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 Office (LTO) for the
18 registration of a brand new motor vehicle and other incidental expenses, including the cost of
19 insurance pertaining to the said vehicle.

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

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

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

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

30 (g) *Implementing Agency* refers to the Department of Trade and Industry (DTI).

31 (h) *Lemon Law Rights Period* refers to the period ending twelve (12) months after the date of the
32 original delivery of a brand new motor vehicle to a consumer or the first twenty thousand (20,000)
33 kilometers of operation after such delivery, whichever comes first. This shall be the period during
34 which the consumer can report any nonconformity, as defined in paragraph (k) herein, to the
35 standards and specifications of the manufacturer, distributor, authorized dealer or retailer, and
36 pursue any right provided for under this Act.

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

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

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

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

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

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

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

- 30
31 (a) Noncompliance by the consumer of his or her obligations under the warranty;
32 (b) Modifications not authorized by the manufacturer or distributor;
33 (c) Abuse or neglect of the brand new motor vehicle; and
34 (d) Damage to the vehicle due to accident or *force majeure*.

35
36 **SECTION 5. Repair Attempts.** – At any time within the Lemon Law rights period,
37 and after at least four (4) separate repair attempts by the same dealer-manufacturer for the
38 same complaint, the consumer, if still unsatisfied with the results of the said repairs, may
39 invoke his or her rights under this Act.

40
41 **SECTION 6. Notice of Availment of Lemon Law Rights.** – Before availing of any remedy
42 under this Act and subject to compliance with the provisions of Section 5 hereof, the consumer
43 shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of the unresolved
44 complaint, and the consumer's intention to invoke his or her rights under this Act within the Lemon
45 Law rights period.

46
47 The warranty booklet issued by the manufacturer, distributor, authorized dealer or retailer shall
48 clearly state the manner and form of such notice to constitute a valid and legal notice to the
49 manufacturer, distributor, authorized dealer or retailer.

50
51 **SECTION 7. Availment of Lemon Law Rights.** – Subsequent to filing the notice of
52 availment referred to in the preceding section, the consumer shall bring the vehicle to the dealer
53 from which the vehicle was purchased for a final attempt to address the complaint of the consumer
54 to his or her satisfaction.

55
56 It shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon
57 receipt of the motor vehicle and the notice of nonconformity required under Section 6 hereof,
58 to attend to the complaints of the consumer including, as may be necessary, making the

1 repairs and undertaking such actions to make the vehicle conform to the standards or
2 specifications of the manufacturer or distributor for such vehicle.

3
4 In case the consumer remains unsatisfied with the dealer-manufacturer's efforts to repair
5 the vehicle, pursuant to the consumer's availment of his or her Lemon Law rights, the
6 consumer may file a complaint before the DTI as provided for under this Act: *Provided, however,*
7 That if the vehicle is not returned for repair, based on the same complaint, within thirty (30)
8 calendar days from the date of notice of release of the motor vehicle to the consumer
9 following this repair attempt within the Lemon Law rights period, the repair is deemed
10 successful: *Provided, finally,* That, in the event the consumer still remains unsatisfied after the
11 thirty (30)-day period but still within the Lemon Law rights period, the consumer may be
12 allowed to avail of the same remedies under Sections 5 and 6 hereof.

13
14 To compensate for the non-usage of the vehicle while under repair and during the period
15 of availment of the Lemon Law rights, the consumer shall be provided a reasonable daily
16 transportation allowance equivalent to first class taxi fare as evidenced by actual receipts, or a
17 service vehicle at the option of the manufacturer, distributor, authorized dealer or retailer.
18 Any disagreement on this matter shall be resolved by the DTI.

19
20 Nothing herein shall be construed to limit or impair the rights and remedies of a
21 consumer under any other law.

22
23 **SECTION 8. Remedies for Dispute Resolution.** – The DTI shall exercise exclusive
24 and original jurisdiction over disputes arising from the provisions of this Act. All disputes
25 arising from the provisions of this Act shall be settled by the DTI in accordance with the
26 following dispute resolution mechanisms:

27 (a) Mediation:

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

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

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

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

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

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

44 (b) Arbitration:

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

49 (2) In case a nonconformity of the vehicle is found by the DTI, it shall rule in favor of the
50 consumer and direct the dealer-manufacturer to grant either of the following remedies to the
51 consumer:

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

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

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

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

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

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

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

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

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

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

28 **SECTION 12. *Assistance by Other Agencies.*** – The DOTC and other agencies,
29 political subdivisions, local government units, including government-owned and -controlled
30 corporations, shall render such assistance as required by the DTI in order to effectively
31 implement the provisions of this Act.
32

33 **SECTION 13. *Implementing Rules and Regulations.*** – The DTI shall promulgate
34 the necessary implementing rules and regulations within ninety (90) days from the effectivity
35 of this Act.
36

37 **SECTION 14. *Separability Clause.*** – If, for any reason, any part or provision of this
38 Act is declared invalid, such declaration shall not affect the other provisions of this Act.
39

40 **SECTION 15. *Repealing Clause.*** – All laws, decrees, executive orders, issuances,
41 rules or regulations or parts thereof which are inconsistent with the provisions of this Act are
42 hereby deemed repealed, amended or modified accordingly.
43

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

Approved,