

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

16th CONGRESS
First Regular Session

HOUSE BILL NO. 2043



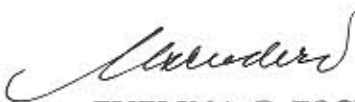
Introduced by **REP. EVELINA G. ESCUDERO**

EXPLANATORY NOTE

Undeniably for some, a credit card is a very useful tool as it frees us from the need to bring cash, thus bringing convenience and security.

However, many, especially first time credit card holders, are prone to the dangers of overspending. Over a short period of time, many are already buried under the avalanche of tremendous interest and surcharges.

The repeal of the usury law is not a license for persons to charge prohibitive interest rates. This bill regulates the interest rates charged by credit card companies so that a healthier economic environment will prevail for the benefit of the credit card holder and the credit card company.


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AN ACT
GOVERNING CREDIT CARD AND OTHER ACCESS DEVICE TRANSACTIONS
AND PROVIDING PENALTIES THEREFOR.

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

SECTION 1. Title. - This Act shall be known as the "Credit Card and Other Access Device Act".

SEC. 2. The State shall simplify, clarify and modernize the laws governing credit transactions and encourage the development of fair and economically sound consumer credit practices. The State shall promote the general welfare of the people by protecting the privacy of consumers in commercial transactions involving the use of credit cards. The State shall assure the full disclosure of the true cost of credit to protect the consumer from lack of awareness of the true cost of credit to the user. The State shall protect the economic interest of the people by assuring that only reasonable interest rates and surcharges will be imposed on credit card transactions, as well as prohibit hidden charges on credit card transactions.

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

(A.) "Credit Card" means any instrument or device, whether known as a credit card, credit plate, coupon book or other card device issued with or without fee by an issuer, existing for the purpose of obtaining money, property, labor, services, or anything of value on credit. It shall not include a check guarantee card.

(B.) "Open-End-Credit Plan" means a consumer credit extended to an account pursuant to a plan under which:

- (1) The creditor may permit the cardholder to make purchases or obtain loans, from time to time, directly from the creditor or indirectly by the use of credit card;
- (2) The person has the privilege of paying the balance; and
- (3) A finance charge may be computed by the creditor from time to time on an outstanding unpaid balance.

- (C.) "Access Device" means any card, plate, code, account number, electronic serial number, personal identification number, or other telecommunications service, equipment, or instrumental identifier, or other means of account access that can be used alone or in conjunction with another access device, to obtain money, goods, services, or any other thing of value, or that can be used to initiate a transfer of fund (other than a transfer originated solely by paper instrument);
- (D.) "Counterfeit Access Device" means any access device that is counterfeit, fictitious, altered, or forged, or an identifiable component of an access device or a counterfeit access device;
- (E.) "Unauthorized Access Device" means any device that is lost, stolen, expired, revoked, cancelled, or obtained with intent to defraud;
- (F.) "Produce" includes design, alter, authenticate, duplicate, or assemble;
- (G.) "Traffic" means transfer, or otherwise dispose of, to another, or to obtain control of with intent to transfer or dispose of;
- (H.) "Device-making equipment" means any equipment, mechanism, or impression designed or primarily used for making an access device or a counterfeit access device;
- (I.) "Credit Card System Member" means a financial institution or other entity that is a member of a credit card system, including an entity, whether affiliated with or identical to the credit card issuer, that is the sole member of a credit card system;
- (J.) "Scanning Receiver" means a device or apparatus that can be used to intercept a wire or electronic communication;
- (K.) "College Student Credit Card Account" means a credit card account under an open-end consumer credit plan established or maintained for or on behalf of any college student;
- (L.) "College Student" means an individual:
- (1.) Who is a full-time student attending an institution of higher education; and
 - (2.) Who has not yet attained the age of 21.
- (M.) "Institution of Higher Education" means institutions offering tertiary degree programs and post secondary programs;

(N.) "Tertiary Degree Programs" refer to courses of study leading to master's, doctor's or similar degrees. It also includes courses of study which by themselves may be only for one, two, or three-year courses of study leading to less than a bachelor's degree program, but which can subsequently be credited in full bachelor's degrees.

SEC. 4. *Privacy and Fraud. -*

(A.) No person, firm, partnership, corporation, or other business entity that accepts a credit card for a business transaction shall write, cause to be written, or require that a credit card holder write personal identification, not required by the credit card issuer, on the credit card transaction form. Personal identification information shall include, but shall not be limited to a credit card holder's address or telephone number.

(B.) Acts of fraud and related activity in connection with access devices are hereby prohibited, such as those who shall:

- 1) Knowingly and with intent to defraud uses or traffics in one or more counterfeit access devices;
- 2) Knowingly and with intent to defraud uses or traffics in or uses any unauthorized device, and by such conduct obtains anything of value;
- 3) Knowingly and with intent to defraud, produces any counterfeit access device or any unauthorized access device;
- 4) Knowingly and with intent to defraud, produces, traffics in, has control or custody of, or possesses device-making equipment;
- 5) Knowingly and with intent to defraud, uses, produces, traffics in, has control or custody of, or possesses a telecommunications device;
- 6) Knowingly and with intent to defraud, uses, produces, traffics in, has control or custody of, or possesses:
 - a.) A scanning receiver; or
 - b.) Hardware or software used for altering or modifying telecommunications instruments to obtain unauthorized access to telecommunications devices
- 7) Knowingly and with intent to defraud effects transaction, with one or more access devices issued to another person or persons, to receive payment or any other thing of value;

1 8) Without authorization of the issuer of the access device,
2 knowingly and with intent to defraud, solicits for the purpose
3 of:

4
5 i) Offering an access device; or

6
7 ii) Selling information regarding an application to obtain
8 an access device; or

9
10 9) Without the authorization of the credit card system member or
11 its agent, knowingly and with intent to defraud causes or
12 arranges for another person to present to the member or its
13 agent, for payment, one or more evidence or records of
14 transactions made by an access device;

15
16 (C.) The provisions of this section shall apply to all credit card
17 transactions;

18 provided, however, that the provisions of this section shall not be
19 construed to prevent a person, firm, partnerships, corporation, or
20 other business entity from requesting information that is necessary
21 for shipping, delivery, or installation or purchased merchandise or
22 services or for a warranty when such information is provided
23 voluntarily by a credit holder. In addition, the provisions of this
24 section shall not be construed to prohibit a person, firm,
25 partnership, corporation or other business entity from requesting
26 one or more additional identification cards to confirm the identity
27 of the credit card user.
28

29 **SEC. 5. Notice and Minimum Payments. -**

30
31 (A.) In the case of any credit card under an open-end-credit plan, no
32 increase in any annual percentage rate of interest shall be allowed
33 except an increase due solely to a change in another rate of interest
34 to which such rate is indexed or an increase due to the expiration of
35 any introductory percentage rate of interest applicable to any
36 outstanding balance of credit under such plan; and no change in
37 the index used to determine any such annual percentage rate of
38 interest shall likewise take effect before the end of the ninety (90)
39 day period beginning on the date of notice of such increase or
40 change in index is first provided to the consumer.
41

42 (B.) If, after receiving a notice with respect to any credit card account
43 under an open-end-credit plan, a consumer cancels the credit card
44 account before the end of the ninety (90) day period, the following
45 shall be observed:

46
47 1.) An annual percentage rate of interest applicable after the
48 cancellation with respect to the outstanding balance on such
49 account as of the date of cancellation may not exceed any
50 annual percentage rate or interest applicable with respect to

1 such balance under the terms and conditions in effect before the
2 cancellation; and

- 3
4 2.) The repayment of such outstanding balance after the
5 cancellations shall be subject to all other terms and conditions
6 applicable with respect to such account before the cancellation.
7

- 8 (C.) The notice referred to with respect to an increase in any annual
9 percentage rate of interest or any change in an index shall be made
10 in a clear and conspicuous manner and shall contain a brief
11 statement of the rights of the consumer:
12

- 13 1.) To cancel the account before the effective date of the increase or
14 change in index; and
15

- 16 2.) After such cancellation, to pay any balance outstanding on such
17 account at the time of the cancellation in accordance with the
18 terms and conditions in effect before the cancellation.
19

- 20 (D.) Additional information regarding repayment of the outstanding
21 balance of the consumer under the account, appearing in
22 conspicuous type on the front of the first page of each such billing
23 statement, and accompanied by an appropriate explanation, shall
24 contain:
25

- 26 1.) The words "Minimum Payment Warning: Making only the
27 minimum payment will increase the amount of interest that you
28 pay and the time it will take to repay your outstanding
29 balance";
30

- 31 2.) The number of years and months (rounded to the nearest
32 month) that it would take for the consumer to pay the entire
33 amount of that balance, if the consumer pays only the required
34 minimum monthly payments;
35

- 36 3.) The total cost to the consumer, shown as the sum of all principal
37 and interest payments, and the breakdown of the total costs in
38 interest and principal, of paying that balance in full if the
39 consumer pays only the required minimum monthly payments,
40 and if no further advances are made;
41

- 42 4.) The monthly payment amount that would be required for the
43 consumer to eliminate the outstanding balance in 36 months if
44 no further advances are made; and
45

- 46 5.) A toll-free number at which the consumer may receive
47 information about accessing credit counseling and debt
48 management services.
49

50 **SEC. 6. *Imposable Interest Rates and Charges. -***

- 1
2 (A.) Interest rates imposed on any credit card on purchases and cash
3 advances made through such facility shall in no case be higher than
4 1% per month or 12% per annum, without compounding;
5
6 (B.) Surcharges or penalties shall likewise be limited to a ceiling of 1%
7 per month, without compounding;
8
9 (C.) No other costs shall be imposed other than the foregoing except for
10 reasonable attorney's fees and expenses of collection completely
11 disclosed to, sufficiently understood by and voluntarily agreed
12 with by an applicant for a credit card;
13
14 (D.) The pertinent provisions of the Truth in Lending Act shall apply
15 suppletorily insofar as relevant and complimentary to the
16 provisions of this Act.
17

18 **SEC. 7. *Student Credit Card Protection.* -**
19

- 20 (A.) Unless a parent, legal guardian, or spouse of a college student
21 assumes joint liability for debts incurred by the student in
22 connection with a college student credit card account:
23
24 1.) No credit card issuer shall grant a college student card account
25 where the credit limit for that account exceeds, during a full
26 calendar year:
27
28 (a.) Twenty percent (20%) of the annual gross income of the
29 student, if any; or
30
31 (b.) Fifteen Thousand Pesos (P15,000.00), whichever is greater;
32 and
33
34 2.) No credit card issuer shall grant a student a credit card account,
35 if the credit limit for that credit card account, combined with the
36 credit limits of any other credit card accounts held by the
37 student, would exceed thirty percent (30%) of the annual gross
38 income of the student, if any, in the most recently completed
39 calendar year.
40
41 (B.) No increase shall be made in the amount of credit authorized to be
42 extended under a college student credit card account for which a
43 parent, legal guardian, or spouse of the consumer has assumed
44 joint liability, unless such parent, guardian, or spouse, as the case
45 may be, approves in writing, and assumes joint liability for, such
46 increase.
47
48 (C.) For purposes of this Act, a credit card issuer shall require adequate
49 proof of income, income history, and credit history, subject to the
50 rules of the Monetary Board of the Bangko Sentral ng Pilipinas,

1 before any college student credit card account may be opened by or
2 on behalf of a student.

3
4 (D.) No credit card issuer may open a credit card account for, or issue
5 any credit card to, any college student who:

6
7 1) Has no verifiable annual gross income; and

8
9 2) Already maintains a credit card under an open-end-consumer
10 credit plan with that credit card issuer; or any affiliate thereof.

11
12 (E.) The Monetary Board of the Bangko Sentral ng Pilipinas may, by
13 rule, provide for exemptions to the provisions of this subsections,
14 as deemed necessary or appropriate and consistent with the
15 purpose of this Act.

16
17 **SEC. 8. Penalties. -**

18
19 (A.) Any violation of the provisions of this Act shall be punishable by a
20 penalty of imprisonment of *arresto mayor* or a fine ranging from
21 Fifty Thousand Pesos (P50,000.00) to One Hundred Thousand
22 Pesos (P100,000.00), or both, depending upon the gravity of the act
23 committed and the circumstances attendant thereto as may be
24 determined by the court.

25
26 (B.) If the entity responsible for the prohibited act is a corporation, trust
27 or firm, partnership, association, or any other entity, the penalty or
28 imprisonment shall be imposed on the entity's responsible officers,
29 including, but not limited to, the president, vice-president, chief
30 executive officer, general manager, managing director, or partner
31 directly responsible therefor.

32
33 (C.) In case the violation is committed by, or in the interest of a foreign
34 juridical person duly licensed to engage in business in the
35 Philippines, such license to engage in business in the Philippines
36 shall immediately be revoked.

37
38 **SEC. 9.** The National Bureau of Investigation (NBI) shall, in addition
39 to any other agency having such authority, have the authority to investigate
40 offenses under this Act.

41
42 **SEC. 10.** Any person who engages in the conduct of any trade or
43 commerce and who suffer any loss or money or property, real or personal, as a
44 result of the use or employment by another person who engages in any act
45 proscribed in this Act may bring in court, without prejudice to the criminal
46 liability provided for in this Act, whether by way of original complaint,
47 counterclaim, cross-claim or third-party action for damages and such equitable
48 relief, including an injunction, as the court deems to be necessary and proper.
49 Such person, if he has not suffered any loss of money or property, may obtain
50 such an injunction if it can be shown that the aforementioned unfair method of

1 competition, act or practice may have the effect of causing such loss of money or
2 property.
3

4 For purposes of this section, the injured party has one (1) year from the
5 date of the cause of action arises to file the appropriate complaint.
6

7 **SEC. 11.** If any provision or part hereof, is held invalid or
8 unconstitutional, the remainder of the law or the provision not otherwise
9 affected shall remain valid and subsisting.
10

11 **SEC. 12.** Any law, presidential decree or issuance, executive order, letter
12 of instruction, administrative order, rule or regulation contrary to, or inconsistent
13 with the provision of this Act is hereby repealed, modified, or amended
14 accordingly.
15

16 **SEC. 13.** This Act shall take effect fifteen (15) days after its publication in
17 at least two (2) newspaper of general circulation or the Official Gazette.
18

19 *Approved,*