



HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. **4667**

Introduced by Rep. Winston "Winnie" Castelo

EXPLANATORY NOTE

In a study, it was thus revealed that there is an increasing and un-regulated rate of delinquency in the credit card system in the Philippines by credit card holders on the one hand and bankruptcies, bailouts, and take-overs by merchant establishments and banks on the other that would tend to lead to a crisis akin with the 2008 financial crisis at a global scale.

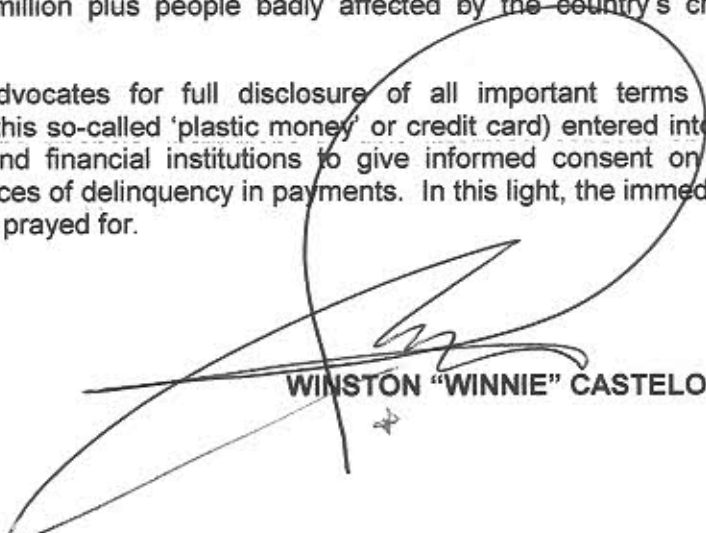
The determinants of this experience are as follows, namely: "1) liberal issuance of credit cards to those without steady income, loose issuance of credit cards to defaulting cardholders, and extension of credit limits to entice cardholders to further spend beyond their means; 2) household and individual characteristics and propensities to consume beyond their means as a way of making ends meet, and, 3) increasing consumerist culture in the developed world and urban centers of the developing world."

Hence, there is now a need for proper and effective legislation of a 'credit reform bill and the timeliness of awareness-raising and grass advocacy for the proper implementation of these policies' (See-San Juan, 2011). In fact, since credit cards have now substituted for cash in an era marked by the dominance of a consumption-led global market economy, not few financial experts and commentators fear a bubble burst in the credit card industry that could potentially aggravate the current global situation, not the least at the national front.

It cannot be gainsaid that there is now an alarming and ever increasing number of clueless credit card users lured into this scheme of things who make improvident acquisitions through the card but in the process become poor and clueless victims of compounded interest charges and hefty penalties imposed over and above their outstanding balance, hence they need adequate protection consistent with the adage that 'those who have less in life should have more in law'.

It should be viewed as quite unconscionable being literally punished with 3.5% monthly (compounded) interest rate on outstanding balance and effectively an annualized interest rate of 51.11%. And there are about 2 million plus people badly affected by the country's credit system.

This humble submission advocates for full disclosure of all important terms and conditions of loan agreements (i.e. this so-called 'plastic money' or credit card) entered into by the borrowing public with banks and financial institutions to give informed consent on the possibly quite prejudicial consequences of delinquency in payments. In this light, the immediate passage of this bill is most earnestly prayed for.


WINSTON "WINNIE" CASTELO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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HOUSE BILL NO. 4667

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AN ACT
INSTITUTIONALIZING AWARENESS AND GRASSROOT ADVOCACY AND
TIGHTENING THE ISSUANCE OF CREDIT CARDS THEREBY AVERTING
DELINQUENCY ON THE PART OF THE CREDIT CARD HOLDERS AND
BANKRUPTCY ON THE PART OF THE BANKS AND OTHER PARTIES
INVOLVED IN THE CREDIT CARD SYSTEM AND FOR OTHER PURPOSES

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

SECTION 1. This Act shall be known as the "Credit Reform Act of 2014".

SEC. 2. There shall be institutionalized public awareness on the part of credit card holders and on the part of other parties involved in the credit card system (i.e. merchant establishments, banks) toward strengthening implementation of bank and credit-related laws and policies in the Philippines.

SEC. 3. For adequate protection of credit card holders in a delinquency case, the interest rates imposed by credit card companies on purchases and cash advances made through such facility shall in no case be higher than 1% percent per month and 12% per annum without compounding.

SEC. 4. Surcharges or interests shall likewise be limited to a ceiling of 1% per month without compounding.

SEC. 5. No other costs shall be enforced other than the foregoing delinquency case except for reasonable attorney's fees and expenses completely disclosed to, sufficiently understood by and voluntarily agreed with by an applicant for credit facility.

SEC. 6. *Sanctions.* Any creditor who in connection with any credit transaction fails to disclose to any person any information in violation of this Act or any regulation issued thereunder shall be liable to such person in the amount of P5,000 or imprisonment of not less than 6 months.

Action to recover such penalty or invoke punishment may be brought by such person within one year from the date of the occurrence of the violation, in any court of competent

jurisdiction. The creditor shall be liable for reasonable attorney's fees and court costs as determined by the court.

SEC. 7. To effectively implement the intent of this Act, the Bangko Sentral ng Pilipinas is hereby tasked to oversee closely the credit card system in the Philippines and effect relevant and immediate strategies or schemes that are mutually beneficial to the general public and the credit card industry.

SEC. 8. This Act shall take effect thirty (30) days upon its approval and publication in at least three (3) newspapers of general circulation.

Approved,