

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

SEVENTEENTH CONGRESS
Second Regular Session

House Bill No. **7351**



Introduced by Representative Michael L. Romero, Ph.D.

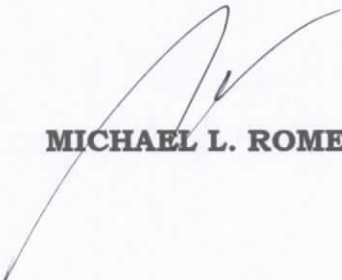
EXPLANATORY NOTE

The Truth in Lending Act was designed to protect persons who obtain loans from credit institutions by requiring full disclosure of the terms and costs involved. Violation of the Act includes schemes of omission such as non-declaration of escalation clauses and sudden changes of interest rates without prior and due consultation from consumers, which result to uninformed use of credit. This works against the rights of customers to know the full details of the credit transactions that they enter into.

Since the law's promulgation in 1963, penalties for violation have remained the same for more than 50 years. Credit companies can easily violate the rights of consumers and would only have to pay P100.00 to P2,000.00 to the victim and be fined not more than P5,000.00. At present, these amounts are not commensurate for the resulting damage to consumers and would not deter the commitment of violations.

This bill adjusts the penalties provided for in the Truth in Lending Act to encourage compliance with the law and to avoid violations of customer's rights.

In view of the foregoing, passage of this bill is earnestly sought.



MICHAEL L. ROMERO, Ph.D.

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AN ACT
ADJUSTING THE PENALTIES FOR THE VIOLATION OF THE TRUTH IN
LENDING ACT, AMENDING SEC. 6 OF RA NO. 3765 THEREOF

Section 1. Section 6 of the Act shall be amended as follows—

“ (a) 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 [P100.00] **TEN THOUSAND PESOS (P10,000)** or in an amount equal to twice the finance charged required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed [P2,000.00] **TWO HUNDRED THOUSAND PESOS (P200,000)** on any credit transaction. Action to recover such penalty may be brought by such person within one year from the date of the occurrence of the violation, in any court of competent jurisdiction. In any action under this subsection in which any person is entitled to a recovery, the creditor shall be liable for reasonable attorney's fees and court costs as determined by the court.”

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“ (c) Any person who willfully violates any provision of this Act or any regulation issued thereunder shall be fined by not less than [P1,000.00] **ONE HUNDRED THOUSAND PESOS (P100,000)** but not more than [P5,000.00] **FIVE HUNDRED THOUSAND PESOS (P500,000)** or imprisonment for not less than six months, nor more than one year or both.”

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Section 2. Separability Clause. –If any provision of this Act is declared unconstitutional the remainder of this Act or any provision not affected thereby shall remain in full force and effect.

Section 3. *Repealing Clause.* – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with the provisions of this Act is hereby repealed, modified, or amended accordingly.

Section 4. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,