Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. 2662

Introduced by **REP. NATHANIEL "Atty. Nat" M. ODUCADO**

EXPLANATORY NOTE

Over the years, the Securities and Exchange Commission (SEC), the National Data Privacy Commission and law enforcement agencies have received numerous complaints against Financing Companies (FCs) and Lending Companies (LCs), including online lending companies (OLCs). Complaints were due to unfair or abusive debt collection practices of a number of FCs and LCs that employ abusive and unethical means through harassing, shaming, slandering, maligning, and threatening, their lender-clients to force debt settlement. Likewise, there has been a proliferation of misuse of customer/client personal information and public disclosure of unpaid loans or balances, in violation of the Data Privacy Law.

As of January 31, 2025, the Securities and Exchange Commission supervises 2,381 FCs and LCs. On May 26, 2025, SEC issued cease and desist orders against LCs that operated through online lending and engaged in abusive debt collection practices. Some of the said LCs engaged third party debt collections service providers (TPSP) that was not listed with SEC. TPSPs are engaged in order to evade liability from abusive collection practices and to raise separate juridical personality as a defense.

To curb unfair debt collection practices, SEC issued Memorandum Circular No. 5, series of 2023, that requires collection agents to be trained in acceptable collection practices in line with existing regulations. As of June 16, 2025, the SEC has revoked the registration and secondary license of more than 400 delinquent LCs in the country due to failure to settle fines and penalties over late and noncompliance of reportorial requirements.

In order to evade liability from said unethical practices, lending companies intentionally seek the services of third-party service providers (TPSPs) in order to raise their separate juridical personality as defense.

While the existing framework on protecting borrowers exist in R.A. No. 9474, otherwise known as the *'Lending Company Regulation Act'*, and R.A. No. 7394, otherwise known as the *'Consumer Act'*, said laws do not contain enough protections against unethical collection practices.

This proposed measure declares it as a policy to regulate the collection practices of FCs and LCs to deter the use of means that are prejudicial to the interest of the public.

To put the said policy in perspective, prohibited acts in relation to collection of debts are hereby enumerated and punished. Likewise, FCs and LCs are obligated to disclose any third-party service provider/s whose services are engaged for purposes of debt collection. To avoid intentional evasion of liability, this measure imposes upon FCs and LCs the ultimate responsibility over the prohibited acts that may be committed by its outsourced TPSPs.

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

REP. NATHANIEL "Atty. Nat" M. ODUCADO
1Tahanan Party List

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AN ACT
PROHIBITING UNFAIR DEBT COLLECTION PRACTICES, PROVIDING PENALTIES THEREFOR AND FOR OTHER PURPOSES

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

CHAPTER 1
GENERAL PROVISIONS

SECTION 1. ***Short Title.*** - This Act shall be known as the *"Anti-Unfair Debt Collection Practices Act."*

SEC. 2. ***Declaration of Policy***. - It is hereby declared the policy of the State to regulate the collection practices of Financing Companies and Lending Companies to deter the use of means that are prejudicial to the interest of the public.

SEC. 3. ***Definition of Terms***. – As used in this Act, the terms:

a. *Financing Companies* (FCs) refers to corporations, except banks, investment houses, savings and loan associations, insurance companies, cooperatives, and other financial institutions organized or operating under other special laws, which are primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises, by direct lending or by discounting or factoring commercial papers or accounts receivables, or by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by financial leasing of movable as well as immovable property;
b. *Lending Companies* (LCs) refers to a corporation engaged in granting loans from its own capital funds or from funds sourced from not more than nineteen (19) persons. It shall not be deemed to include banking institutions, investment houses, savings and loan associations, financial companies, pawnshops, insurance companies, cooperatives and other credit institutions already regulated by law. The term shall be synonymous with lending investors; and

c. *Third party service providers* refers to any individual, or entity engaged in the business of providing debt collection services on behalf of Financing Companies and Lending Companies.

SEC. 4. ***Prohibited Acts.*** - Financing companies, lending companies, and third- party service providers hired by them may resort to all reasonable and legally permissible means to collect amounts due to them under the loan agreement, provided that, in the exercise of their rights and performance of their duties, they must observe good faith and reasonable conduct and refrain from engaging in unscrupulous and untoward acts. Without limiting the general application of the foregoing, the following conduct shall constitute unfair collection practices:

a. The use or threat of use of violence or other criminal means to harm the physical person, reputation, or property of any person;
b. The use of threats to take any action that cannot be legally taken;
c. The use of obscenities, insults, or profane language the natural consequence of which is to abuse the borrower and/or which amount to a criminal act or offense under applicable laws;
d. The use of social media or other online platforms to cause humiliation or indignity to the borrowers;
e. Disclosure or publication of the names and other personal information of borrowers who allegedly refuse to pay debts, except as may be allowed under Section 4 hereof;
f. Communicating or threatening to communicate to any person loan information, which is known or which should be known, to be false, including the failure to communicate that the debt is being disputed, except as may be allowed under Section 4 hereof;
g. The use of any false representation or deceptive means to collect or attempt to collect any debt or to obtain information concerning the borrower; and
h. Making contact at unreasonable or inconvenient hours (from 6:00AM or after 7:00pm) unless the borrower has given express consent the loan agreement that the said times are the only reasonable or convenient opportunities for contact;

Notwithstanding the borrower's consent, contacting the persons relatives, colleagues, or acquaintances other than those named as guarantors, surety, or co makers shall also constitute unfair debt collection practice.

SEC. 5. ***Confidentiality of Information.*** – For purposes of collection, FCs and LCs shall keep strictly confidential the data on the borrower, except under the following circumstances:

a. Disclosure of information with the written or recorded consent of the borrower;
b. Release, submission or exchange of customer information with other financial institutions, credit information bureaus lenders (potential or actual), their agents and/or representatives;
c. Upon orders of a court of competent jurisdiction or any government office or agency authorized by law;

d. Disclosure to collection agencies, counsels and other agents of the FCs and LCs to enforce the latter's rights against the borrower;
e. Disclosure to third party service providers solely for the purpose of insuring the FCs and LCs in the administration of its lending or financing business; and
f. Disclosure to third parties such as insurance companies, solely for the purpose of insuring the FCs and LCs from borrower default or other credit loss, and the borrower from fraud or unauthorized charges.

SEC. 6. ***Outsourcing of Collection.*** – FCs and LCs may outsource the conduct of collection to a TPSP which shall be regarded as agent of the FCs and LCs. The ultimate responsibility for collection practices and compliance with this Act remain with the FCs and LCs.

SEC. 7. ***Disclosure of TPSPs.*** – Within fifteen (15) days from the engagement of TPSPs, FCs and LCs shall submit to the Securities and Exchange Commission (SEC) and Bangko Sentral ng Pilipinas and cause the online publication on their official website and social media page/s the following information;

a. Name of the Third-Party Service Provider/s;
b. Business Registration of the TPSP or any proof of registration, if applicable;
c. Name of the President, or Compliance Officer, or any duly authorized representative, and his/her official email address; and
d. Registered mobile phone numbers used by the TPSP and its Agents used in debt collection.

An updated disclosure and online publication thereof shall be made within ten (10) days immediately following any changes or amendments to any of the above- mentioned details.

SEC. 8. ***Handling of Collection Accounts and Customer Service.*** – FCs and LCs shall adopt policies and procedures to require personnel handling the collection of accounts, whether these are in-house collectors or TPSPs, to disclose his/her full name or true identity to the borrower.

FCs and LCs shall also establish a Customer Service Department or Unit or designate personnel who shall be responsible for promptly addressing complaints, questions and concerns of borrowers. The president, chief executive officer, and/or compliance officer of PCs and LCs shall submit to the SEC, within thirty (30) days from the effectivity of this Law, a sworn certification stating the company's compliance with this provision.

SEC. 9. ***Penalties.*** – The commission of any of the prohibited acts mentioned in Section 3 hereof shall be punishable with the following:

a. First Offense - fine of Fifty Thousand Pesos (P50,000.00);
b. Second Offense - fine of One Hundred Thousand Pesos (P100,000.00);

c. Third Offense - a fine not less than Five Hundred Thousand Pesos (P500,000.00) but not more than One Million Pesos (P1,000,000.00) and suspension of lending and financing activities for a period of ninety (90) days; and
d. Fourth Offense - revocation of Certificate of Authority to Operate as a Financing or Lending Company.

This is without prejudice to the filing of civil, criminal or administrative cases for the imposition of penalties under the Revised Penal Code, Republic Act No. 10175 otherwise known as the "Cybercrime Prevention Act", Republic Act No. 7394 otherwise known as the *"Consumer Act',* Republic Act No. 10173 otherwise known as the *"Data PrivacyActof2012"* or any other special laws, that may be ordered by the courts or other government agencies.

SEC. 10. ***Applicability of the Corporation Code.*** – The penalties provided under this Act shall be without prejudice to the penalties that may be imposed by the SEC pursuant to Presidential Decree No. 902-A, Republic Act No. 11232, as amended, and all other relevant laws, rules and regulations being implemented by the SEC.

SEC. 11. ***Applicability to Online Lending Platforms or Applications.*** – All financing services conducted or facilitated through the use of online platforms or applications are likewise covered by these Act.

SEC. 12. ***Separability Clause.*** — If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SEC. 13. ***Repeating Clause.*** — All laws, decrees, orders, issuances. and rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 14. ***Effectivity Clause.*** — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,