

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. **2754**



Introduced by Representative Julius Cesar "Jay" V. Vergara

EXPLANATORY NOTE

This bill aims to prohibit the inclusion of automatic or pre-selected add-ons to online transactions, amending for the purpose Republic Act (RA) No. 7394, otherwise known as the "Consumer Act of the Philippines."

With the accelerated growth of e-commerce during and shortly after the COVID-19 pandemic, Joint Administrative Order (JAO) No. 22-01 (Series of 2022), entitled "Guidelines for Online Businesses Reiterating the Laws Applicable to Online Businesses and Consumers" was issued on March 24, 2022 by the Department of Trade and Industry (DTI), together with the Department of Agriculture, Department of Environment and Natural Resources, Intellectual Property of the Philippines, and the National Privacy Commission. JAO No. 22-01 reiterated existing laws and regulations that online businesses must adhere to boost consumer confidence in business-to-consumer (B2C) and business-to-business (B2B) e-commerce transactions and protect consumers against deceptive, unfair, and unconscionable sales acts and prices.

While the use of online applications made it easy to facilitate business transactions, consumer complaints and fraudulent online transactions have increased in number and intricacy. Thus, on December 5, 2023, RA 11967, otherwise known as the "Internet Transactions Act of 2023" was passed to ensure an effective regulation of commercial activities through the internet. Section 7 of RA 11967 created the E-Commerce Bureau under the DTI to ensure that consumer rights and data privacy are protected.

It may be observed that while mobile applications and websites have made transactions more convenient, some businesses use these platforms to subtly increase sales by automatically including add-ons during payment. For instance, some airlines automatically include charges for seat selection or travel insurance in the fare, requiring users to manually deselect these options. Similarly, certain mobile banking applications pre-select fund transfer insurance for transfers amounting to One thousand pesos (P1,000.00) and above. These features are often difficult to notice or remove, creating confusion for users, particularly senior citizens, and those with

limited online technology knowledge. As a result, customers may unintentionally pay for services they do not need, imposing unnecessary financial burdens.

Thus, this proposed legislation seeks to amend Article 52 of RA 7394 to provide additional circumstance in determining whether a sales act or practice is unfair and unconscionable. This measure will in turn help people avoid unintended expenses which they are not fully knowledgeable about, thereby upholding the Filipino consumer's right to make informed choices.

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



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1 “b) that when the consumer transaction was entered into, the price
2 grossly exceeded the price at which similar products or services were
3 readily obtainable in similar transaction by like consumers;
4

5 “c) that when the consumer transaction was entered into, the
6 consumer was unable to receive a substantial benefit from the subject
7 of the transaction;
8

9 “d) that when the consumer was entered into, the seller or supplier
10 was aware that there was no reasonable probability or payment of the
11 obligation in full by the consumer; ~~and~~
12

13 “e) that the transaction that the seller or supplier induced the
14 consumer to enter into was excessively one-sided in favor of the seller
15 or supplier[.]; AND
16

17 **“F) THAT THE SELLER OR SUPPLIER EMPLOYS**
18 **AGGRESSIVE MARKETING PRACTICES INCLUDING**
19 **AUTOMATIC OR PRE-SELECTED ADD-ONS TO ONLINE**
20 **TRANSACTIONS THAT SIGNIFICANTLY CONSTRAIN OR**
21 **IMPAIR THE CONSUMER'S FREEDOM OF CHOICE WITH**
22 **REGARD TO THE PURCHASE OF A PRODUCT OR SERVICE,**
23 **AND CAUSE THE CONSUMER TO MAKE UNINTENDED**
24 **EXPENSES OR ENTER INTO A TRANSACTION DIFFERENT**
25 **FROM THE ONE THAT THE CONSUMER INTENDED, OR A**
26 **TRANSACTION THE CONSUMER WOULD NOT HAVE**
27 **AVAILED OF IF CHOICES WERE CLEARLY PRESENTED.”**
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29 SEC. 2. Article 60 of RA 7394 is amended to read as follows:
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31 ~~["Art.]~~ ARTICLE 60. *Penalties.* -
32

33 “a) Any person who shall violate the provisions of Title III,
34 Chapter I, shall upon conviction, be subject to a fine of not less than
35 ~~[Five Hundred]~~ **TWENTY THOUSAND** Pesos ~~[(P500.00)]~~ **(P20,000.00)**
36 but not more than ~~[Ten]~~ **ONE HUNDRED** Thousand Pesos
37 ~~[(P10,000.00)]~~ **(100,000.00)** or imprisonment of not less than five (5)
38 months but not more than one (1) year or both, upon the discretion of
39 the court.

40 “b) xxx.”
41

42 **Section 3.** Within sixty (60) days after the approval of this Act, the Department
43 of Trade and Industry, in coordination with the relevant government agencies and
44 stakeholders, shall formulate and issue the necessary rules and regulations for the
45 effective implementation of this Act.

1 **Section 4.** All laws, presidential decrees, executive orders, ordinances, and
2 rules and regulations or parts thereof which are inconsistent with any provisions of
3 this Act are hereby repealed or modified accordingly.
4

5 **Section 5.** This Act shall take effect fifteen (15) days after its publication in the
6 *Official Gazette* or in a newspaper of general circulation.
7

8 *Approved,*