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

Twentieth Congress
First Regular Session

HOUSE OF REPRESENTATIVES
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HOUSE BILL NO. 4016

Introduced by **Representative RAYMOND ADRIAN SALCEDA**

AN ACT
PROHIBITING ABUSIVE AND HARASSING PRACTICES IN ONLINE LENDING COLLECTION AND PROVIDING PENALTIES THEREFOR

EXPLANATORY NOTE

In recent years, the rise of online lending platforms has provided Filipinos with faster access to credit, particularly for those who are underserved by traditional banks. According to the Securities and Exchange Commission (SEC), more than 100 online lending applications were registered at the peak of this industry. However, along with this innovation has come a surge in complaints of abusive and harassing collection practices by online lending companies and their agents.

The SEC has reported hundreds of cases of borrowers being subjected to public shaming, including the unauthorized use of their contact lists, photographs, and social media accounts. In 2019, the SEC ordered the shutdown of 30 online lending applications for employing abusive debt collection methods such as threatening borrowers with arrest, spreading false information to their friends and employers, and humiliating them through mass text messages. Similar cases continue to be reported to the National Privacy Commission (NPC), which has flagged data privacy breaches committed by these platforms.

At present, existing laws provide only partial protection. The Civil Code prohibits acts contrary to morals and good customs, while the Revised Penal Code punishes grave threats, coercion, and unjust vexation. The Data Privacy Act of 2012 also penalizes unauthorized disclosure of personal information. However, these provisions are fragmented and inadequate to address the unique context of digital debt collection. There is no specific law that directly prohibits harassing practices by online lenders.

This bill seeks to fill that gap. It prohibits abusive and harassing practices in online lending collection, including:

1. Contacting borrowers at unreasonable hours;

2. Using threats, profane, or obscene language;
3. Publicly shaming borrowers through social media or group messages;
4. Accessing and misusing a borrower's contact list or personal data;
5. Misrepresenting debt obligations or threatening false legal consequences; and
6. Contacting third parties to disclose a borrower's debt status.

The measure also codifies the rights of borrowers to privacy, accurate information, and access to grievance mechanisms. It grants regulatory authority to the SEC and the Bangko Sentral ng Pilipinas (BSP) to monitor compliance, enforce penalties, and suspend or revoke licenses of violators.

Comparative Jurisprudence. In the United States, the *Fair Debt Collection Practices Act (FDCPA)* (15 U.S.C. § 1692) prohibits similar abusive practices by third-party debt collectors, setting strict guidelines on time, manner, and frequency of communications. In Singapore, the Monetary Authority of Singapore (MAS) regulates debt collection to prevent harassment. Closer to home, Indonesia's Financial Services Authority (OJK) has sanctioned online lenders for engaging in public shaming of borrowers. These international examples demonstrate that consumer protection against abusive debt collection is a necessary regulatory standard.

Consumer Impact. By protecting borrowers from harassment, this bill encourages continued access to digital credit without the fear of humiliation or abuse. It strengthens trust in online lending, which remains an important financial inclusion tool for micro, small, and medium enterprises (MSMEs) and low-income households. Protecting borrowers also benefits legitimate online lenders, as abusive players distort the market and undermine consumer confidence.

Administrative and Fiscal Implications. The primary burden of implementation falls upon the SEC and the BSP, both of which already have regulatory mandates over lending and financing companies. The incremental fiscal impact is minimal, as enforcement can be integrated into their existing supervisory frameworks. At the same time, this measure will reduce the volume of consumer complaints, saving public resources in the long run.

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

RAYMOND ADRIAN SALCEDA

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

SECTION 1. *Short Title.* This Act shall be known as the "Anti-Harassment in Online Lending Collection Act."

SEC. 2. *Declaration of Policy.* It is hereby declared the policy of the State to protect borrowers from abusive, unfair, and harassing collection practices by online lending companies. The State shall ensure that debt collection is conducted in a fair, transparent, and humane manner, consistent with the dignity and privacy of individuals.

SEC. 3. *Definition of Terms.* For the purpose of this Act, the following terms shall mean:

(a) *Online Lending Company* — any person or entity engaged in granting, servicing, or collecting loans through digital platforms, mobile applications, websites, or other online means.

(b) *Harassing Collection Practices* — any act, conduct, or method that subjects a borrower or any third person to intimidation, abuse, humiliation, or undue invasion of privacy for purposes of debt collection.

(c) *Third Person* — any relative, friend, co-worker, employer, contact, or person other than the borrower.

SEC. 4. *Prohibited Acts.* It shall be unlawful for any online lending company, its agents, representatives, or third-party collectors to engage in any of the following:

(a) Contacting borrowers or third persons between 10:00 p.m. and 6:00 a.m. without prior written consent;

(b) Using threats, profane or obscene language, or any form of verbal abuse;

(c) Publicly shaming or humiliating borrowers, including the use of group messages, social media posts, or mass notifications;

(d) Accessing or using the borrower's contact list, photographs, or private data without express consent, or disclosing such to third persons;

(e) Misrepresenting the amount owed, the status of the debt, or threatening arrest, imprisonment, or legal actions not actually intended;

(f) Contacting third persons other than to obtain location or contact information of the borrower, and in no case disclosing the borrower's debt status;

(g) Threatening to downgrade credit scores or blacklist borrowers without following due process established by law and the Credit Information Corporation;

(h) Engaging in any other unfair, unreasonable, or abusive collection practice as may be determined by the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP).

SEC. 5. *Borrower's Rights.* Borrowers shall have the right to:

(a) Privacy and confidentiality of personal and financial information;

(b) Receive accurate and updated information about the loan, its repayment schedule, and the consequences of non-payment;

(c) Access to legitimate grievance mechanisms, including direct reporting channels with the SEC and BSP;

(d) Seek redress for violations of this Act, including actual, moral, and exemplary damages.

SEC. 6. *Regulatory Authority.* The Securities and Exchange Commission and the Bangko Sentral ng Pilipinas shall jointly issue the necessary implementing rules and regulations, prescribe reporting and monitoring mechanisms, and may suspend, revoke, or deny licenses of online lending companies found in violation of this Act.

SEC. 7. *Penalties.* Any officer, employee, or agent of an online lending company who violates this Act shall, upon conviction, be punished with imprisonment of not less than one (1) year but not more than three (3) years, or a fine of not less than One hundred thousand pesos (₱100,000.00) but not more than Five hundred thousand pesos (₱500,000.00), or both, at the discretion of the court.

If the offender is a corporation, partnership, association, or other juridical entity, the penalty shall be imposed upon the responsible officers, directors, or agents, and the entity may be subject to revocation of its license to operate.

SEC. 8. *Relation to Other Laws.* The provisions of this Act are without prejudice to the applicability of the Data Privacy Act of 2012, the Revised Penal Code, the Civil Code, and other relevant laws.

SEC. 9. *Separability Clause.* If any part or provision of this Act is declared unconstitutional or invalid, the remaining parts shall not be affected thereby.

SEC. 10. *Repealing Clause.* All laws, presidential decrees, executive orders, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 11. *Effectivity.* This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,