

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS

First Regular Session

HOUSE BILL NO. **5380**



Introduced by Hon. Kenneth T. Gatchalian

EXPLANATORY NOTE

With the steady growth of the Philippine economy and the rise of online lending, complaints on abusive, deceptive, and unfair debt collection practices have alarmingly increased. Unscrupulous financing and lending companies, as well as debt collectors, lure borrowers with misleading advertisements, impose unreasonable interest rates, and harass them or their contacts using threats and offensive tactics. These practices have led to bankruptcies, loss of employment, family problems, stress, and violations of privacy.

While the SEC issued Memorandum Circular No. 18 (2019) prohibiting unfair collection practices, and the National Privacy Commission barred online lending applications from misusing personal data, abuses persist.¹ Even with the passage of R.A. No. 11765 or the “Financial Products and Services Consumer Protection Act” in 2022, many lenders and collectors continue to employ harassment, threats, and unauthorized disclosure of personal data against financial consumers.

This bill seeks to provide a stronger and clearer framework to regulate debt collection by prohibiting acts of harassment, abuse, and deception, and by setting minimum standards for allowable collection practices. It establishes safeguards for confidentiality and transparency, ensuring a fair balance between creditors and debtors while protecting financial consumers from

¹ National Privacy Commission, *Online lenders barred from harvesting borrowers’ phone and social-media contact list, says Privacy Commission, NPC*, at <https://privacy.gov.ph/online-lenders-barred-from-harvesting-borrowers-phone-and-social-media-contact-list-says-privacy-commission/> (last visited June 24, 2025).

abusive practices.

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



KENNETH T. GATCHALIAN

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AN ACT
REGULATING DEBT COLLECTION PRACTICES TO PROTECT DEBTORS
FROM ABUSES, HARASSMENT, UNFAIR TREATMENT, AND
MISREPRESENTATION

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

1 **SECTION 1.** *Short Title.* – This Act shall be known as the “Fair Debt
2 Collection Practices Act”.

3 **SEC. 2.** *Declaration of Policy.* – It is hereby declared a State policy to
4 prohibit and eliminate the use of abusive, deceptive, and unfair debt collection
5 practices to protect debtors against abuse and harassment from unscrupulous lenders
6 and debt collectors.

7 **SEC. 3.** *Definition of Terms.* – As used in this Act, the following terms are
8 defined as follows:

- 9 (a) ***Debt Collector*** refers to any person (i) who uses any instrumentality or
10 any business, the principal purpose of which is the collection of any
11 debts, or (ii) who regularly collects or attempts to collect, directly or
12 indirectly, debts owed or due or asserted to be owed or due another. It

also includes any creditor who, in the process of collecting his own debts, uses any name other than his own to give the impression that a third person is collecting or attempting to collect such debt. It shall also include a debt collection agency or a third-party service provider engaged by a creditor for the purpose of collecting debts owed by another. This definition shall not include:

- (i) A person who is collecting or attempting to collect a debt of which they are the original creditor or owner;
- (ii) A business that acquires a debt or debts through the seizure of accounts receivable under a security agreement;
- (iii) A corporation that purchases a debt or debts through acquiring or merging with a business in a transaction that includes the transfer of accounts receivables;
- (iv) A person to whom the contract that gave rise to the debt was assigned for the purpose of financing the transaction;
- (v) An officer or employee of the creditor who, in the name of the creditor, collects the debt for the creditor;
- (vi) Any person or entity who acts a debt collector for another person or entity who are related by common ownership or affiliated by corporate control: *Provided*, That the person or entity collects the debt for persons or entities to whom it is related or affiliated, and its principal business is not the collection of debts;
- (vii) Any officer or employee of government, national or local, to the extent that collecting or attempting to collect any debt is in the performance of their official duties;

- 1 (viii) Any person while serving or attempting to serve legal process
2 on any other person in connection with the judicial
3 enforcement of any debt; and
4 (ix) Any attorney-at-law collecting a debt as attorney on behalf of
5 and in the name of a client.

6 (b) **Contact** refers to communications by telephone, mobile phone,
7 facsimile, e-mail, automated call system, text messaging, or any other
8 electronic modes, or in person, including messages left for a debtor
9 with another person or by voicemail or on an answering machine, or
10 any other form of communication not specifically excluded. This
11 definition shall not include communications that the debtor has
12 expressly consented to or solicits in advance.

13 (c) **Creditor** refers to a person to whom a debtor owes a debt or who has
14 extended credit to a debtor, including but not limited to credit in the
15 form of a sale on credit, a loan of money, or the provision of goods and
16 services. It includes a financing company and a lending company.

17 (d) **Debt** refers to a monetary obligation enforceable at law owed by a
18 debtor, including but not limited to a purchase on credit, accounts
19 receivable, a loan of money, or the provision of goods or services.

20 (e) **Debtor** refers to an individual who has an obligation for a debt,
21 including but not limited to the owner of a sole proprietorship, a
22 member of a partnership, or an individual who has provided a personal
23 guarantee.

24 (f) **Express Consent** refers to consent in a verifiable form, including but
25 not limited to writing and audio recordings.

26 (g) **Financing company** refer to a corporation, except banks, investment
27 houses, savings and loan associations, insurance companies,
28 cooperatives, and other financial institutions organized or operating

1 under other special laws, which is primarily organized for the purpose
2 of extending credit facilities to consumers and to industrial,
3 commercial, or agricultural enterprises, by direct lending or by
4 discounting or factoring commercial papers or accounts receivable, or
5 by buying and selling contracts, leases, chattel mortgages, or other
6 evidences of indebtedness, or by financial leasing of movable as well
7 as immovable property.

8 (h) ***Lending company*** refers to a corporation engaged in granting loans
9 from its own capital funds or from funds sourced from not more than
10 nineteen (19) persons. It shall not be deemed to include banking
11 institutions, investment houses, savings and loan associations,
12 financing companies, pawnshops, insurance companies, cooperatives
13 and other credit institutions already regulated by law. The term shall be
14 synonymous with lending investors.

15 (i) ***Representative*** means a person, other than the debtor or creditor, that
16 is duly authorized by the debtor or creditor, as applicable, to contact or
17 be contacted in relation to the debt.

18 **SEC. 4. *Acquisition of Location Information.*** – Any financing company,
19 lending company, or debt collector communicating with any person other than the
20 debtor for the purpose of acquiring location information about the debtor shall:

- 21 (a) Identify themselves, state that they are confirming or correcting
22 location information concerning the debtor, and only if expressly
23 requested, identify themselves or their employer;
- 24 (b) Not state that such debtor owes any debt;
- 25 (c) Not communicate with any such person more than once unless
26 requested to do so by such person or unless such creditor or debt
27 collector reasonably believes that the earlier response of such person is

erroneous or incomplete and that such person now has correct or complete location information;

(d) Not communicate by post card; and

(e) Not use any language or symbol on any envelope or in the contents of any communication that indicates that the debt collector is in the debt collection business or that the communication relates to the collection of debt.

The foregoing notwithstanding, after a financing company, lending company, or debt collector discovers that the debtor is represented by an attorney with regard to the subject debt and has knowledge, or can readily ascertain, such attorney's name and address, such financing company, lending company, or debt collector shall be prohibited from communicating with any person other than the attorney, unless the attorney fails to respond within a reasonable period of time to the communication from the debt collector.

SEC. 5. Allowable Debt Collection Practices. – Financing companies, lending companies, and debt collectors may resort to all reasonable and legally permissible means to collect amounts due 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 abusive, unfair, and untoward conduct prohibited under this Act.

SEC. 6. Prohibition Against Harassment or Abuse. – Financing companies, lending companies, and debt collectors shall not engage in any conduct the natural consequence of which is to harass, oppress, or abuse any debtor in connection with the collection of a debt. The following acts shall be considered a violation of this section:

(a) The use or threat of use of violence or other criminal means to harm the physical person, reputation, or property of the debtor or their family;

- (b) The use of obscene or profane language or language the natural consequence of which is to abuse or shame the debtor or their family, or which amounts to a criminal act or offense under applicable laws;
- (c) The disclosure, publication, or posting of the names and other personal information of the debtor who allegedly refuses to pay debts, except as may be allowed under Section 11 of this Act;
- (d) The advertisement for sale of any debt to coerce payment of the debt;
- (e) Causing the telephone or mobile phone of the debtor, their family, or any person other than the debtor in relation to Section 4 of this Act, to ring repeatedly or continuously, or engaging any such person in telephone or mobile phone conversation repeatedly or continuously, with intent to annoy, abuse, or harass;
- (f) Making telephone or mobile phone calls without meaningful disclosure of the caller's identity, except in instances where such disclosure is specifically prohibited under this Act; and
- (g) Any analogous circumstances.

SEC. 7. False or Misleading Representations. – Financing companies, lending companies, and debt collectors shall not use any false, deceptive, or misleading representation or means in connection with the collection of any debt. The following acts shall be considered a violation of this section:

- (a) The unauthorized use of any badge, uniform, or facsimile thereof;
- (b) The false representation of the following:
 - (i) The character, amount, or legal status of any debt; or
 - (ii) Any services rendered or compensation which may be lawfully received by any debt collector for the collection of the debt;
- (c) The false representation or implication that any individual is an attorney or that any communication is from an attorney.
- (d) The representation or implication that non-payment of any debt will result in arrest or imprisonment of any person, or the seizure,

1 garnishment, attachment, or sale of any property or wages of any
2 person, unless such non-payment is unlawful and the debt collector
3 or creditor intends to take legal action;

4 (e) The use of threat to take any action that cannot be legally taken;

5 (f) The false representation or implication that a sale, referral, or other
6 transfer of any interest in a debt shall cause the debtor to:

7 (i) Lose any claim or defense to payment of the debt; or

8 (ii) Become subject to any practice prohibited by this Act.

9 (g) The false representation or implication that the debtor committed any
10 crime or other similar conduct in order to disgrace the debtor;

11 (h) Communication or threatening to communicate to any person credit
12 information of the debtor which is known or which should be known
13 to be false, including the failure to communicate that a disputed debt
14 is disputed;

15 (i) The use or distribution of any written communication which
16 simulates, or is falsely represented to be, a document authorized,
17 issued, or approved by any court, official, or agency of the
18 government, national or local, or which creates a false impression as
19 to its source, authorization, or approval;

20 (j) The use of any false representation or deceptive means to collect or
21 attempt to collect any debt, or to obtain information concerning a
22 debtor;

23 (k) The failure to disclose clearly in all communications made to collect
24 a debt or to obtain information about a debtor that the debt collector
25 is attempting to collect a debt and that any information obtained will
26 be used for that purpose, except in instances where disclosure of
27 such information is specifically prohibited in this Act;

28 (l) The false representation or implication that accounts have been
29 turned over to innocent purchasers for value;

30 (m) The use of any business, company, or organization name other than
31 the true name of the financing company, lending company, or debt
32 collector's business, company, or organization;

33 (n) Giving any person, directly or indirectly, by implication or
34 otherwise, any false or misleading information in relation to the
35 collection of debt, including but not limited to references to the

1 police, a law firm, prison, credit history, court proceedings, or a lien
2 or garnishment; and

3 (o) Any analogous circumstances.

4 **SEC. 8. *Unfair Collection Practices.*** – Financing companies, lending
5 companies, and debt collectors shall not use unfair or unconscionable means to
6 collect or attempt to collect any debt. The following acts shall be considered a
7 violation of this section:

8 (a) The collection of any amount other than the principal obligation,
9 including any interest, fee, charge, or incidental expense, unless such
10 amount is expressly authorized by the agreement creating the debt or
11 permitted by law;

12 (b) The acceptance by a debt collector from any person of a check or other
13 payment instrument postdated by more than five (5) days, unless such
14 person is notified in writing of the debt collector's intent to deposit
15 such check or instrument not less than three (3) business days prior to
16 such deposit;

17 (c) The solicitation by a debt collector of any postdated check or other
18 postdated payment instrument for the purpose of threatening or
19 instituting criminal prosecution;

20 (d) Depositing or threatening to deposit any postdated check or other
21 postdated instrument prior to the date on such check or instrument;

22 (e) Causing charges to be made to any person for communications by
23 concealment of the true purpose of the communication, including but
24 not limited to collect telephone calls and telegram fees;

25 (f) Taking or threatening to take any non-judicial action to effect
26 dispossession or disablement of property if —

27 (i) There is no present right to possession of the property claimed as
28 collateral through an enforceable security interest;

- 1 (ii) There is no present right to take possession of the property; or
- 2 (iii) The property is exempt by law from such dispossession or
- 3 disablement; and
- 4 (g) Using any language or symbol, other than the debt collector's address,
- 5 on any envelope when communicating with a debtor by mail or by
- 6 telegram.

7 **SEC. 9. *Other Prohibited Acts and Practices.*** – No debt collector shall
8 commit any of the following prohibited acts and practices:

- 9 (a) Collecting or attempting to collect money for a creditor except on the
- 10 belief in good faith that the money is due and owing by the debtor to
- 11 the creditor;
- 12 (b) Failure to provide a contact number for the debtor to call when the
- 13 debt collector uses an automated call system to contact the debtor;
- 14 (c) Collecting or attempting to collect a debt without providing the real
- 15 name of the agent or representative of the debt collector, the contact
- 16 number, the registered name, and address of the debt collector;
- 17 (d) Making any arrangement with a debtor to accept a sum of money that
- 18 is less than the amount of the balance due and owing to a creditor as
- 19 final settlement without the prior express consent of the creditor;
- 20 (e) Failure to provide a written report on the status of the account of any
- 21 person with whom the debt collector transacts with;
- 22 (f) Making any call to the debtor or any other person other than the debtor
- 23 for the purpose of collecting or attempting to collect a debt on any day
- 24 outside the window of 8 AM to 9 PM;
- 25 (g) Directly or indirectly threatening or stating an intention to proceed
- 26 with any action for which the debt collector does not have the prior
- 27 express consent of the creditor or for which there is no lawful
- 28 authority;

- 1 (h) Continuing to collect or attempting to collect money from, or
2 continuing to communicate with:
- 3 (i) A person who has informed the debt collector that they are not the
4 debtor, unless the debt collector has taken all reasonable
5 precautions to ensure that the person is in fact the debtor; or
- 6 (ii) The debtor, after they have informed the debt collector, through
7 any verifiable means, that the debt is in dispute and that the
8 debtor wishes the creditor to take the matter to court;
- 9 (i) Contacting the debtor's spouse, relative, neighbor, friend, or
10 acquaintance unless the contact is limited to the purpose of confirming
11 or correcting the debtor's residential address or contact details;
- 12 (j) Contacting the debtor's employer for any purpose other than to
13 confirm the debtor's employment status, business title, and the address
14 of the business, in preparation for legal proceedings;
- 15 (k) Contacting the debtor after the debtor has notified the debt collector
16 in writing to communicate only with the debtor's representative,
17 providing therein the current address and telephone number of such
18 representative for the purpose of:
- 19 (i) Making reasonable arrangements to discuss the debt with the debt
20 collector; and
- 21 (ii) Discussing the debt with the debt collector in accordance with the
22 arrangements;
- 23 (l) Contacting a debtor at their place of employment after the debtor has
24 requested the debt collector to not to contact the debtor in their place
25 of employment: Provided, That the debtor makes reasonable
26 arrangements to discuss the debt with the debt collector and discusses
27 the debt with the debt collector in accordance with such arrangements;

- 1 (m) Communicating information about the debt or the existence of the debt
- 2 with any person other than the debtor, a guarantor of the debt, the
- 3 debtor's representative, or the creditor of the debt, unless the debtor
- 4 has expressly consented to communicating such information to
- 5 persons other than those enumerated herein;
- 6 (n) Refusing to provide sufficient information on the identity of the
- 7 original and current creditor, as well as the details of the debt, upon
- 8 request of the debtor;
- 9 (o) Entering into or arranging automatic wage or salary assignments with
- 10 a debtor or the employer of a debtor; or
- 11 (p) Canceling or altering a payment agreement with a debtor when the
- 12 debtor has complied with the terms of the agreement and the debtor's
- 13 financial circumstances have not changed materially, unless the debtor
- 14 has misrepresented the debtor's financial circumstances.

15 **SEC. 10. Prohibited Agreements.** – Any agreement entered into by the
16 debtor and the debt collector shall be deemed void if that agreement:

- 17 (a) Misrepresents the rights and powers of a person collecting or
- 18 attempting to collect a debt;
- 19 (b) Misrepresents the obligations or legal liabilities of a debtor; or
- 20 (c) Is misleading as to its true nature and purpose.

21 **SEC. 11. Confidentiality of Information.** – Creditors shall keep strictly
22 confidential the data on the debtor, except under the following circumstances:

- 23 (a) Disclosure of information with the written consent of the debtor.
- 24 (b) Release, submission, or exchange of customer information with other
- 25 financial institutions, credit information bureaus, lenders, their
- 26 subsidiaries and affiliates;
- 27 (c) Upon orders of a court of competent jurisdiction or any government
- 28 office or agency authorized by law;

1 (d) Disclosure by creditors to debt collectors, counsels, and other agents
2 to enforce their rights against the debtor; and

3 (e) Disclosure to third parties, such as insurance companies, solely for the
4 purpose of insuring the creditor from default of the debtor or other
5 credit loss, or insuring the debtor from fraud or unauthorized charges.

6 **SEC. 12. *Issuance of Receipts.*** – Every debt collector shall issue an
7 acknowledgment receipt for all cash transactions, payments made in person, or
8 payments made by the debtor. Such acknowledgment receipt shall contain the
9 following information:

10 (a) The date the amount is collected or received;

11 (b) The name of the debtor;

12 (c) The name of the person for whom the debt collector acts on behalf of;
13 and

14 (d) The amount received from the debtor.

15 **SEC. 13. *Settlement Agreement.*** – Once a debt collector reaches a settlement
16 agreement with a debtor and the amount set in the settlement agreement has been
17 paid in full, the debt collector shall issue to the debtor a receipt containing the
18 following information:

19 (a) The amount paid;

20 (b) The name of the creditor or creditors; and

21 (c) A statement that the amount received is in final settlement of the debt
22 or debts owing.

23 **SEC. 14. *Request for Accounting.*** – A debt collector must provide the
24 debtor, upon request, with a complete accounting of all the details of the debt:
25 Provided, That if such accounting is not in the possession of the debt collector, the
26 debt collector must request the creditor to provide the same. Provided, further, That
27 if within thirty (30) days after receiving a request for an accounting from the debt

1 collector, the creditor has not provided a complete accounting of the debt, the debt
2 collector must:

- 3 (a) Inform the debtor in writing that it cannot provide the accounting and
4 the reasons for the same; and
- 5 (b) Cease all collection activity for that account and not resume collection
6 activity until the accounting is provided.

7 A debtor may request a complete accounting only once every six (6) months,
8 unless the debt collector fails to provide the complete accounting as requested.

9 **SEC. 15. *Administrative Penalties.*** – The Securities and Exchange
10 Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP) shall issue their
11 respective rules and regulations for the implementation of the provisions of this Act
12 and for the imposition of reasonable administrative penalties for violations thereof.

13 **SEC. 16. *Civil Liability.*** – (a) *Amount of Damages.* – Any financing
14 company, lending company, or debt collector who violates any of the provisions in
15 this Act with respect to any person shall be liable to such person in an amount equal
16 to the sum of:

- 17 (i) Any actual damage sustained by such person as a result of the violation;
- 18 (ii) In the case of any action by an individual, such additional damages as the
19 court may allow, but not exceeding Thirty Thousand Pesos (Php.
20 30,000.00); or
- 21 (iii) In the case of a class action, such amount for each named plaintiff as
22 could be recovered under paragraphs (i) and (ii), as well as such amount
23 as the Court may allow for all other class members: *Provided*, That such
24 additional fine shall not exceed Sixty Thousand Pesos (Php. 60,000.00)
25 or one (1) percent of the net worth of the financing company, lending
26 company, or debt collector, whichever is lower.

1 (b) *Factors to be Considered by the Court.* – In determining the amount of liability in
2 any action under paragraph (a) of this section, the court shall consider, along with other
3 relevant factors, the following:

4 (i) In any individual action under paragraph (a)(ii) of this section, the frequency
5 and persistence of non-compliance by the financing company, lending
6 company, or debt collector, the nature of such non-compliance, and the
7 extent to which such noncompliance was intentional; and

8 (ii) In any class action under paragraph (a)(iii) of this section, the frequency and
9 persistence of non-compliance by the financing company, lending
10 company, or debt collector, the nature of such non-compliance, the
11 resources of the financing company, lending company or debt collector,
12 the number of persons adversely affected, and the extent to which the
13 financing company, lending company, or debt collector's non-
14 compliance was intentional.

15 (c) *Intent.* – A financing company, lending company, or debt collector may not
16 be held liable in any action brought under this section if the financing company,
17 lending company, or debt collector shows by a preponderance of evidence that
18 the violation was not intentional and resulted from a bona fide error in good faith.

19 (d) *Jurisdiction.* – An action to enforce any liability under this Act may be brought
20 in any court of appropriate jurisdiction based on the amount of debt involved.

21 **SEC. 17. *Separability Clause.*** – If any provision of this Act is declared
22 invalid or unconstitutional, the provisions not affected thereby shall remain in full
23 force and effect.

24 **SEC. 18. *Repealing Clause.*** – All laws, presidential decrees, executive
25 orders, presidential proclamations, rules and regulations, or parts thereof contrary to
26 or inconsistent with this Act are hereby repealed or modified accordingly.

1 **SEC. 19. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
2 publication in the Official Gazette or at least two (2) national papers of general
3 circulation.

Approved,