

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 8500



Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

EXPLANATORY NOTE

The relationship between a creditor and a debtor is a fundamental pillar of our modern economy. Credit allows for upward mobility, business expansion, and personal stability. However, when the recovery of debt shifts from a professional transaction to a campaign of harassment, psychological warfare, and deception, the state must intervene.

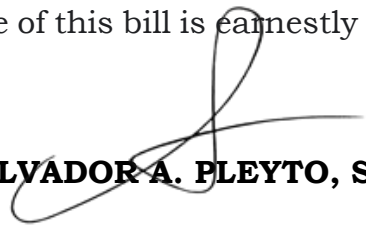
In recent years, consumer complaints regarding debt collection have surged. Reports indicate that many third-party collection agencies utilize dirty tactics, including:

- **Social Shaming:** Contacting a debtor's employer or family members to "leak" information about their financial status.
- **Legal Misrepresentation:** Using official-looking documents to trick debtors into believing they are being sued by a government agency.
- **Psychological Harassment:** Calling dozens of times a day, often during late-night or early-morning hours, to induce a state of constant anxiety.

While the obligation to pay debts is a fundamental legal and moral responsibility, the methods used to collect these debts must remain within the bounds of human dignity, decency, and the law.

This proposed measure is not a "get out of jail free" card for debtors. It does not erase the debt or the legal obligation to pay. Instead, it ensures that the process of recovery remains civil, transparent, and humane. It transitions the collection industry from a "wild west" environment to a regulated professional service.

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


SALVADOR A. PLEYTO, SR.

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Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

AN ACT REGULATING THE DEBT COLLECTION PRACTICES OF CREDITORS AND DEBT COLLECTORS TO PROTECT CONSUMERS AGAINST ABUSIVE, DECEPTIVE, AND UNFAIR DEBT COLLECTION PRACTICES

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

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

SEC. 2. *Declaration of Policy.* - It is the policy of the State to promote the general welfare by protecting consumers from abusive, deceptive, and unfair debt collection practices. While the State recognizes the right of creditors to collect legitimate debts, such collection must be conducted within the bounds of law, ethics, and public policy.

SEC. 3. *Definition of Terms:*

- Debt Collector: Any person or entity using any instrumentality of commerce to collect debts, or who regularly collects or attempts to collect debts owed to another.
- Communication: The conveying of information regarding a debt directly or indirectly to any person through any medium.
- Harassment: Actions intended to annoy, abuse, or threaten a person into payment.

SEC. 4. *Prohibited Acts.* - A debt collector may not engage in any conduct the natural consequence of which is to harass, oppress, or abuse any person in connection with the collection of a debt. Specifically, the following acts are prohibited:

- Harassment and Abuse:
 - The use or threat of use of violence or other criminal means to harm the physical person, reputation, or property of any person.
 - The use of obscene or profane language.
 - Placing telephone calls without meaningful disclosure of the caller's identity or calling at unreasonable hours (defined as before 8:00 AM or after 9:00 PM).
 - Continuous or repeated calling with the intent to annoy.
- False or Misleading Representations:
 - The false representation that the debt collector is vouched for, bonded by, or affiliated with the government or any law enforcement agency.
 - The false representation of the character, amount, or legal status of any debt.
 - Falsely implying that non-payment will result in arrest, imprisonment, or seizure of property unless such action is lawful and intended by the creditor.
- Unfair Practices:
 - The collection of any amount (including interest, fees, or expenses) unless such amount is expressly authorized by the agreement creating the debt or permitted by law.
 - Soliciting or accepting post-dated checks for the purpose of threatening criminal prosecution.

SEC. 5. *Debt Validation Requirement* - Within five days after the initial communication with a consumer, a debt collector must send a written notice containing the amount of the debt, the name of the creditor, and a statement that the consumer has 30 days to dispute the validity of the debt.

If the consumer notifies the debt collector in writing within the thirty-day period that the debt is disputed, the debt collector must cease collection until they obtain verification of the debt and mail a copy of such verification to the consumer.

SEC. 6. *Penalties* - Any person or entity found guilty of violating any provision of Section 4 of this Act shall be penalized as follows:

- (a) First Offense: A fine of not less than Fifty Thousand Pesos (P50,000.00) but not more than One Hundred Thousand Pesos (P100,000.00).
- (b) Second Offense: A fine of not less than One Hundred Thousand Pesos (P100,000.00) but not more than Three Hundred Thousand Pesos

(P300,000.00), or imprisonment of not less than six (6) months but not more than one (1) year, or both, at the discretion of the court.

(c) Third and Subsequent Offenses: A fine of not less than Three Hundred Thousand Pesos (P300,000.00) but not more than Five Hundred Thousand Pesos (P500,000.00), and imprisonment of not less than one (1) year but not more than three (3) years.

If the offender is a corporation, partnership, or association, the penalty shall be imposed upon the president, manager, director, or any responsible officer who knowingly permitted or participated in the violation. Furthermore, the business permit and license to operate of the offending collection agency or entity may be suspended or revoked.

SEC. 7. *Civil Liability.* – The imposition of criminal penalties shall be without prejudice to any civil action for damages that the aggrieved consumer may file against the offending creditor or debt collector.

SEC. 8. *Implementing Rules and Regulations (IRR).* – Within sixty (60) days from the effectivity of this Act, the Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC), and Bangko Sentral ng Pilipinas (BSP) shall jointly promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 9. *Separability Clause.* - If any provision of this Act is held invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

SEC. 10. *Repealing Clause.* - All laws, decrees, orders, rules, and regulations, or parts thereof, inconsistent with the provisions of 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,