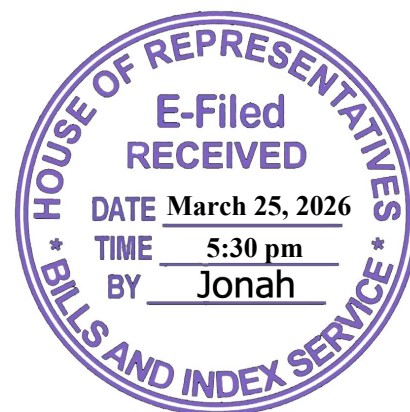


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **8796**



Introduced by **REP. NATHANIEL “Atty. Nat” M. ODUCAO**

EXPLANATORY NOTE

The Efficient Small Claims System Act of 2026 establishes a modern, digitalized, and AI-assisted framework for small claims adjudication in the Philippines, designed to accelerate access to justice and strengthen the environment for micro, small, and medium enterprises (MSMEs), which contribute 62.4 percent of total employment, 36 percent of gross value added, and about 25 percent of national exports while accounting for 99.5 percent of all registered business establishments. The State recognizes that protracted delays in resolving small-value disputes impose heavy costs on ordinary Filipinos and MSMEs, with the judiciary long facing severe backlog and congestion, including unresolved case loads that have reached nearly 900,000 pending matters in lower trial courts, which exacerbates legal uncertainty and discourages investment.

Under the Act, the new system will apply to commercial disputes involving MSMEs, civil monetary claims below the threshold set under the Rules of Court, and other claims as may be defined by the Supreme Court, all handled through a unified digital platform. The measure shortens the standard timeline for small claims resolution to just seven to fourteen days from filing, with an optional three-day fast-track process for undisputed monetary debts where both parties agree, thereby sharply reducing the months or even years it often takes to resolve low-value disputes via traditional small-claims procedures. To support this speed without compromising fairness, the Judiciary, in coordination with the Department of Information and Communications Technology (DICT), will develop an AI-assisted case management system that synthesizes and summarizes pleadings, evidence, and case records for judicial review, with the tools required to be transparent, explainable, auditable, and always subject to full human judicial oversight. Artificial intelligence will not replace judicial discretion but will instead help judges process large volumes of case information more efficiently, a feature that aligns with growing use of AI tools in the broader workforce—where 84 percent of Filipino workers already adopt AI in their jobs—and the Supreme Court’s ongoing efforts to regulate ethical AI use in the justice sector.

The Act also directly addresses the needs of unrepresented and low-income litigants by mandating free legal assistance or access to legal aid, self-help guides and standardized templates for filing, and digital terminals for case filing and monitoring, all aimed at mitigating the digital divide and ensuring that non-lawyers can still navigate the system. The system will be piloted in selected courts in Metro Manila for twelve months, after which the Judiciary will evaluate its impact on case resolution times, backlog reduction, user

¹International Initiative for Impact Evaluation (2021) Impacts of Judicial Reform in Small Claims Procedures on Court Congestion in the Philippines. Available at http://3ieimpact.org/sites/default/files/2021-02/IE132-PWP.03.SC_IE_SCP.pdf

satisfaction, and system robustness before deciding on nationwide expansion. The measure appropriates ₱4.8–6.9 billion for the initial development, digitalization, and implementation of the AI-assisted small claims system, covering infrastructure, software platforms, cybersecurity safeguards, and comprehensive training for judicial and court staff.

The law projects that this investment will generate substantial socioeconomic returns, including an estimated ₱5–8 billion in annual savings from lower legal fees and faster resolution of commercial disputes, faster cash-flow recovery for MSMEs, and improved business confidence that can encourage higher formal-sector participation and investment. By cutting through procedural bottlenecks and embedding digital tools within a constitutionally grounded, human-centered framework, the Act aims to restore public trust in the justice system, make small claims resolution genuinely accessible, and position the Philippines as a more responsive, efficient, and inclusive jurisdiction for everyday dispute resolution.

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

A handwritten signature in black ink, appearing to read 'N. Oducado', with a small blue circular stamp or mark at the end of the signature.

REP. NATHANIEL “ATTY. NAT” M. ODUCADO

1Tahanan Party List

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HOUSE BILL NO. **8796**

Introduced by **REP. NATHANIEL “ATTY. NAT” M. ODUCAO**

**AN ACT ESTABLISHING AN EFFICIENT SMALL CLAIMS SYSTEM THROUGH
DIGITALIZATION AND AI-ASSISTED CASE MANAGEMENT, CREATING THE
ENABLING FRAMEWORK, AND FOR OTHER PURPOSES**

*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 “*Efficient Small Claims System*
2 *Act of 2026.*”

3 **SEC. 2. *Declaration of Policy.*** – It is hereby declared the policy of the State to promote
4 access to justice and support micro, small, and medium enterprises (MSMEs) by providing a fast,
5 fair, and efficient small claims system. The State recognizes the need to reduce delays in small
6 claims courts and to harness digital innovations, including artificial intelligence (AI), to improve
7 case management while ensuring due process and judicial oversight.

8 **SEC. 3. *Definition of Terms.*** - For purposes of this Act, the following terms are hereby
9 defined:

- 10 a) *AI-Assisted Case Management System* – refers to the digital platform developed
11 under this Act that utilizes artificial intelligence to organize, synthesize, and
12 summarize pleadings, evidence, and case records for judicial review.
- 13 b) *Artificial Intelligence (AI)* – refers to computer-based systems capable of
14 performing tasks that normally require human intelligence, including but not
15 limited to data analysis, pattern recognition, and automated summarization, used
16 solely to assist in case management and not to replace judicial decision-making.
- 17 c) *Department of Information and Communications Technology (DICT)* – refers to the
18 government agency responsible for planning, developing, and promoting the
19 national ICT development agenda, which shall provide technical support for the
20 implementation of this Act.
- 21 d) *Digital Platform* – refers to the integrated electronic system used for the filing,
22 processing, tracking, and resolution of small claims cases under this Act.
- 23 e) *Fast-Track Resolution* – refers to the expedited process for resolving undisputed
24 monetary claims within a shortened period, as may be prescribed by the Supreme
25 Court.

- f) *Judiciary* – refers to the Supreme Court and all lower courts established under the Constitution and existing laws.
- g) *Micro, Small, and Medium Enterprises (MSMEs)* – refers to business entities defined under existing laws and regulations, including Republic Act No. 9501, otherwise known as the “Magna Carta for MSMEs.”
- h) *Small Claims* – refers to civil claims for payment of money or enforcement of obligations not exceeding the amount prescribed under the Rules of Court, including such other claims as may be determined by the Supreme Court.
- i) *Unrepresented Litigant* – refers to a party in a small claims case who appears without the assistance of legal counsel.

SEC. 4. Collaborative Small Claims Council. - There is hereby created the Collaborative Small Claims Council (CSCC), composed of:

- 1) One (1) representative from the Supreme Court, designated by the Chief Justice;
- 2) One (1) representative from the House of Representatives, designated by the Speaker;
- 3) One (1) representative from the Senate, designated by the Senate President; and
- 4) One (1) representative from the private sector, nominated by accredited MSME organizations and appointed by the President.

The CSCC shall meet quarterly or as needed to:

- a) Advise on the development, implementation, and evaluation of the AI-assisted system and digital platform;
- b) Recommend rules, standards, and improvements to the Supreme Court and DICT;
- c) Oversee pilot implementation and nationwide rollout; and
- d) Ensure stakeholder input on accessibility, digital divide mitigation, and MSME needs.

The CSCC shall be co-chaired by the Supreme Court and congressional representatives, with secretariat support from the DICT. Members shall serve for a term of three (3) years, renewable once.

SEC. 5. Objectives. - This Act aims to:

- a) Digitalize small claims procedures to reduce case resolution time.
- b) Establish AI-assisted case synthesis for efficient judicial review.
- c) Provide an enabling framework allowing the Supreme Court to prescribe detailed rules and procedures.
- d) Ensure support for unrepresented litigants through legal aid, self-help tools, and digital access.

SEC. 6. Scope of Application. - This Act shall apply to all small claims filed in:

- a) Commercial disputes involving MSMEs;

- b) Civil monetary claims not exceeding the amount prescribed under the Rules of Court; and
- c) Other claims as may be determined by the Supreme Court.

SEC. 7. *AI-Assisted Case Management.* - This Act shall apply to all small claims filed before the courts:

- a) The Judiciary, in coordination with the Department of Information and Communications Technology (DICT) and the Collaborative Small Claims Council, shall develop an AI-assisted system to synthesize and summarize case materials for judicial review.
- b) AI tools must be transparent, explainable, and auditable, with human judicial oversight at all stages of the decision-making process.
- c) AI shall not replace judicial discretion, but shall support judges in expediting case resolution.

SEC. 8. *Mandatory Case Resolution Timeline.* - The standard timeline for small claims resolution under this Act shall be as follows:

- a) The standard timeline for small claims resolution under this Act shall be seven (7) to fourteen (14) days from filing, unless extended by the court for good cause, not to exceed thirty (30) days total.
- b) A fast-track 3-day resolution may be applied for undisputed monetary debts or claims where both parties agree to the accelerated process.
- c) The Supreme Court, in consultation with the Collaborative Small Claims Council, shall promulgate detailed rules for case filing, digital evidence submission, hearings, and decision issuance, including penalties for non-compliance with timelines.

SEC. 9. *Support for Unrepresented Litigants.* - The support provided are the following:

- a) The Judiciary shall provide:
 - i) Free legal assistance or access to legal aid services;
 - ii) Self-help guides and templates for filing claims;
 - iii) Access to digital terminals for filing and monitoring cases.
- b) Special programs shall be implemented to bridge the digital divide and ensure fair participation.

SEC. 10. *Pilot Implementation.* - The system shall be implemented as follows:

- a) The system shall be piloted in selected courts in Metro Manila for a period of twelve (12) months, under the oversight of the Collaborative Small Claims Council.
- b) After evaluation, the Judiciary may expand the program nationwide with the necessary improvements.

SEC. 11. *Appropriations.* - The amount of ₱4.8–6.9 billion is hereby appropriated for the development, digitalization, and implementation of the AI-assisted small claims system, including

1 infrastructure, software, and personnel training. Thereafter, such sums as may be necessary for the
2 continued operation and maintenance of the system shall be included in the annual General
3 Appropriations Act.

4 **SEC. 12. *Declaration of Expected Outcomes.*** - The implementation of this Act is expected
5 to result in the following:

- 6 a) Reduced legal fees and faster resolution of commercial disputes, generating
7 estimated annual savings of ₱5–8 billion.
- 8 b) Improved cash flow for MSMEs through timely dispute resolution.
- 9 c) Increased public trust in the justice system through accessible, transparent, and
10 efficient small claims procedures.

11 **SEC. 13. *Separability Clause.*** - If any provision of this Act is declared unconstitutional or
12 invalid, the remaining provisions shall continue in full force and effect.

13 **SEC. 14. *Repealing Clause.*** - All laws, decrees, executive orders, rules, and regulations
14 inconsistent with this Act are hereby repealed or modified accordingly.

15 **SEC. 15. *Effectivity.*** - This Act shall take effect fifteen (15) days after its complete
16 publication in the *Official Gazette* or in two (2) newspapers of general circulation.

17 *Approved,*