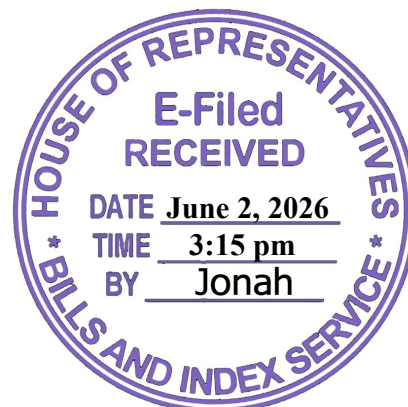


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
TWENTIETH CONGRESS
First Regular Session



HOUSE BILL NO. 9674

Introduced by **REP. BERNADETTE "DETTE" G. ESCUDERO**

**AN ACT
ESTABLISHING A RECOVERY MECHANISM FOR ERRONEOUS ELECTRONIC
FUND TRANSFERS, PROVIDING REMEDIES AGAINST UNJUST
ENRICHMENT, DEFINING THE RESPONSIBILITIES OF FINANCIAL
INSTITUTIONS AND PAYMENT SERVICE PROVIDERS, AND FOR OTHER
PURPOSES**

EXPLANATORY NOTE

In the age of instant digital payments, a single wrong digit can mean the loss of hard-earned money. While the law already rejects unjust enrichment, ordinary consumers who mistakenly transfer funds to the wrong account or mobile number are often left without a clear, prompt, and effective means of recovery. This premise is connected to the rapid growth of digital payments, mobile wallets, online banking, and instant fund transfers has made financial transactions more convenient for millions of Filipinos. With a few taps on a mobile phone, money may now be sent instantly to another person through a bank account, e-wallet, mobile number, QR code, or other digital payment channel.

In many cases, the online sender discovers the mistake only after the transfer has already been completed. The sender is then left to rely on customer service escalation, which at times is very tedious, and the cooperation of the unintended recipient, or costly and time-consuming legal remedies. Under existing principles of civil law, no person should unjustly enrich himself or herself at the expense of another. Where a person receives money without legal right and by reason of mistake, the obligation to return arises. Yet, while the substantive right to recover exists, there remains no clear, fast, uniform, and accessible statutory mechanism for ordinary consumers to recover funds erroneously transferred through digital payment systems. This gap disproportionately affects workers, small entrepreneurs, farmers, fisherfolk, students, overseas Filipino families, public transport workers, and ordinary consumers who rely heavily on digital wallets and electronic fund transfers for daily transactions. Even a modest amount sent to the wrong account may be significant to a Filipino household.

This bill seeks to establish a fair and practical recovery and redress mechanism for erroneous electronic fund transfers. It requires covered financial institutions and payment service providers to adopt preventive safeguards, including clear transaction confirmation prompts. It also provides for a timely reporting mechanism, provisional holding of disputed funds when still available, notice to the unintended recipient, consent-based return, and a structured process for contested claims. The measure carefully balances the rights of both the sender and the recipient. It does not authorize arbitrary or automatic reversal of transactions. Instead, it provides a clear mechanism to verify the claim, protect the funds where appropriate, and return the money when the mistake is admitted, uncontested, or duly established. It also protects good-faith recipients while imposing liability on persons who knowingly retain, conceal, withdraw, transfer, or spend money that they received by mistake and without lawful right. By establishing a practical legal framework for erroneous fund transfers, this measure strengthens consumer protection, promotes trust in digital financial services, prevents unjust enrichment, and ensures that the benefits of financial technology are not undermined by the absence of accessible remedies.

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



HON. BERNADETTE "DETTE" G. ESCUDERO

Representative
1st District, Sorsogon

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

1
2 **SECTION 1. Short Title.** This Act shall be known as the "Erroneous Transfer
3 Recovery Act."

4
5 **SEC. 2. Declaration of Policy.** It is hereby declared the policy of the State
6 to protect consumers, promote trust and confidence in digital financial services,
7 strengthen the integrity of electronic payment systems, and ensure that no person
8 shall unjustly enrich himself or herself at the expense of another.
9

10 Towards this end, the State shall establish a fair, prompt, accessible, and due-
11 process-based mechanism for the recovery of funds erroneously transferred through
12 electronic fund transfer systems, digital wallets, online banking platforms, mobile
13 payment applications, and other similar financial channels.
14

15 The State shall likewise ensure that the mechanism established under this Act
16 protects both the sender and the recipient, prevents abuse, respects data privacy, and
17 preserves the stability and finality of legitimate financial transactions.
18

19 **SEC. 3. Coverage.** This Act shall apply to erroneous electronic fund transfers
20 involving banks, non-bank financial institutions, electronic money issuers, operators
21 of payment systems, payment service providers, remittance and transfer companies,
22 and other entities supervised or regulated by the Bangko Sentral ng Pilipinas that
23 enable the electronic transfer of funds.

1 This Act shall cover fund transfers made through, but not limited to, the
2 following:

- 3 a) Bank-to-bank electronic transfers;
- 4 b) E-wallet-to-e-wallet transfers;
- 5 c) Bank-to-e-wallet and e-wallet-to-bank transfers;
- 6 d) Mobile number-based fund transfers;
- 7 e) QR code-based fund transfers;
- 8 f) Online banking and mobile banking transfers;
- 9 g) Remittance and digital payment platforms; and
- 10 h) Such other electronic payment channels as may be determined by the Bangko
11 Sentral ng Pilipinas.

12
13 **SEC. 4. Definition of Terms.** For purposes of this Act:

- 14 a. Bangko Sentral refers to the Bangko Sentral ng Pilipinas (BSP).
- 15 b. Covered Institution refers to any bank, non-bank financial institution,
16 electronic money issuer, operator of payment system, payment service
17 provider, remittance and transfer company, or other entity supervised
18 or regulated by the Bangko Sentral that enables or facilitates electronic
19 fund transfers.
- 20 c. Electronic Fund Transfer refers to any transfer of funds initiated through
21 electronic, digital, online, mobile, or other similar channels.
- 22 d. Erroneous Fund Transfer refers to an electronic fund transfer made by
23 mistake to an unintended recipient, wrong account, wrong mobile
24 number, wrong wallet, wrong QR code, or in an incorrect amount due
25 to the sender's error, system error, or other analogous circumstance,
26 where the recipient has no lawful right to receive or retain the funds.
27 This does not apply to transfers or payments voluntarily made pursuant
28 to a sale, purchase, loan, investment, or other commercial transaction.
- 29 e. Originating Institution refers to the covered institution from which the
30 funds were sent or through which the sender initiated the erroneous
31 fund transfer.
- 32 f. Receiving Institution refers to the covered institution that received or
33 credited the funds to the account, wallet, or payment instrument of the
34 unintended recipient.
- 35 g. Sender refers to the person who initiated or caused the electronic fund
36 transfer.
- 37 h. Unintended Recipient refers to the person or account holder who
38 received funds through an erroneous fund transfer and who has no
39 lawful right to retain the same.
- 40 i. Provisional Hold refers to the temporary restriction imposed on the
41 amount subject of an erroneous fund transfer claim, without freezing
42 the entire account or wallet of the recipient, unless otherwise authorized
43 by law.
- 44 j. Disputed Funds refer to the amount claimed to have been erroneously
45 transferred, including any remaining portion thereof that is still available
46 in the recipient's account, wallet, or payment instrument.

SEC. 5. Pre-Transaction Safeguards. Covered institutions shall adopt reasonable safeguards to prevent erroneous fund transfers, including clear, conspicuous, and user-friendly confirmation prompts before a transfer is completed. The confirmation prompt shall display, whenever technically feasible and consistent with data privacy laws, the following:

- a. Amount to be transferred;
- b. Masked name or verified account name of the intended recipient;
- c. account number, mobile number, wallet number, or other recipient identifier, with appropriate masking;
- d. Transaction fees, if any; and
- e. A clear warning that the sender must verify the recipient details before confirming the transaction.

Covered institutions shall provide an additional warning when the transfer is made to a new or unsaved recipient, or where the recipient name cannot be verified or displayed.

SEC. 6. Right to Report an Erroneous Fund Transfer. A sender who claims to have made an erroneous fund transfer may file an Erroneous Fund Transfer Recovery Request with the originating institution through any available branch, hotline, mobile application, online platform, electronic mail, or other accessible reporting channel.

Covered institutions shall maintain a twenty-four-seven (24/7) reporting channel for erroneous fund transfer complaints and shall provide the sender with an acknowledgment, reference number, and list of documentary requirements. The request shall contain, at minimum:

- a) Name and contact details of the sender;
- b) Date and time of the transaction;
- c) Amount transferred;
- d) Transaction reference number;
- e) Account, wallet, mobile number, QR code, or other identifier used;
- f) Reason why the transfer is claimed to be erroneous; and
- g) Proof of the transaction and such other information as may be required under the implementing rules and regulations.

The sender or claimant shall certify, through written, electronic, recorded, or other verifiable means, that the information and documents submitted in support of the Erroneous Fund Transfer Recovery Request are true and correct to the best of his or her knowledge. The certification shall include a notice that the filing of a false, fraudulent, malicious, or materially misleading claim shall subject the claimant to civil, administrative, and criminal liability under this Act and other applicable laws.

SEC. 7. Duties of the Originating Institution. Upon receipt of a sufficient Erroneous Fund Transfer Recovery Request, the originating institution shall:

- a. Acknowledge the complaint and issue a reference number;
- b. Conduct a preliminary verification of the transaction based on available records;

- c. Notify the receiving institution not later than the next banking day from receipt of sufficient information;
- d. Assist the sender in completing the required documentation;
- e. Provide periodic updates to the sender; and
- f. Coordinate with the receiving institution for the verification, provisional holding, and possible return of the disputed funds.

The originating institution shall not dismiss a request solely on the ground that the transfer was completed, where the sender has presented sufficient information to identify and verify the transaction.

SEC. 8. Duties of the Receiving Institution. Upon notice from the originating institution, the receiving institution shall:

- a) Verify whether the disputed funds, or any portion thereof, remain available in the account, wallet, or payment instrument of the unintended recipient;
- b) When warranted by the records and when funds remain available, impose a provisional hold only on the disputed amount or remaining available portion thereof;
- c) Notify the unintended recipient of the claim and the provisional hold, if any;
- d) Provide the unintended recipient with an opportunity to consent to the return or to contest the claim;
- e) Coordinate with the originating institution for the resolution of the request; and
- f) Act within the periods prescribed under this Act and its implementing rules and regulations.

The receiving institution shall not impose a hold exceeding the disputed amount, unless otherwise authorized by law, court order, or competent authority.

SEC. 9. Provisional Hold on Disputed Funds. Upon receipt of a verified report of an alleged erroneous fund transfer, the receiving covered institution shall impose a provisional hold on the disputed funds, or any available portion thereof, when all of the following conditions are present:

- a) Transaction can be identified through the records of the covered institutions;
- b) The disputed funds, or any portion thereof, remain available in the account, wallet, payment instrument, or other financial account of the unintended recipient;
- c) The claim is supported by prima facie evidence, as may be defined by the Bangko Sentral ng Pilipinas; and
- d) The imposition of the provisional hold is technically and legally possible. The provisional hold shall be limited only to the amount subject of the alleged erroneous fund transfer and shall not extend to unrelated funds, accounts, wallets, or transactions of the unintended recipient, unless otherwise authorized by law, court order, or competent authority.

1 The provisional hold shall remain effective for a period not exceeding fifteen
2 (15) banking days from notice to the unintended recipient, unless extended by consent
3 of the parties, order of a court, directive of a competent authority, or such other
4 circumstances as may be provided in the implementing rules and regulations. The
5 imposition of a provisional hold shall not be deemed a determination of ownership,
6 fault, fraud, or criminal liability, but shall serve only as a temporary protective measure
7 pending verification, consent-based return, dispute resolution, or lawful determination
8 of the claim.

9
10 **SEC. 10. Notice to the Unintended Recipient.** Upon receipt of a verified
11 claim involving an alleged erroneous fund transfer, the receiving covered institution
12 shall promptly notify the unintended recipient that a claim has been made over funds
13 credited to his or her account, wallet, payment instrument, or other financial account.

14 The notice shall state the amount claimed, the date and time of the transaction,
15 the transaction reference number, where available, and the fact that the funds are
16 alleged to have been transferred by mistake. It shall likewise inform the unintended
17 recipient of his or her right to consent to the return of the disputed funds or to contest
18 the claim within the period prescribed by the Bangko Sentral ng Pilipinas. The notice
19 shall also clearly state the possible consequences of bad-faith withdrawal,
20 concealment, transfer, use, conversion, or refusal to return funds received without
21 lawful right, without prejudice to the rights and remedies of the parties under existing
22 laws.

23 Notice under this Section shall be made through the registered communication
24 channels of the unintended recipient, including in-app notification, text message,
25 electronic mail, registered mobile number, or such other secure and verifiable means
26 as may be allowed by the Bangko Sentral ng Pilipinas.

27 For purposes of this Act, notice shall be deemed sufficient upon proof of
28 successful electronic transmission to the registered communication channel of the
29 unintended recipient, or upon documented notification attempts through the available
30 registered communication channels, as confirmed by the records of the receiving
31 covered institution and in accordance with the standards prescribed by the Bangko
32 Sentral ng Pilipinas.

33
34 **SEC. 11. Consent-Based Return of Funds.** If the unintended recipient
35 consents to the return of the disputed funds, the receiving institution shall return the
36 funds to the sender through the originating institution within the period prescribed by
37 the Bangko Sentral.

38
39 The consent may be given electronically, in writing, through an in-app
40 confirmation, recorded customer service channel, or other verifiable means.
41 No fee shall be charged to the sender or the unintended recipient for the return of
42 funds under this Section, except such reasonable charges as may be approved or
43 authorized by the Bangko Sentral.
44

1 **SEC. 12. Uncontested Claims.** If the unintended recipient fails to respond
2 within seven (7) banking days from receipt of notice, and the available records and
3 submitted documents sufficiently establish that the transfer was erroneous, the
4 receiving institution may, in coordination with the originating institution, return the
5 disputed funds to the sender.

6 The Bangko Sentral shall prescribe safeguards to ensure that the unintended
7 recipient is given adequate notice and opportunity to contest the claim before any
8 return is made under this Section.
9

10 **SEC. 13. Contested Claims.** If the unintended recipient contests the claim,
11 the covered institutions shall not make a final determination of ownership over the
12 disputed funds, unless expressly authorized by law, court order, directive of a
13 competent authority, or the implementing rules and regulations issued pursuant to
14 this Act.

15 In such cases, the originating institution and the receiving institution shall
16 promptly inform both the sender and the unintended recipient that the claim has been
17 contested. The covered institutions shall assist the parties in the voluntary resolution
18 or mediation of the dispute, consistent with the procedures prescribed by the Bangko
19 Sentral ng Pilipinas. Subject to the Data Privacy Act of 2012, bank secrecy laws, and
20 other applicable confidentiality rules, each party shall be furnished or allowed access
21 to the necessary transaction records pertaining to his or her own account, wallet,
22 payment instrument, or transaction, including such records as may be necessary to
23 establish the fact, amount, date, time, and reference number of the disputed transfer.

24 Where available, the covered institutions shall refer the parties to the
25 appropriate consumer assistance, mediation, or dispute resolution mechanism under
26 the Bangko Sentral ng Pilipinas or other competent authority. The sender shall likewise
27 be informed of the right to pursue civil, small claims, criminal, administrative, or other
28 remedies available under existing laws.

29 The provisional hold, if any, shall be governed by the period and conditions
30 provided under this Act and its implementing rules and regulations, unless extended
31 by consent of the parties, order of a court, or directive of a competent authority.
32

33 **SEC. 14. Criminal Liability.** Any person who, after receipt of valid notice
34 and with intent to gain or to permanently deprive the sender of the funds, knowingly
35 withdraws, transfers, conceals, converts, or uses funds received through an erroneous
36 fund transfer and without lawful right shall, upon conviction, be punished by a fine of
37 not less than the amount wrongfully retained or converted but not more than three
38 (3) times such amount, or imprisonment of arresto mayor, or both, at the discretion
39 of the court.

40 No criminal liability shall arise from mere receipt of an erroneous fund transfer,
41 good-faith delay, inability to immediately respond, or a genuine dispute as to
42 entitlement to the funds.

43 This Section shall be without prejudice to prosecution under the Revised Penal
44 Code, the Cybercrime Prevention Act, the Anti-Financial Account Scamming Act, and
45 other applicable laws when the acts complained of constitute offenses under said laws.
46
47
48

1 **SEC. 15. Protection of Good-Faith Recipients.** An unintended recipient
2 who promptly reports, discloses, preserves, or returns funds received through an
3 erroneous fund transfer shall not be subject to criminal, civil, or administrative liability
4 solely by reason of having received the funds by mistake.

5 Covered institutions shall provide simple and accessible channels through which
6 recipients may report and return funds that they believe were erroneously credited to
7 their accounts, wallets, or payment instruments.

8
9 **SEC. 16. Duties and Liability of Covered Institutions.** Covered
10 institutions shall adopt policies, systems, and procedures necessary to implement this
11 Act, including:

- 12 a) Clear transaction confirmation safeguards;
- 13 b) Accessible reporting channels;
- 14 c) Timely acknowledgment and tracking of complaints;
- 15 d) Inter-institution coordination;
- 16 e) Provisional holding procedures;
- 17 f) Notice and response mechanisms;
- 18 g) Consumer assistance and dispute resolution procedures; and
- 19 h) Data protection and recordkeeping standards. A covered institution shall
20 not be liable for the sender's own encoding error when it has complied
21 with the requirements of this Act and its implementing rules and
22 regulations.

23 However, a covered institution may be held administratively liable for
24 unjustified failure to act on a sufficient report, failure to coordinate with the concerned
25 institution, failure to notify the unintended recipient, or failure to impose a provisional
26 hold when the conditions under Section 9 of this Act are clearly present, the disputed
27 funds or any portion thereof remain available, and the imposition of such hold is
28 technically and legally possible.

29
30 No liability shall attach when the disputed funds are no longer available at the
31 time the receiving covered institution receives sufficient notice, when the transaction
32 cannot be reasonably identified from available records, when the claim is not
33 supported by prima facie evidence, or when the provisional hold cannot be imposed
34 due to technical, legal, regulatory, or operational limitations not attributable to bad
35 faith, gross negligence, or willful misconduct of the covered institution.

36
37 **SEC. 17. Limited Immunity for Good-Faith Compliance.** A covered
38 institution, including its directors, officers, and employees, shall not be held liable for
39 imposing a provisional hold or returning disputed funds when such action is done in
40 good faith, in accordance with this Act, its implementing rules and regulations, a court
41 order, or a directive of a competent authority.

42 This immunity shall not apply in cases of gross negligence, bad faith, fraud, willful
43 misconduct, or violation of data privacy and bank secrecy laws.

44
45 **SEC. 18. Data Privacy and Confidentiality.** All proceedings, notices,
46 disclosures, and exchanges of information under this Act shall comply with the Data
47 Privacy Act of 2012, bank secrecy laws, and other applicable confidentiality rules.

1 Covered institutions shall disclose only such information as is necessary to verify, hold,
2 return, or resolve the erroneous fund transfer, or as may be required by the Bangko
3 Sentral, a court, law enforcement agency, or other competent authority.

4 The full identity, address, account details, or contact information of the sender or
5 unintended recipient shall not be disclosed to the other party except with consent,
6 lawful order, or as otherwise authorized by law.

7
8 **SEC. 19. Transaction Records as Prima Facie Evidence.** Certified
9 transaction records, electronic confirmations, notices, reference numbers, account
10 statements, and reports issued by covered institutions in connection with an erroneous
11 fund transfer shall be admissible as prima facie evidence in civil, criminal,
12 administrative, small claims, or other proceedings, subject to the Rules on Electronic
13 Evidence and other applicable rules.

14
15 **SEC. 20. Small Claims and Judicial Remedies.** Nothing in this Act shall
16 prevent the sender from pursuing recovery through the appropriate court, including
17 the small claims procedure where applicable.

18 Courts shall give due consideration to the summary nature of erroneous fund
19 transfer claims and may direct the production of relevant transaction records from
20 covered institutions, subject to applicable laws on confidentiality, data privacy, and
21 bank secrecy.

22
23 **SEC. 21. Consumer Education.** The Bangko Sentral, in coordination with
24 covered institutions and relevant government agencies, shall conduct public
25 information campaigns on safe digital fund transfers, proper verification of recipient
26 details, reporting of erroneous transfers, and the legal duty to return funds received
27 by mistake.

28 Covered institutions shall regularly remind users to verify the recipient's account name,
29 mobile number, QR code, or other payment identifier before confirming a transaction.

30
31 **SEC. 22. Administrative Sanctions.** The Bangko Sentral may impose
32 administrative sanctions, fines, or penalties upon covered institutions, their directors,
33 officers, or responsible employees for violations of this Act, its implementing rules and
34 regulations, or lawful directives issued pursuant thereto, in accordance with existing
35 banking, payment systems, and financial consumer protection laws.

36 The Bangko Sentral may likewise require covered institutions to adopt corrective
37 measures, improve systems, refund improper charges, submit compliance reports, or
38 undertake consumer redress measures.

39
40 **SEC. 23. Implementing Rules and Regulations.** Within one thirty (30)
41 days from the effectivity of this Act, the Bangko Sentral, in consultation with covered
42 institutions, consumer groups, the National Privacy Commission, the Department of
43 Justice, and other relevant stakeholders, shall promulgate the rules and regulations
44 necessary for the effective implementation of this Act.

45 The implementing rules and regulations shall include:

- 46 a) Standardized reporting procedures;
47 b) Minimum documentary requirements;

- c) Timelines for acknowledgment, coordination, notice, response, provisional hold, and return;
- d) Safeguards against fraudulent or abusive claims;
- e) Rules on provisional holds and release of disputed funds;
- f) Procedures for contested claims;
- g) Consumer assistance and mediation mechanisms;
- h) Allowable or prohibited fees;
- i) Recordkeeping and reporting obligations;
- j) Data privacy and confidentiality safeguards; and
- k) Such other matters necessary to implement this Act.

SEC. 24. Separability Clause. If any provision of this Act is held invalid or unconstitutional, the other provisions not so declared shall remain in force and effect.

SEC. 25. Repealing Clause. All laws, decrees, orders and rules and regulations contrary to or inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 26. Effectivity. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,