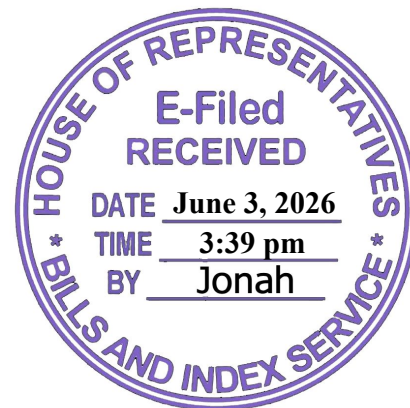


Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. 9738



INTRODUCED BY REP. PATRICK MICHAEL "PM" D. VARGAS

AN ACT
PROVIDING FOR FAIR DEBT COLLECTION PRACTICES IN DIGITAL AND
TRADITIONAL LENDING, STRENGTHENING REGULATION OF ONLINE
LENDING PLATFORMS, ESTABLISHING A VERIFIED COLLECTION
IDENTITY SYSTEM, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The rapid expansion of online lending applications (OLAs) in the Philippines has significantly transformed access to credit, particularly among underserved and financially vulnerable sectors. Recent industry data indicate that millions of Filipinos have availed themselves of digital lending services, driven largely by ease of access, minimal documentation requirements, and immediate fund disbursement. However, this rapid growth has also been accompanied by a surge in complaints involving abusive, deceptive, and predatory debt collection practices.

Records from the Securities and Exchange Commission (SEC) and the National Privacy Commission (NPC) show a significant number of grievances involving harassment, threats, and unauthorized disclosure of personal data by online lending entities and their agents. In several reported cases, borrowers have been subjected to repeated threatening messages, public shaming, and the dissemination of personal information to third parties, in clear violation of existing laws and regulations.

The SEC, through SEC Memorandum Circular No. 18, Series of 2019, has expressly prohibited unfair debt collection practices, including the use of threats, insults, and disclosure of borrower information to unauthorized persons. Despite

these regulatory measures, enforcement remains challenging due to the increasing use of anonymized communication channels, such as unregistered mobile numbers, email accounts, and social media platforms, which allow abusive actors to evade identification and accountability.

While existing statutes such as the Lending Company Regulation Act of 2007, the Data Privacy Act of 2012, and the Cybercrime Prevention Act of 2012 provide mechanisms to regulate lending practices, protect personal data, and penalize cyber-related offenses, these laws do not sufficiently address the unique and evolving challenges posed by digital lending platforms—particularly the traceability and accountability of collection agents operating in online environments.

This measure seeks to address these gaps by establishing a comprehensive regulatory framework governing online lending and digital debt collection practices. It introduces a Verified Collection Identity System (VCIS), which requires all lending entities and their agents to register and utilize traceable and verifiable communication channels in the course of collection activities. This system aims to eliminate anonymity in debt collection and ensure that all collection-related communications can be properly attributed and regulated.

The bill further strengthens protections for borrowers by codifying prohibited collection practices, enhancing transparency requirements, and providing clear mechanisms for enforcement and redress. It likewise aligns penalties with existing penal laws, including applicable provisions of the Revised Penal Code, the Data Privacy Act, and the Cybercrime Prevention Act, thereby ensuring that violations committed through digital means are met with appropriate civil, administrative, and criminal sanctions.

Ultimately, this proposed legislation affirms the State's policy to protect consumers from abusive and unethical lending practices, safeguard the right to privacy, and promote fairness, accountability, and transparency in the digital financial sector.

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


REP. PATRICK MICHAEL "PM" D. VARGAS
Fifth District, Quezon City

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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 and Digital Lending Consumer Protection Act.*”

SECTION 2. Declaration of Policy. It is the policy of the State to protect borrowers from abusive, deceptive, and unfair debt collection practices; promote transparency, accountability, and ethical standards in both digital and traditional lending; safeguard the right to privacy in accordance with the Data Privacy Act of 2012; and strengthen regulatory enforcement consistent with the Lending Company Regulation Act of 2007 and existing rules of the Securities and Exchange Commission.

SECTION 3. Scope of Application. This Act shall apply to all persons and entities engaged in lending and debt collection activities, including:

- a. Lending companies as defined under Republic Act No. 9474;
- b. Digital lending platforms or online lending applications (OLAs);
- c. Third-party service providers and collection agencies; and
- d. Any natural or juridical person engaged in the collection of debts.

SECTION 4. *Definition of Terms.* – As used in this Act:

- a. Debtor shall refer to a borrower or person granted a loan by any digital lending platform
- b. Lending company shall refer to a corporation engaged in granting loans from its own capital funds or from funds sourced from not more than 19 persons. It shall not be deemed to include banking institutions, investment houses, savings and loan associations, financing companies, pawnshops, insurance companies, cooperatives, and other credit institutions already regulated by law.
- c. Digital Lending Platform shall refer to any mobile application, website, or digital interface offering loans;
- d. Collection Agent refers to any person authorized and registered with the Security Exchange Commission (SEC);
- e. Verified Communication Channel is any communication channel, such as a phone number, email, or account officially declared by the lending entity to regulatory authorities
- f. Abusive Collection Practice is any act or omission in connection with debt collection that harasses, oppresses, or abuses any borrower, including those prohibited under SEC Memorandum Circular No. 18, Series of 2019, and this Act.
- g. Verified Communication Channel refers to a communication medium duly registered with the SSEC and capable of being authenticated by borrowers through a publicly accessible verification system.
- h. Consent of the borrower refers to any freely given specific, informed indication of will, whereby the borrower agrees to the collection and processing of personal information about and/or relating to him or her. Consent shall be evidenced by written, electronic, or recorded means.

SECTION 5. *Regulatory Jurisdiction.* The Securities and Exchange Commission (SEC) shall be the primary implementing agency. The SEC shall coordinate with the National Privacy Commission (NPC), the Department of Information and Communications Technology (DICT), and Bangko Sentral ng Pilipinas, when applicable.

SECTION 6. *Verified Collection Identity System.* A Verified Collection Identity System is hereby established under the supervision of the Securities and Exchange Commission.

- a. All covered entities shall register with the SEC:
 - i. Their duly authorized collection agents; and
 - ii. All communication channels used for collection activities, including mobile numbers, email addresses, messaging accounts, and similar identifiers.
- b. The SEC shall maintain a centralized, publicly accessible verification platform that allows borrowers to confirm the identity of collection agents and the authenticity of communications.
- c. All collection communications must:
 - i. Originate solely from registered communication channels; and
 - ii. Contain sufficient identifying information as may be prescribed by the SEC.
- d. The use of unregistered, spoofed, anonymous, or deceptive communication channels is strictly prohibited.

SECTION 7. *Prohibited Acts.* In addition to acts prohibited under existing laws and regulations, including SEC Memorandum Circular No. 18, Series of 2019, the following shall be unlawful:

- a. Harassment, intimidation, or threat of harm;
- b. Use of obscene, profane, or abusive language;
- c. Public shaming or disclosure of borrower information to third parties without a lawful basis, in violation of the Data Privacy Act of 2012;
- d. Communication with persons other than the borrower, except as permitted by law or with express consent;
- e. Excessive or unreasonable communications, including those made at unreasonable hours or frequency as may be defined by the SEC;
- f. Misrepresentation of the amount owed, terms of the loan, or consequences of non-payment;
- g. False threats of legal action or criminal prosecution;
- h. Use of unregistered communication channels; and
- i. Any deceptive, unfair, or unconscionable means in debt collection.

SECTION 8. *Borrower Notification and Transparency.* Prior to any collection activities, the lender or its agent shall provide the borrower with a written or electronic notice containing:

- a. The total amount due, with itemized breakdown;
- b. The legal basis of the obligation;
- c. Information sufficient to identify the identity of the collecting entity.

SECTION 9. *Administrative Sanctions.* After due notice and hearing, the SEC may impose the following:

- a. Fines ranging from PhP 50,000 to PhP 5,000,000, depending on gravity;
- b. Suspension or revocation of Certificate of Authority;
- c. Blacklisting and permanent disqualification of the entity and responsible officers;
- d. Compliance and cease-and-desist orders; and
- e. Referral for criminal prosecution under applicable laws

SECTION 10. *Criminal Liability.* Any person who commits acts prohibited under this Act shall, when applicable, be prosecuted under existing penal laws, including but not limited to:

- a. Grave Threats, Light Threats, Coercion, Unjust Vexation, and Defamation under the Revised Penal Code;
- b. Cyber-related offenses, including but not limited to cyber libel, unlawful use of electronic communications, and other analogous acts under the Cybercrime Prevention Act of 2012;
- c. Unauthorized processing, disclosure, or misuse of personal data under the Data Privacy Act of 2012;
- d. Other applicable special laws, where the acts constitute separate or additional offenses.

Where the prohibited act is committed through information and communications technologies, the penalty shall be imposed one degree higher, in accordance with Republic Act No. 10175.

SECTION 11. *Liability of Officers and Agents.* Directors, officers, and employees who knowingly participate in or authorize violations shall be solely liable, without prejudice to criminal prosecution under applicable laws.

SECTION 12. *Complaint and Redress Mechanism.* The SEC shall establish a centralized digital complaints system that:

- a. Accepts electronic evidence (screenshots, recordings);
- b. Ensures timely investigation;
- c. Provides accessible remedies for borrowers.

SECTION 13. *Relationship with Existing Laws.* This Act shall supplement existing laws, rules, and regulations governing lending, debt collection, and data

privacy. Nothing herein shall be construed to diminish rights and protections afforded under applicable laws.

SECTION 14. *Implementing Rules and Regulations.* Within ninety (90) days, the SEC, in coordination with the NPC, DICT, and BSP, shall promulgate the IRR.

SECTION 15. *Separability Clause.* – If any provision of this Act shall be declared unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SECTION 16. *Repealing Clause.* – All laws, orders, rules, and regulations, other issuances, or any part thereof, inconsistent with any provision of this Act, are hereby repealed or modified accordingly.

SECTION 17. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,