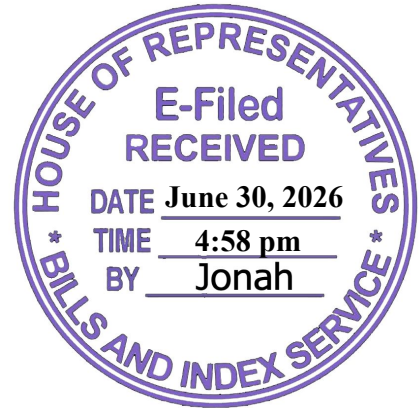


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 9989



Introduced by Representative Jan “Atty. JP” D. Padiernos

EXPLANATORY NOTE

Every Filipino deserves to see their taxes build sturdy bridges and safe communities, not vanish into the pockets of crooked officials. The Philippine False Claims Act delivers on this by shifting the focus from slow criminal trials to the swift recovery of stolen public funds. While current laws like Republic Act No. 3019 require the standard of "proof beyond a reasonable doubt," this Act introduces a civil framework designed to recover taxpayer money quickly.

By lowering the evidentiary threshold, the State can aggressively reclaim funds lost to ghost projects, substandard infrastructure, and fraudulent schemes that hinder national development.

The Act holds any entity liable for submitting fraudulent claims, and ensures a powerful deterrent through a "treble damages" provision, which holds perpetrators accountable by requiring them to pay heavy civil penalties plus three times the government's total loss. Further, it introduces a "qui tam" mechanism, which turns ordinary citizens into partners in justice by rewarding whistleblowers with a portion of the recovered assets—effectively creating an environment where corruption has nowhere to hide. In essence, this Act enforces public accountability by providing a swift tool to recover losses, deter fraud, and ensure that public funds directly serve the public good.

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

Rep. Jan “Atty. JP” D. Padiernos
GP (GALING SA PUSO) Partylist

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House Bill No. **9989**

Introduced by Representative Jan “Atty. JP” D. Padiernos

**AN ACT PROVIDING FOR THE RECOVERY OF PUBLIC FUNDS OBTAINED
THROUGH FRAUD, IMPOSING CIVIL LIABILITY FOR FALSE CLAIMS, AND
STRENGTHENING ACCOUNTABILITY IN GOVERNMENT PROJECTS**

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 "Philippine False Claims Act."

SECTION 2. *Declaration of Policy.* – It is the policy of the State to protect the integrity of public funds and ensure that every peso allocated for government programs and projects, including flood control and critical infrastructure, is utilized honestly, efficiently, and in accordance with law.

The State recognizes that fraud in public contracting, manifested through ghost projects, substandard implementation, false certifications, and related schemes, results in substantial loss to the national treasury and undermines public safety and trust.

The State shall likewise recognize and encourage responsible civilian participation, subject to government oversight, in the detection and reporting of fraud involving public funds.

SECTION 3. *Definition of Terms.* – For purposes of this Act, the following terms shall be defined as follows:

- a) “Aggregation” refers to the combining of multiple individual claims, invoices, or fraudulent acts into a single civil action for the purpose of meeting jurisdictional or procedural requirements.
- b) “Civil Investigative Demand (CID)” refers to a pre-litigation administrative subpoena issued by the Secretary of Justice to compel the production of documents, written answers, or oral testimony relevant to a false claims investigation and issued prior to the unsealing of a complaint.
- c) “Claim” refers to any request or demand, whether under contract or otherwise, for money or property made to the Government, or to a contractor, grantee, or other recipient if the Government provides or reimburses any portion of the money or property requested.

d) “False or Fraudulent Claim” refers to any request or demand for money or property submitted to the Government that is false, fictitious, or misleading, whether in whole or in part, including claims arising from or supported by:

(1) falsified, inaccurate, or incomplete statements, records, or certifications;

(2) non-performance, partial performance, or substandard delivery of goods, works, or services;

(3) concealment of material facts affecting eligibility for payment;

(4) collusion, conspiracy, or any arrangement designed to improperly influence project selection, procurement, contract award, or payment;

(5) conflicts of interest, kickbacks, or undisclosed financial relationships that materially affect the validity of the claim; or

(6) any scheme, device, or course of conduct that results in the Government paying money that it would not have paid had it known the true facts.

e) “Document or Record” refers to any written, electronic, or graphic matter used to support a claim for payment, including but not limited to vouchers, invoices, contracts, "as-built" plans, certifications of completion, and similar records.

f) “Ghost Project” refers to any government contract, program, or procurement for which payment is requested or received, but where the actual work, goods, or services were not delivered, performed, or completed, notwithstanding records or certifications to the contrary.

g) “Government” refers to the National Government, including all departments, bureaus, local government units (LGUs), government-owned or controlled corporations (GOCCs), and any entity or program where public funds are used or administered.

h) “Incapable of Pecuniary Estimation” refers to actions where the primary issue is the vindication of public interest and the enforcement of transparency policies, rather than a mere collection of a sum of money, thus conferring jurisdiction upon the Regional Trial Court.

i) “Independent Knowledge” refers to information that is not derived from public disclosures and that materially adds to the Government’s ability to investigate or prosecute the claim.

j) “Knowing and Knowingly” refers to a state of mind where a person has actual knowledge of the information, acts in deliberate ignorance of the truth or falsity of the information, or acts in reckless disregard of the truth or falsity of the information, and no specific intent to defraud is required.

k) “Material” refers to information having a natural tendency to influence, or being capable of influencing, the payment or receipt of money or property.

- l) “Obligation” refers to an established duty, whether fixed or contingent, to pay or transmit money or property to the Government.
- m) “Original Source” refers to an individual who voluntarily disclosed the information to the Government prior to public disclosure, or who possesses knowledge that is independent of and materially adds to publicly disclosed information and has voluntarily provided such information to the Government before filing an action under this Act.
- n) “Person” refers to any natural or juridical person, including but not limited to individuals, corporations, partnerships, associations, and other legal entities.
- o) “Principal Planner or Initiator” refers to an individual who organized, managed, or directed the fraudulent scheme or false claim, as distinguished from a participant who played a minor or incidental role.
- p) “Private Individual” refers to any natural or juridical person, including but not limited to individuals, corporations, partnerships, associations, and other legal entities who initiates a civil action under the *Qui Tam* provision of this Act.
- q) “Proceeds” refers to the total amount recovered under this Act, including civil penalties and treble damages.
- r) “Public Disclosure” refers to the dissemination of information regarding fraud or false claims through government audits, reports, or investigations; proceedings in legislative or administrative bodies; or reports by the news media accessible to the general public.
- s) “*Qui Tam* Action” refers to a lawsuit brought by a private individual, acting on behalf of the Government, to recover damages and penalties.
- t) “Relator” refers to a private individual or entity who initiates a civil action on behalf of the Government under this Act, based on knowledge of a false or fraudulent claim, and who may be entitled to receive a share of any proceeds recovered from such action, subject to the provisions of this Act.
- u) “Reverse False Claims” refers to knowingly concealing or improperly avoiding or decreasing an obligation to pay or transmit money or property to the Government, including the improper retention of overpayments.
- v) “Substandard Property or Services” refers to any goods, materials, or services that fail to meet applicable quality, technical, engineering, or contractual standards, including latent defects that were knowingly concealed during inspection or certification, regardless of whether the project was accepted by the Government.
- w) “Substantially the Same Allegations or Transactions” refers to allegations or transactions that are materially similar in their essential elements of fraud to those already publicly disclosed, such that the same fraudulent scheme would have been apparent to the Government upon a reasonable investigation of such prior disclosure.
- x) “Treble Damages” refers to a statutory recovery equal to three (3) times the actual financial loss sustained by the Government.

SECTION 4. *Liability for False Claims.* – Any person who:

- (1) knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval;
- (2) knowingly makes, uses, or causes to be made or used, a false record or statement material to a false or fraudulent claim;
- (3) knowingly delivers or causes to be delivered less property, goods, or services than the amount or quality for which payment is requested;
- (4) knowingly conceals or improperly avoids or decreases an obligation to pay or transmit money or property to the Government;
- (5) knowingly engages in any collusion, conspiracy, or arrangement to defraud the Government through the submission, approval, or payment of a false or fraudulent claim; or
- (6) knowingly participates in a scheme, transaction, or course of conduct that results in the Government paying money that it would not have paid, or paying more than it should have paid, had it known the true facts,

shall be liable to the Government for treble damages, plus the costs of the civil action.

The knowledge, acquiescence, or approval of a government official regarding the falsity of a claim or the substandard nature of a project shall not, by itself, constitute a defense to liability under this Act. The State's right to recover shall not be prejudiced by the connivance, participation, or negligence of its agents.

SECTION 5. *Civil Penalties.* – In addition to treble damages, any person found liable shall pay a civil penalty of not less than ₱ 300,000.00 and not more than ₱1,000,000.00 for each false or fraudulent claim.

SECTION 6. *Reduced Liability for Cooperation.* – Notwithstanding the provisions on treble damages, the court shall reduce the liability of a person to not less than two (2) times the amount of damages sustained by the Government, and may waive the imposition of civil penalties, if such person:

- a) within thirty (30) days after the date on which the person first obtained credible information of a violation under this Act, the person voluntarily disclosed to the Department of Justice all information known to such person relating to such violation;
- b) the person fully cooperated with any investigation conducted by the Government, including the timely production of documents, provision of testimony, and identification of all individuals involved in the violation; and
- c) at the time of such disclosure, the person had no actual knowledge that the Government had commenced, or was conducting, any criminal, civil, or administrative investigation relating to such violation, and had not received any notice of a complaint,

Civil Investigative Demand, subpoena, or similar Government action concerning the same.

Failure to satisfy any of the foregoing conditions shall render the person ineligible for reduced liability under this Section.

The burden of proving entitlement to reduced liability shall rest upon the person invoking this Section.

SECTION 7. *Qui Tam Actions and Incentives.* – A private individual may bring an action in the name of the Government. If the Government intervenes, the individual receives 15% to 25% of the proceeds. If the individual proceeds alone, they receive 25% to 30%.

SECTION 8. *Government Intervention.* - Upon receipt of the complaint and disclosure materials under Section 13 of this Act, the Department of Justice shall evaluate the allegations and determine whether to intervene in the action. If the Government elects to intervene, it shall have primary responsibility for prosecuting the action and shall not be bound by the acts of the Private Individual bringing the action. If the Government declines to intervene, the Private Individual shall have the right to conduct the action in the name of the Government, subject to the rights of the Government under this Act. The Government may, notwithstanding the objection of the Private Individual, move to dismiss or settle the action, subject to notice and hearing before the court, upon a showing that such dismissal or settlement is fair, adequate, and reasonable under the circumstances.

SECTION 9. *Disposition of Recovered Proceeds.* – All proceeds recovered under this Act, excluding the share awarded to a Private Individual under Section 7, shall accrue to the General Fund of the National Treasury. The court shall order the payment of the remaining proceeds to the Government, and such amounts shall be paid to the Bureau of the Treasury in accordance with the rules, and regulations.

SECTION 10. *Anti-Retaliation.* – Any employee, agent, or contractor, whether in the private or public sector, shall be protected from discrimination or discharge for acts done in furtherance of this Act. Relief includes reinstatement, double back pay, and compensation for special damages. Public sector whistleblowers shall be granted immunity from administrative disciplinary proceedings related to the reported fraud, provided they were not the principal architect of the scheme.

SECTION 11. *Administrative Liability for Non-Reporting.* – Any government official with oversight of a project who becomes aware of a false claim and fails to report it to the Department of Justice within thirty (30) days shall be liable for Gross Neglect of Duty. This is without prejudice to criminal or civil liability if the official connived in the fraud.

SECTION 12. *Debarment and Blacklisting.* – Any person or entity found liable under Section 4 shall be barred from participating in all government procurement. A first offense shall merit a suspension of five (5) to ten (10) years, while a subsequent offense shall result in a permanent ban.

This disqualification extends to any related entity used to circumvent this provision, including but not limited to entities owned or controlled by the same beneficial owners, immediate family

members of the incorporators, and entities sharing the same physical address or primary equipment as the liable party. The Department of Budget and Management (DBM) shall maintain a centralized registry of such barred individuals and entities.

SECTION 13. *Filing Under Seal.* – A complaint filed by a Private Individual shall be filed *in camera* and shall remain under seal for a period of at least sixty (60) days. The complaint shall not be served upon the defendant until the court so orders.

At the time of filing, the Private Individual shall serve upon the Department of Justice a copy of the complaint together with a written disclosure of substantially all material evidence and information in the possession of the Private Individual.

Within the period that the complaint remains under seal, the Department of Justice may move the court for an extension of such a period upon a showing of good cause. Any extension granted shall be for a definite period.

The total period during which the complaint remains under seal shall not exceed eighteen (18) months; provided, that the court may grant further extension upon a showing of extraordinary circumstances in a summary hearing.

The filing of the complaint under seal shall suspend the running of the prescriptive periods as provided in Section 19.

SECTION 14. *First-to-File Bar.* – When a person brings a *Qui Tam* action under this Act, no person other than the Government may intervene or bring a related action based on the same underlying facts or transactions. Only the first person to file a complaint and notify the Government shall be eligible to receive the incentives provided under Section 7 of this Act.

SECTION 15. *Asset Preservation and Provisional Remedies.* – The Government may apply for a Writ of Preliminary Attachment or other provisional remedies against a defendant's assets, including those held by nominees, to secure the potential recovery of damages and penalties. The court shall evaluate such applications in accordance with the Rules of Court and may grant the remedy upon a *prima facie* showing of fraud or risk of asset dissipation.

SECTION 16. *Jurisdiction and Venue.* – The Regional Trial Court (RTC) shall have exclusive original jurisdiction over all actions under this Act, regardless of the amount involved, as these cases are deemed incapable of pecuniary estimation; provided, that the Sandiganbayan shall have concurrent jurisdiction if the case involves public officials falling under its jurisdiction as provided by law.

For purposes of meeting any jurisdictional or procedural threshold, the court shall allow the aggregation of multiple false claims, invoices, or transactions if they arise from the same government project, contract, or a related series of transactions by the same defendant.

Actions under this Act may be brought in the Regional Trial Court of the judicial region where: (i) any defendant resides, is found, or transacts business; (ii) any act prohibited under Section 4 occurred; or (iii) the Government office or agency affected by the fraud is situated.

SECTION 17. *Public Disclosure Bar.* – The court shall dismiss an action or claim under this Act if substantially the same allegations or transactions were publicly disclosed in government

audits, reports, legislative hearings, or the news media, unless the person bringing the action is an Original Source.

SECTION 18. *Tax Treatment of Awards.* – Any award or share of proceeds received by a Private Individual under Section 7 of this Act shall be subject to a final tax of ten percent (10%).

SECTION 19. *Standard of Proof.* – In any action brought under this Act, liability shall be established by a preponderance of evidence. The standard of proof required in criminal proceedings shall not apply.

SECTION 20. *Statute of Limitations.* – A civil action under this Act may not be brought more than ten (10) years after the date on which the violation is committed, or more than six (6) years after the date when facts material to the right of action are known or reasonably should have been known by the official of the Government charged with responsibility to act, whichever occurs last; provided, that in no event shall an action be brought more than twenty (20) years after the date of the violation.

The running of these prescriptive periods shall be strictly tolled and suspended during the entire period that the complaint remains under seal pursuant to Section 12.

SECTION 21. *Pre-litigation Discovery.* – The Secretary of Justice may issue a written Civil Investigative Demand (CID) for documents, testimony, or written answers relevant to a false claims investigation before a complaint is unsealed. No claim of trade secret, proprietary information, or confidentiality agreement shall prevent the production of materials to the Department of Justice; provided, that the recipient may petition the Regional Trial Court for a protective order to limit the use or disclosure of such information to the public.

The recipient may, within fifteen (15) days of service, petition the Regional Trial Court to quash or modify the demand if it is unreasonable, irrelevant, or issued in bad faith. All obtained information shall remain confidential and exempt from disclosure during the investigation, preserving the recipient's right to counsel and protection against self-incrimination. Non-compliance with a valid CID, not otherwise stayed by the court, shall be grounds for the Department of Justice to seek a court order of enforcement or a citation of contempt.

SECTION 22. *Implementing Rules and Regulations (IRR).* – Within ninety (90) days from effectivity, the Department of Justice (DOJ), in coordination with the Department of Budget and Management (DBM) and the Commission on Audit (COA), shall promulgate the necessary rules and regulations.

SECTION 23. *Separability Clause.* – If any provision of this Act is declared invalid, the remaining parts shall remain in full force and effect.

SECTION 24. *Repealing Clause.* – All laws or regulations inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 25. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.