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SENATE  
S.B. No. 2211

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(In substitution of Senate Bill Nos. 306 and 1068.)

Prepared by the Committee on Trade, Commerce and Entrepreneurship with Senators Villar, Estrada-Ejercito and Aquino IV as authors thereof.

**AN ACT**  
**STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW**  
**MOTOR VEHICLES AND FOR OTHER PURPOSES**

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

3 **SECTION 1. Short Title.** – This Act shall be known as the *“Philippine Lemon Law of*  
4 *2014”*.

5 **SECTION 2. Declaration of Policy.** – It is hereby declared the policy of the State to  
6 promote full protection for the rights of consumers in the sale of motor vehicles against  
7 sales and trade practices which are deceptive, unfair or otherwise inimical to the  
8 consumers and the public interest.

9 **SECTION 3. Definition of Terms.** – For purposes of this Act, the following terms  
10 shall mean:

11 (a) “Assembler” refers to a natural or juridical person duly accredited by the Land  
12 and Transportation Office (LTO), as an individual or entity engaged in the local assembly of  
13 new major components to make a brand new motor vehicle, and is a member of the Motor  
14 Vehicle Development Program of the Department of Trade and Industry (DTI) and duly  
15 accredited by the Board of Investment (BOI);

16 (b) “Brand new motor vehicle” refers to a vehicle constructed entirely from new  
17 parts, covered by an expressed warranty at the time of purchase, that has never been sold or  
18 registered with the Department of Transportation and Communications (DOTC) or an

1 appropriate agency or authority and has never been operated on the highway of the  
2 Philippines, or in a foreign state or country;

3 (c) "Collateral charges" refers to the fees paid to the LTO for the registration of a  
4 brand new motor vehicle and other incidental expenses, including the cost of insurance  
5 pertaining to the said vehicle;

6 (d) "Comparable motor vehicle" refers to a motor vehicle that is identical or  
7 reasonably equivalent to the motor vehicle to be replaced in terms of specifications and  
8 values subject to availability, as the motor vehicle existed at the time of purchase. Provided,  
9 that there shall be an offset from this value for reasonable allowance for its use;

10 (e) "Consumer" refers to any person, natural or juridical, who is a purchaser, either  
11 by cash or credit, of a brand new motor vehicle from an authorized brand distributor or  
12 dealer in the Philippines;

13 (f) "Dealer" or "Seller" refers to any person natural or juridical, authorized by the  
14 manufacturer or distributor to sell brand new vehicles directly to the public;

15 (g) "Reasonable allowance for use", for purposes of this Act, shall mean twenty  
16 percent (20%) per annum deduction from the purchase price, or the product of the  
17 distance traveled in kilometers and the purchase price divided by one hundred thousand  
18 (100,000), whichever is higher;

19 (h) "Distributor" refers to any person, natural or juridical, authorized by the  
20 manufacturer to sell brand new motor vehicles to duly authorized dealers or retailers;

21 (i) "Importer" refers to an LTO accredited natural or juridical person engaged in the  
22 importation of brand new motor vehicles;

23 (j) "Implementing agency" refers to the Department of Trade and Industry (DTI);

24 (k) "Lemon Law Rights Period" refers to the period ending twelve (12) months after the  
25 date of the original delivery of brand new motor vehicle to a consumer or the first twenty  
26 thousand (20,000) kilometers of operation after such delivery, whichever comes first. This shall  
27 be the period during which the consumer can report any non-conformity, as defined in paragraph

1 (n) herein, to the standards and specifications of the manufacturer, distributor, authorized dealer  
2 or retailer, and pursue any right provider for under this Act;

3 (l) "Manufacturer" refers to a person, natural or juridical, engaged in the business of  
4 local manufacturing or assembling motor vehicles;

5 (m) "Motor vehicle" refers to any self-propelled four (4)-wheeled road vehicle  
6 designed to carry passengers including, but not limited to, sedans, coupes, station wagons,  
7 convertibles, pickups, vans, sport utility vehicles (SUVs) and Asian utility vehicles (AUVs)  
8 but excepting motorcycles, trucks, delivery trucks, dump trucks, buses, road rollers, trolley  
9 cars, street sweepers, sprinklers, lawn mowers and heavy equipment, such as, but not  
10 limited to, bulldozers, payloaders, graders, forklifts, amphibian trucks, cranes and vehicles  
11 which run only on rails or tracks, and tractors, trailers and traction engines of all kinds  
12 used exclusively for agricultural purposes. Trailers having any number of wheels, when  
13 propelled or intended by attachment to a motor vehicle, shall be classified as separate  
14 motor vehicle with no power rating;

15 (n) "Non-conformity" refers to any defect or condition that substantially impairs the  
16 use, value or safety of a brand new motor vehicle which prevents it from conforming to the  
17 manufacturer's or distributor's standards or specifications, which cannot be repaired, but  
18 excluding conditions resulting from noncompliance by the consumer of his obligations  
19 under the warranty, modifications not authorized by the manufacturer or distributor,  
20 abuse or neglect, and damage due to accident or force majeure;

21 (o) "Purchase price" refers to the invoice price or the amount of money which the  
22 dealer or retailer actually received for the brand new motor vehicle, in consideration of the  
23 sale of such brand new motor vehicle; and

24 (p) "Warranty" refers to the written assurance, so labeled, of the manufacturer,  
25 distributor, authorized dealer or retailer of a brand new motor vehicle, including any term  
26 or condition precedent to the enforcement of obligations under the warranty.

27 **SECTION 4. Coverage.** – This Act shall cover brand new vehicles purchased in the  
28 Philippines with non-conformity reported by the consumer within twelve (12) months

1 from the date of original delivery to the consumer or up to twenty thousand (20,000)  
2 kilometers of operation after delivery, whichever comes first. The following causes of non-  
3 conformity shall be excluded:

- 4 (a) Non-compliance by the consumer of his obligations under the warranty;
- 5 (b) Modifications not authorized by the manufacturer, distributor, authorized dealer  
6 or retailer;
- 7 (c) Abuse or neglect of the brand new motor vehicle; and
- 8 (d) Damage to the vehicle due to an accident or force majeure.

9 **SECTION 5. *Repair Attempts.*** – At any time within the Lemon Law rights periods and  
10 after at least four (4) separate repair attempts by the same manufacturer, distributor, authorized  
11 dealer or retailer for the same complaint, and the non-conformity issue remains unresolved, the  
12 consumer, may invoke his rights under this Act.

13 The repair may include replacement of parts, components, or assemblies.

14 **SECTION 6. *Notice of Availment of Lemon Law Rights.*** – Before availing of any  
15 remedy under this Act and subject to compliance with the provisions of Section 5 hereof,  
16 the consumer shall, in writing, notify the manufacturer, distributor, authorized dealer or  
17 retailer of the unresolved complaint and the consumer's intention to invoke his rights  
18 under this Act within the Lemon Law rights period.

19 The warranty booklet issued by the manufacturer, distributor, authorized dealer or  
20 retailer shall clearly state the responsibility of the consumer under this section. It shall  
21 likewise provide the manner and form of such notice to constitute a valid and legal notice  
22 to the manufacturer, distributor, authorized dealer or retailer.

23 **SECTION 7. *Availment of Lemon Law Rights.*** – Subsequent to the filing of the  
24 notice of availment referred to in the preceding section, the consumer shall bring the  
25 vehicle to the manufacturer, distributor, authorized dealer or retailer, from which the  
26 vehicle was purchased for a final attempt to address the consumer's complaints to his  
27 satisfaction.

1           It shall be the duty of the manufacturer, distributor, authorized dealer or retailer,  
2 upon receipt of the motor vehicle and the notice of non-conformity required under Section  
3 6 hereof, to attend to the complaints of the consumer including, as may be necessary,  
4 making the repairs and undertaking such actions to make the vehicle conform to the  
5 standards or specifications of the manufacturer or distributor for such vehicle.

6           In case the non-conformity remains unresolved despite the manufacturer's distributor's,  
7 authorized dealer's or retailer's continuous and repetitive efforts to repair the vehicle, pursuant  
8 to the consumer's availment of his or her Lemon Law rights, the consumer may file a formal  
9 complaint before the DTI as provided for under this Act: Provided, however, That if the  
10 vehicle is not returned for repair based on the same complaint within thirty (30) calendar  
11 days from the date of notice of release of the motor vehicle to the consumer following this  
12 repair attempt within the Lemon Law rights period, the repair is deemed successful:  
13 Provided, finally, That, in the event that the non-conformity still exists or persists after the  
14 thirty (30) days period but still within the Lemon Law rights period, the consumer may be  
15 allowed to avail of the same remedies under Sections 5 and 6 hereof.

16           To compensate for the non-usage of the vehicle while under repair and during the  
17 period of availment of the Lemon Law rights, the consumer shall be provided a reasonable  
18 daily transportation allowance, an amount which covers the transportation of the  
19 consumer from his or her residence to his or her regular workplace or destination and vice  
20 versa, equivalent to air-conditioned taxi fare supported by official receipt, or in such  
21 amount to be agreed upon by the parties, or a service vehicle at the option of the  
22 manufacturer, distributor, authorized dealer or retailer. Any disagreement on this matter  
23 shall be resolved by the implementing agency provided for under this Act.

24           Nothing herein shall be construed to limit or impair the rights and remedies of a  
25 consumer under any other law.

26           **SECTION 8. Remedies for Dispute Resolution.** - The DTI shall exercise exclusive  
27 and original jurisdiction over disputes arising from the provisions of this Act. All disputes

1 arising from the provisions of this Act shall be settled by the DTI in accordance with the  
2 following dispute resolution mechanisms:

3 (a) Mediation

4 (1) The principles of negotiation, conciliation and mediation towards  
5 amicable settlement between the manufacturer, distributor, authorized dealer or  
6 retailer and the consumer shall be strictly observed;

7 (2) In the course of its dispute resolution efforts, the DTI shall endeavor to  
8 independently establish the validity of the consumer's outstanding complaint. The  
9 DTI shall likewise retain the services of other government agencies or qualified  
10 independent private entities in the ascertainment of the validity of the consumer's  
11 complaint. Any cost incurred in establishing the validity of the consumer's  
12 complaint shall be borne jointly by the consumer and the dealer manufacturer,  
13 distributor, authorized dealer or retailer;

14 (3) The complaint shall be deemed valid if it is independently established  
15 that the vehicle does not conform to the standards or specifications set by the  
16 manufacturer, distributor, authorized dealer or retailer;

17 (4) Upon failure of the negotiation or mediation between the manufacturer,  
18 distributor, authorized dealer or retailer and the consumer, the parties shall execute  
19 a certificate attesting to such failure; and

20 (5) At any time during the dispute resolution period, the manufacturer or  
21 distributor and the consumer shall be encouraged to settle amicably. All disputes  
22 that have been submitted for mediation shall be settled not later than ten (10)  
23 working days from the date of filing of the complaint with the DTI.

24 (b) Arbitration

25 (1) In the event there is a failure to settle the complaint during the mediation  
26 proceedings, the parties may voluntarily enter into arbitration proceedings, likewise  
27 to be supervised by the DTI, within twenty (20) working days. The DTI shall rely on

1 the qualified independent findings as to conformity to standards and specifications  
2 established herein;

3 (2) In case a non-conformity of the vehicle is found by the DTI, it shall rule in  
4 favor of the consumer and direct the manufacturer, distributor, authorized dealer or  
5 retailer to grant either of the following remedies to the consumer:

6 (i) Replace the motor vehicle with a similar or comparable motor vehicle  
7 in terms of specifications and values, subject to availability; or

8 (ii) Accept the return of the motor vehicle and pay the consumer the  
9 purchase price plus collateral charges.

10 In case the consumer decides to purchase another vehicle with a higher value and  
11 specifications from the same manufacturer, distributor, authorized dealer or retailer, the  
12 consumer shall pay the difference in cost.

13 In both cases of replacement and repurchase, the reasonable allowance for use, as  
14 defined in this Act, shall be deducted in determining the value of the non-conforming  
15 vehicle; and

16 (3) In case a non-conformity of the vehicle is not found by the DTI, it shall  
17 rule in favor of the manufacturer, distributor, authorized dealer or retailer and  
18 direct the consumer to reimburse the manufacturer, distributor, authorized dealer  
19 or retailer the costs incurred by the latter in validating the consumer's complaints.

20 **SECTION 9. *Determination of Reasonable Allowance for Use.*** – For purposes of  
21 this Act, “reasonable allowance for use” shall mean twenty percent (20%) per annum  
22 deduction from the purchase price, or the product of the distance traveled in kilometers  
23 and the purchase price divided by one hundred thousand (100,000), whichever is higher.

24 **SECTION 10. *Disclosure on Resale.*** – Should the returned vehicle be made available  
25 for resale, the manufacturer, distributor, authorized dealer or retailer shall, prior to sale,  
26 lease, or transfer, disclose to the next purchaser in writing that:

27 (a) the motor vehicle was returned to the manufacturer, distributor, authorized  
28 dealer or retailer;

1 (b) the nature of the non-conformity which caused the return; and

2 (c) the condition of the motor vehicle at the time of the transfer to the dealer.

3 The responsibility of the manufacturer, distributor, authorized dealer or retailer  
4 shall cease upon the sale of the affected motor vehicle.

5 **SECTION 11. *Penalty.*** – The manufacturer, distributor or dealer adjudged to have  
6 violated the provisions requiring disclosure as mentioned in the preceding section shall be  
7 liable to pay a minimum amount of One Hundred Thousand Pesos (Php100,000.00) as  
8 damages to the aggrieved party without prejudice to any civil or criminal liability they  
9 and/or the responsible officer may incur under existing laws.

10 **SECTION 12. *Assistance by Other Agencies.*** – The DOTC and other appropriate  
11 government agencies and local government units, including government-owned and  
12 controlled corporations, shall render such assistance as required by the DTI in order to  
13 effectively implement the provisions of this Act.

14 **SECTION 13. *Implementing Rules and Regulations.*** – The DTI shall promulgate  
15 the necessary implementing rules and regulations within ninety (90) days from the  
16 effectivity of this Act.

17 **SECTION 14. *Separability Clause.*** – If, for any reason, any part or provision of this  
18 Act is declared invalid, such declaration shall not affect the other provisions of this Act.

19 **SECTION 15. *Repealing Clause.*** – All laws, decrees, executive orders, issuances,  
20 rules or regulations or parts thereof which are inconsistent with the provisions of this Act  
21 are hereby deemed repealed, amended or modified accordingly.

22 **SECTION 16. *Effectivity.*** – This Act shall take effect fifteen (15) days after its  
23 publication in the Official Gazette or in two (2) national newspapers of general circulation.

24 *Approved,*