SIXTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES Second Regular Session



14 AUG -4 P4:07

SENATE Senate Bill No. <u>2341</u> KATENED BY:

Introduced by SENATOR CYNTHIA A. VILLAR

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AN ACT

AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT 7394, OTHERWISE KNOWN AS THE CONSUMER ACT OF THE PHILIPPINES, DEFINING FOR THE PURPOSE THE CRIME OF PSEUDO-INVESTMENTS, PROVIDING PENALTIES THEREFORE AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Republic Act No. 7394, otherwise known as the "Consumer Act of the Philippines", which entered into law in 1992 aims to protect the interests of the consumer, promote his general welfare and to establish standards of conduct for business and industry. Despite this, news of scams and schemes to defraud consumers are still prevalent. Particularly, several chain distribution plans and pyramid schemes still evade the eyes of the law.

In the Philippines, multinational corporations and local companies have engaged in this scheme in the form of multi-level marketing. Pyramiding is deceptive because it is based on the premise that investments could be recouped by way of recruiting additional participants, with the money flowing upward to the top. Representations used to promote pyramid schemes often emphasize the quick and sizable profits but what is not disclosed is the fact that when potential recruits diminish and the point of saturation reached, many late entrants lose their investments.

This bill therefore seeks to curb the still growing threat of pyramid schemes as a way of defrauding individuals and groups of their hard earned money by amending R.A. No. 7394 to cover other variations of the pyramiding scheme and to increase the penalty for perpetrators of these schemes.

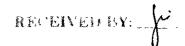
Hence, the immediate approval of this measure is earnestly requested.

¹ Title I, Article 2 of Republic Act No. 7394, otherwise known as the "Consumer Act of the Philippines".

SIXTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES Second Regular Session

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SENATE Senate Bill No. 2341



Introduced by SENATOR CYNTHIA A. VILLAR

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AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT 7394, OTHERWISE KNOWN AS THE CONSUMER ACT OF THE PHILIPPINES, DEFINING FOR THE PURPOSE THE CRIME OF PSEUDO-INVESTMENTS, PROVIDING PENALTIES THEREFORE AND FOR OTHER PURPOSES

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

SECTION 1. Article 4 (k) of Republic Act No. 7394, otherwise known as the "Consumer Act of the Philippines" is hereby amended to read as follows:

- "(k) (1) "Chain distribution plans" or "pyramid sales schemes" means REFERS TO sales devices whereby a person, upon condition that he makes an investment BY WAY OF PURCHASING GOODS OR PAYING A FEE, is granted by the manufacturer or his representative a right to SELL PRODUCTS AND SERVICES AS WELL AS recruit for profit one or more additional persons who will also be granted such right to recruit upon condition of making similar investments. : Provided, That the profits of the person employing such a plan are derived primarily from the recruitment of other persons into the plan rather than from the sale of consumer products, services and credit: Provided, further, That the limitation on the number of participants does not change the nature of the plan.
- "(2) PONZI SCHEMES" REFERS TO A BUSINESS STRUCTURE SIMILAR TO THE PYRAMID SCHEME OPERATED BY A PERSON OR GROUP, NATURAL OR JURIDICAL WHERE THERE IS NO TRUE PRODUCT OR SERVICE BEING, OFFERED IN EXCHANGE FOR THE INVESTMENT AND WHERE THE MONEY TENDERED BY NEW INVESTORS ARE PAID TO EARLIER INVESTORS;
- "(3) "TELEMARKETING FRAUD" REFERS TO A SCHEME WHERE HIGH PRESSURE TACTICS ARE MADE OVER THE PHONE WITH THE INTENT TO MAKE THE INVESTOR BUY INTO A FRAUDULENT OR NON-EXISTENT INVESTMENT OFFERING;
- "(4) "TECHNOLOGY FRAUD" REFERS TO A SCHEME WHEREIN INVESTORS ARE LULLED INTO MAKING PURCHASES OR INVESTMENTS OF NON-EXISTENT PRODUCTS THROUGH THE INTERNET HOME OR CYBER SHOPPING."
- SECTION 2. Article 53 of Republic Act No. 7394, otherwise known as the "Consumer Act of the Philippines" is hereby amended to read as follows:

1 2 3 4	"Article 53. PSEUDO-INVESTMENT SCHEMES. — PSEUDO-INVESTMENT SCHEMES AS DEFINED IN TITLE I ARTICLE 4(K) OF THIS ACT Chain Distribution Plans or Pyramid Sales Schemes. Chain distribution plans or pyramid sales schemes shall not be employed in the
5	sale of consumer products AND SERVICES."
6	SECTION 3. Article 60 of Republic Act No. 7394, otherwise known as the
7	"Consumer Act of the Philippines" is hereby amended to read as follows:
8	"Article 60. Penalties.—
9	a) Any person who shall violate the provisions of Title
10	III, Chapter I, shall upon conviction, be subject to a fine of
11	not less than ONE HUNDRED THOUSAND PESOS (P
12	100,000.00) Five Hundred Peses (P500.00) but not more
13	than FIVE HUNDRED THOUSAND PESOS (P500,000.00)
14	Ten Thousand Pesos (P10,000.00) or AND imprisonment of
15	not less than TWO (2) YEARS five (5) months but not more
16	than FOUR (4) YEARS one (1) year or both, upon the
17	discretion of the court.
18	b) x x x."
19	SECTION 4. Repeating Clause All laws, decrees, executive orders, rules and
20	regulations or parts thereof contrary to, or inconsistent with this act are hereby modified
21	or repealed
22	SECTION 5. Effectivity This Act shall take effect fifteen (15) days following the
23	completion of its publication in the Official Gazette or in two (2) national newspapers of
24	general circulation.

Approved,