

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



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SENATE
Senate Bill No. 2341

RECEIVED BY: *ji*

Introduced by SENATOR CYNTHIA A. VILLAR

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.¹ 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.

Cynthia A. Villar
CYNTHIA A. VILLAR

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

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4 PURPOSE THE CRIME OF PSEUDO-INVESTMENTS, PROVIDING PENALTIES
5 THEREFORE AND FOR OTHER PURPOSES

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

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

10 "(k) (1) "Chain distribution plans" or "pyramid sales schemes"
11 means **REFERS TO** sales devices whereby a person, upon condition that
12 he makes an investment **BY WAY OF PURCHASING GOODS OR**
13 **PAYING A FEE**, is granted by the manufacturer or his representative a
14 right to **SELL PRODUCTS AND SERVICES AS WELL AS** recruit for
15 profit one or more additional persons who will also be granted such right to
16 recruit upon condition of making similar investments. ~~Provided, That the~~
17 ~~profits of the person employing such a plan are derived primarily from the~~
18 ~~recruitment of other persons into the plan rather than from the sale of~~
19 ~~consumer products, services and credit. Provided, further, That the~~
20 ~~limitation on the number of participants does not change the nature of the~~
21 ~~plan.~~

22 **"(2) PONZI SCHEMES" REFERS TO A BUSINESS STRUCTURE**
23 **SIMILAR TO THE PYRAMID SCHEME OPERATED BY A PERSON OR**
24 **GROUP, NATURAL OR JURIDICAL WHERE THERE IS NO TRUE**
25 **PRODUCT OR SERVICE BEING, OFFERED IN EXCHANGE FOR THE**
26 **INVESTMENT AND WHERE THE MONEY TENDERED BY NEW**
27 **INVESTORS ARE PAID TO EARLIER INVESTORS;**

28 **"(3) "TELEMARKETING FRAUD" REFERS TO A SCHEME**
29 **WHERE HIGH PRESSURE TACTICS ARE MADE OVER THE PHONE**
30 **WITH THE INTENT TO MAKE THE INVESTOR BUY INTO A**
31 **FRAUDULENT OR NON-EXISTENT INVESTMENT OFFERING;**

32 **"(4) "TECHNOLOGY FRAUD" REFERS TO A SCHEME**
33 **WHEREIN INVESTORS ARE LULLED INTO MAKING PURCHASES OR**
34 **INVESTMENTS OF NON-EXISTENT PRODUCTS THROUGH THE**
35 **INTERNET HOME OR CYBER SHOPPING."**

36 SECTION 2. Article 53 of Republic Act No. 7394, otherwise known as the
37 "Consumer Act of the Philippines" is hereby amended to read as follows:

38

1 “Article 53. **PSEUDO-INVESTMENT SCHEMES. — PSEUDO-**
2 **INVESTMENT SCHEMES AS DEFINED IN TITLE I ARTICLE 4(K) OF**
3 **THIS ACT** ~~Chain-Distribution Plans or Pyramid Sales Schemes.~~ ~~Chain~~
4 ~~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 Pesos (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. Repealing 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.

25 *Approved,*