

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

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SENATE

RECEIVED BY: 

S. NO. 1117

Introduced by Senator Franklin M. Drilon

EXPLANATORY NOTE

This bill provides for the creation and establishment of a small claims court system in the country.

A Small Claims Court is a court of law whose main purpose is to hear and resolve disputes involving small amounts of money or property informally and without strict application of the rules of evidence. In a Small Claims Court, claims are presented by the litigants themselves – using Filipino, English or, insofar as may be practicable, local dialects. The Small Claims Court, therefore, is envisioned to be a judicial forum where disputes are promptly resolved.

The creation of a Small Claims Court is one important step in the implementation of effective legal reform in the country. Clogged court dockets, lengthy disposition of cases, complicated trial procedures, and insufficient number of judges, are but some of the problems that beset the country's judicial system. Ultimately, the existence of these circumstances raise the cost of justice in the country – especially for those of meager resources who can ill-afford to avail of judicial solutions to their legal predicaments.

It is believed that the creation of a small claims court system in the country would address the long-standing problem of delay in the resolution of cases which is widely believed to be the cause of the erosion of the people's confidence in our judicial system. The establishment of Small Claims Courts in the country would help declog court dockets by unloading small claims cases in first-level courts and increase the ordinary Filipino's access to justice through a speedy, inexpensive resolution of small disputes without the necessity of securing the services of a legal counsel. Ultimately, it is envisioned that by facilitating the flow of cases, a Small Claims Court system would allow the people to obtain justice faster and restore their confidence in the country's judicial system.

For the foregoing reasons, the prompt passage of this Bill is earnestly requested.


FRANKLIN M. DRILON

SENATE

S. No. 1117

Introduced by: Senator FRANKLIN M. DRILON

AN ACT
PROVIDING FOR THE CREATION AND ESTABLISHMENT
OF SMALL CLAIMS COURTS IN THE PHILIPPINES,
APPROPRIATING FUNDS THEREFOR, AND FOR OTHER
PURPOSES

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

Section 1. Short Title. – This Act shall be known as the *Philippine Small Claims Court Act*.

Section 2. Declaration of Policy. – The State recognizes that minor civil disputes are of special importance to the parties and of significant social and economic consequence collectively. The State therefore makes it a policy to provide a mechanism where such minor civil disputes can be resolved expeditiously, inexpensively and fairly. For the attainment of this objective, a judicial forum that will enable the parties to directly and personally resolve minor civil disputes shall be established.

Section 3. Definition of Terms. – As used in this Act, unless the context indicates otherwise, the term -

- a. "Plaintiff" means the party who has filed a small claims action; the term includes a defendant who has filed a small claims action against a plaintiff.
- b. "Defendant" means the party against whom the plaintiff has filed a small claims action; the term includes a plaintiff against whom a defendant has filed a small claims action.
- c. "Judgment Creditor" means the party, whether plaintiff or defendant, in whose favor a money judgment has been rendered.
- d. "Judgment Debtor" means the party, whether plaintiff or defendant, against whom a money judgment has been rendered.
- e. "Person" means an individual, corporation, partnership, firm, association, or other entity. "Individual" means a natural person.

Section 4. Creation of Small Claims Courts. – There shall be established for every two Metropolitan Trial Court, Municipal Trial Court

and Municipal Circuit Trial Courts a Small Claims Court to be presided by a Small Claims Court Judge-Arbitrator.

Section 5. Qualifications. – No person shall be appointed as a Small Claims Court Judge-Arbitrator unless he/she is a natural-born citizen of the Philippines, at least thirty (30) years of age, member of the Philippine Bar, and for at least five (5) years, has been engaged in the practice of law in the Philippines, or has held a public office in the Philippines requiring admission to the practice of law as an indispensable requisite.

Section 6. Jurisdiction. – The Small Claims Court shall exercise exclusive original jurisdiction over all civil actions where the value of the personal property or amount of the demand does not exceed Fifty Thousand Pesos (P50,000.00): *Provided*, That where there are several claims or causes of actions between the same parties or different parties, embodied in the same complaint, the amount of the demand shall be the totality of the claims in all causes of action, irrespective of whether the causes of action arose out of the same or different transactions: *Provided*, further, That a plaintiff can only institute small claims actions to recover a total of One Hundred Thousand Pesos (P100,000.00) per annum, but in no case exceeding five (5) small claims actions per annum.

In the exercise of its jurisdiction, the Court may grant equitable relief in the form or rescission, restitution, and specific performance whether in lieu of or in addition to awards for money or damages. The Court shall exercise jurisdiction over the small claims action until there has been full payment, performance or satisfaction of its judgment or order.

Section 7. Parties. – Any person who is at least eighteen (18) years of age may be a party to a small claims action. A minor or incompetent person may be represented by a guardian ad litem appointed by a court of competent jurisdiction or by the judge of the Small Claims Court where the action is filed.

Section 8. Representation. – Except as permitted under this Act, no attorney-at-law or any individual other than the plaintiff or defendant may take part in the filing, conduct or defense of a small claims action: *Provided*, that an attorney-at-law may, for and in his/her own behalf, defend himself/herself against any small claims action that has been filed against him/her: *Provided*, Further, that the judgment creditor may avail the services of an attorney-at-law for the enforcement of the judgment. Husbands and wives who sue or are sued with his or her spouse may represent the other in their claim or defense.

Section 9. Nature of Proceedings. – The hearing and disposition of small claims actions shall be informal without strict application of the rules of evidence, the object being to dispense justice promptly between the parties. The Rules of Procedure in Small Claims Courts, including the time and duration of sessions, shall be determined by the Supreme Court.

Section 10. Mediation Center. – In each Small Claims Court, there shall be a Mediation Center to be presided over by the Small Claims Court Judge-Arbitrator or by his duly authorized Mediation Officer:

Provided, That no person shall be designated as Mediation Officer unless he/she holds a Bachelor of Laws degree.

Section 11. *Mandatory Mediation Conference.* – Prior to any hearing of any small claims action, the Small Claims Court Judge-Arbitrator shall order and schedule a mandatory mediation conference between or among the parties for the purpose of resolving the dispute, or arriving at an amicable settlement, under the supervision of the Small Claims Court Judge or Mediation Officer. Any settlement or resolution of the dispute arising from the mediation conference shall be reduced to writing and be embodied in a legally enforceable resolution to be signed by the Small Claims Court Judge.

In case the mediation efforts fail, the Small Claims Court Judge shall immediately set the case for hearing.

Section 12. *Judgments and Processes.* – All judgments determinative of the merits of the case shall be in writing, stating clearly the facts and the grounds on which they are based, signed by the Judge and filed with the Clerk of Court. The judgments or orders of the Court shall not be appealable, except upon the ground of grave abuse of discretion.

Section 13. *Honoraria and Allowances.* – Judge-Arbitrators of the Small Claims Courts shall receive such honoraria and allowances as may be authorized and determined by the Supreme Court.

Section 14. *Staffing Pattern and Pilot Test Areas.* – The Supreme Court shall submit to the President, within thirty (30) days from the effectivity of this Act, a staffing pattern for all courts constituted pursuant to this Act, including plans for the establishment of pilot Small Claims Courts in areas as may be determined by the Supreme Court.

Section 15. *Appropriations.* – To carry out the provisions of this Act, there is hereby appropriated the sum of Twenty Five Million Pesos (P25,000,000.00) from the General Appropriations Act for the current year. Thereafter, the appropriation for such funds as may be necessary for the purpose shall be provided for in the General Appropriation Acts.

Section 16. *Separability Clause.* – If any provision of this Act shall be held to be unconstitutional or not valid, no other provisions shall be affected thereby.

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

Approved,