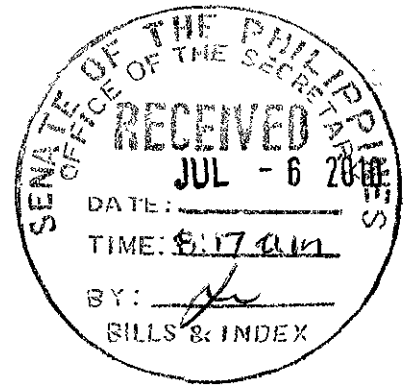


FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



S E N A T E

S. B. No. 166

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Introduced by Senator FRANCIS G. ESCUDERO

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#### EXPLANATORY NOTE

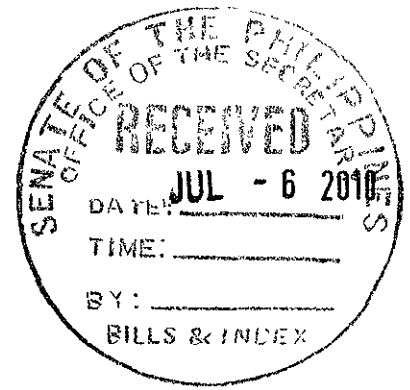
The credit card is a very useful tool. It frees us from the need to bring cash, thus bringing convenience and security to its users.

First time credit card holders are prone to the dangers of overspending. Once they receive their first bill, they become shocked and realize that they have been buried under the avalanche of tremendous interest and surcharges.

The repeal of the usury law is not a license for persons to charge prohibitive interest rates. Thus, the State has to come in to regulate the interest rates charged by credit card companies so that a healthier economic environment will prevail for the benefit of the credit card holder and the credit card company.

FRANCIS G. ESCUDERO

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S E N A T E

S. B. No. 166

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Introduced by Senator FRANCIS G. ESCUDERO

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AN ACT  
GOVERNING CREDIT CARD AND OTHER ACCESS DEVICE TRANSACTIONS  
AND PROVIDING PENALTIES THEREFOR.

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

1           **SECTION 1. Title.** - This Act shall be known as the "Credit Card and Other  
2 Access Device Act".

3  
4           **SEC. 2.**       The State shall simplify, clarify and modernize the laws governing  
5 credit transactions and encourage the development of fair and economically sound  
6 consumer credit practices. The State shall promote the general welfare of the people by  
7 protecting the privacy of consumers in commercial transactions involving the use of  
8 credit cards. The State shall assure the full disclosure of the true cost of credit to protect  
9 the consumer from lack of awareness of the true cost of credit to the user. The State shall  
10 protect the economic interest of the people by assuring that only reasonable interest  
11 rates and surcharges will be imposed on credit card transactions, as well as prohibit  
12 hidden charges on credit card transactions.

13  
14           **SEC. 3.**       *Definition of Terms.* - As used in this Act, the term:

15  
16           (A.) "Credit Card" means any instrument or device, whether known as  
17 a credit card, credit plate, coupon book or other card device issued  
18 with or without fee by an issuer, existing for the purpose of  
19 obtaining money, property, labor, services, or anything of value on  
20 credit. It shall not include a check guarantee card.

21  
22           (B.) "Open-End-Credit Plan" means a consumer credit extended to an  
23 account pursuant to a plan under which:

- 24  
25           (1) The creditor may permit the cardholder to make purchases  
26 or obtain loans, from time to time, directly from the creditor  
27 or indirectly by the use of credit card;  
28           (2) The person has the privilege of paying the balance; and  
29           (3) A finance charge may be computed by the creditor from  
30 time to time on an outstanding unpaid balance.

- 1  
2 (C.) "Access Device" means any card, plate, code, account number,  
3 electronic serial number, personal identification number, or other  
4 telecommunications service, equipment, or instrumental  
5 identifier, or other means of account access that can be used alone  
6 or in conjunction with another access device, to obtain money,  
7 goods, services, or any other thing of value, or that can be used to  
8 initiate a transfer of fund (other than a transfer originated solely by  
9 paper instrument);  
10  
11 (D.) "Counterfeit Access Device" means any access device that is  
12 counterfeit, fictitious, altered, or forged, or an identifiable  
13 component of an access device or a counterfeit access device;  
14  
15 (E.) "Unauthorized Access Device" means any device that is lost,  
16 stolen, expired, revoked, cancelled, or obtained with intent to  
17 defraud;  
18  
19 (F.) "Produce" includes design, alter, authenticate, duplicate, or  
20 assemble;  
21  
22 (G.) "Traffic" means transfer, or otherwise dispose of, to another, or to  
23 obtain control of with intent to transfer or dispose of;  
24  
25 (H.) "Device-making equipment" means any equipment, mechanism, or  
26 impression designed or primarily used for making an access device  
27 or a counterfeit access device;  
28  
29 (I.) "Credit Card System Member" means a financial institution or  
30 other entity that is a member of a credit card system, including an  
31 entity, whether affiliated with or identical to the credit card issuer,  
32 that is the sole member of a credit card system;  
33  
34 (J.) "Scanning Receiver" means a device or apparatus that can be used  
35 to intercept a wire or electronic communication;  
36  
37 (K.) "College Student Credit Card Account" means a credit card  
38 account under an open-end consumer credit plan established or  
39 maintained for or on behalf of any college student;  
40  
41 (L.) "College Student" means an individual:  
42  
43 (1.) Who is a full-time student attending an institution of higher  
44 education; and  
45  
46 (2.) Who has not yet attained the age of 21.  
47  
48 (M.) "Institution of Higher Education" means institutions offering  
49 tertiary degree programs and post secondary programs;  
50  
51 (N.) "Tertiary Degree Programs" refer to courses of study leading to  
52 master's, doctor's or similar degrees. It also includes courses of

1 study which by themselves may be only for one, two, or three-year  
2 courses of study leading to less than a bachelor's degree program,  
3 but which can subsequently be credited in full bachelor's degrees.  
4

5 **SEC. 4. Privacy and Fraud. -**  
6

7 (A.) No person, firm, partnership, corporation, or other business entity  
8 that accepts a credit card for a business transaction shall write,  
9 cause to be written, or require that a credit card holder write  
10 personal identification, not required by the credit card issuer, on  
11 the credit card transaction form. Personal identification  
12 information shall include, but shall not be limited to a credit card  
13 holder's address or telephone number.  
14

15 (B.) Acts of fraud and related activity in connection with access devices  
16 are hereby prohibited, such as those who shall:  
17

18 1) Knowingly and with intent to defraud uses or traffics in one or  
19 more counterfeit access devices;  
20

21 2) Knowingly and with intent to defraud uses or traffics in or uses  
22 any unauthorized device, and by such conduct obtains anything  
23 of value;  
24

25 3) Knowingly and with intent to defraud, produces any counterfeit  
26 access device or any unauthorized access device;  
27

28 4) Knowingly and with intent to defraud, produces, traffics in, has  
29 control or custody of, or possesses device-making equipment;  
30

31 5) Knowingly and with intent to defraud, uses, produces, traffics  
32 in, has control or custody of, or possesses a telecommunications  
33 device;  
34

35 6) Knowingly and with intent to defraud, uses, produces, traffics  
36 in, has control or custody of, or possesses:  
37

38 a.) A scanning receiver; or  
39

40 b.) Hardware or software used for altering or modifying  
41 telecommunications instruments to obtain unauthorized  
42 access to telecommunications devices  
43

44 7) Knowingly and with intent to defraud effects transaction, with  
45 one or more access devices issued to another person or persons,  
46 to receive payment or any other thing of value;  
47

48 8) Without authorization of the issuer of the access device,  
49 knowingly and with intent to defraud, solicits for the purpose  
50 of:  
51

52 i) Offering an access device; or  
53

1                                   ii) Selling information regarding an application to obtain  
2                                   an access device; or  
3

4                                   9) Without the authorization of the credit card system member or  
5                                   its agent, knowingly and with intent to defraud causes or  
6                                   arranges for another person to present to the member or its  
7                                   agent, for payment, one or more evidence or records of  
8                                   transactions made by an access device;  
9

10                               (C.) The provisions of this section shall apply to all credit card  
11                               transactions;  
12                               provided, however, that the provisions of this section shall not be  
13                               construed to prevent a person, firm, partnerships, corporation, or  
14                               other business entity from requesting information that is necessary  
15                               for shipping, delivery, or installation or purchased merchandise or  
16                               services or for a warranty when such information is provided  
17                               voluntarily by a credit holder. In addition, the provisions of this  
18                               section shall not be construed to prohibit a person, firm,  
19                               partnership, corporation or other business entity from requesting  
20                               one or more additional identification cards to confirm the identity  
21                               of the credit card user.  
22

23                               **SEC. 5.            *Notice and Minimum Payments. -***  
24

25                               (A.) In the case of any credit card under an open-end-credit plan, no  
26                               increase in any annual percentage rate of interest shall be allowed  
27                               except an increase due solely to a change in another rate of interest  
28                               to which such rate is indexed or an increase due to the expiration of  
29                               any introductory percentage rate of interest applicable to any  
30                               outstanding balance of credit under such plan; and no change in  
31                               the index used to determine any such annual percentage rate of  
32                               interest shall likewise take effect before the end of the ninety (90)  
33                               day period beginning on the date of notice of such increase or  
34                               change in index is first provided to the consumer.  
35

36                               (B.) If, after receiving a notice with respect to any credit card account  
37                               under an open-end-credit plan, a consumer cancels the credit card  
38                               account before the end of the ninety (90) day period, the following  
39                               shall be observed:  
40

41                                   1.) An annual percentage rate of interest applicable after the  
42                                   cancellation with respect to the outstanding balance on such  
43                                   account as of the date of cancellation may not exceed any  
44                                   annual percentage rate or interest applicable with respect to  
45                                   such balance under the terms and conditions in effect before the  
46                                   cancellation; and  
47

48                                   2.) The repayment of such outstanding balance after the  
49                                   cancellations shall be subject to all other terms and conditions  
50                                   applicable with respect to such account before the cancellation.  
51

52                               (C.) The notice referred to with respect to an increase in any annual  
53                               percentage rate of interest or any change in an index shall be made

1 in a clear and conspicuous manner and shall contain a brief  
2 statement of the rights of the consumer:

- 3  
4 1.) To cancel the account before the effective date of the increase or  
5 change in index; and  
6  
7 2.) After such cancellation, to pay any balance outstanding on such  
8 account at the time of the cancellation in accordance with the  
9 terms and conditions in effect before the cancellation.

10  
11 (D.) Additional information regarding repayment of the outstanding  
12 balance of the consumer under the account, appearing in  
13 conspicuous type on the front of the first page of each such billing  
14 statement, and accompanied by an appropriate explanation, shall  
15 contain:

- 16  
17 1.) The words "Minimum Payment Warning: Making only the  
18 minimum payment will increase the amount of interest that you  
19 pay and the time it will take to repay your outstanding  
20 balance";  
21  
22 2.) The number of years and months (rounded to the nearest  
23 month) that it would take for the consumer to pay the entire  
24 amount of that balance, if the consumer pays only the required  
25 minimum monthly payments;  
26  
27 3.) The total cost to the consumer, shown as the sum of all principal  
28 and interest payments, and the breakdown of the total costs in  
29 interest and principal, of paying that balance in full if the  
30 consumer pays only the required minimum monthly payments,  
31 and if no further advances are made;  
32  
33 4.) The monthly payment amount that would be required for the  
34 consumer to eliminate the outstanding balance in 36 months if  
35 no further advances are made; and  
36  
37 5.) A toll-free number at which the consumer may receive  
38 information about accessing credit counseling and debt  
39 management services.  
40

41 **SEC. 6. *Imposable Interest Rates and Charges.* -**

- 42  
43 (A.) Interest rates imposed on any credit card on purchases and cash  
44 advances made through such facility shall in no case be higher than  
45 1% per month or 12% per annum, without compounding;  
46  
47 (B.) Surcharges or penalties shall likewise be limited to a ceiling of 1%  
48 per month, without compounding;  
49  
50 (C.) No other costs shall be imposed other than the foregoing except for  
51 reasonable attorney's fees and expenses of collection completely

1 disclosed to, sufficiently understood by and voluntarily agreed  
2 with by an applicant for a credit card;  
3

- 4 (D.) The pertinent provisions of the Truth in Lending Act shall apply  
5 suppletorily insofar as relevant and complimentary to the  
6 provisions of this Act.  
7

8 **SEC. 7. Student Credit Card Protection. -**  
9

- 10 (A.) Unless a parent, legal guardian, or spouse of a college student  
11 assumes joint liability for debts incurred by the student in  
12 connection with a college student credit card account:  
13

14 1.) No credit card issuer shall grant a college student card account  
15 where the credit limit for that account exceeds, during a full  
16 calendar year:  
17

18 (a.) Twenty percent (20%) of the annual gross income of the  
19 student, if any; or  
20

21 (b.) Fifteen Thousand Pesos (P15,000.00), whichever is greater;  
22 and  
23

24 2.) No credit card issuer shall grant a student a credit card account,  
25 if the credit limit for that credit card account, combined with the  
26 credit limits of any other credit card accounts held by the  
27 student, would exceed thirty percent (30%) of the annual gross  
28 income of the student, if any, in the most recently completed  
29 calendar year.  
30

- 31 (B.) No increase shall be made in the amount of credit authorized to be  
32 extended under a college student credit card account for which a  
33 parent, legal guardian, or spouse of the consumer has assumed  
34 joint liability, unless such parent, guardian, or spouse, as the case  
35 may be, approves in writing, and assumes joint liability for, such  
36 increase.  
37

- 38 (C.) For purposes of this Act, a credit card issuer shall require adequate  
39 proof of income, income history, and credit history, subject to the  
40 rules of the Monetary Board of the Bangko Sentral ng Pilipinas,  
41 before any college student credit card account may be opened by or  
42 on behalf of a student.  
43

- 44 (D.) No credit card issuer may open a credit card account for, or issue  
45 any credit card to, any college student who:  
46

47 1) Has no verifiable annual gross income; and  
48

49 2) Already maintains a credit card under an open-end-consumer  
50 credit plan with that credit card issuer; or any affiliate thereof.  
51

1 (E.) The Monetary Board of the Bangko Sentral ng Pilipinas may, by  
2 rule, provide for exemptions to the provisions of this subsections,  
3 as deemed necessary or appropriate and consistent with the  
4 purpose of this Act.  
5

6 **SEC. 8. Penalties. -**  
7

8 (A.) Any violation of the provisions of this Act shall be punishable by a  
9 penalty of imprisonment of *arresto mayor* or a fine ranging from  
10 Fifty Thousand Pesos (P50,000.00) to One Hundred Thousand  
11 Pesos (P100,000.00), or both, depending upon the gravity of the act  
12 committed and the circumstances attendant thereto as may be  
13 determined by the court.  
14

15 (B.) If the entity responsible for the prohibited act is a corporation, trust  
16 or firm, partnership, association, or any other entity, the penalty or  
17 imprisonment shall be imposed on the entity's responsible officers,  
18 including, but not limited to, the president, vice-president, chief  
19 executive officer, general manager, managing director, or partner  
20 directly responsible therefor.  
21

22 (C.) In case the violation is committed by, or in the interest of a foreign  
23 juridical person duly licensed to engage in business in the  
24 Philippines, such license to engage in business in the Philippines  
25 shall immediately be revoked.  
26

27 **SEC. 9.** The National Bureau of Investigation (NBI) shall, in addition  
28 to any other agency having such authority, have the authority to investigate  
29 offenses under this Act.  
30

31 **SEC. 10.** Any person who engages in the conduct of any trade or  
32 commerce and who suffer any loss or money or property, real or personal, as a  
33 result of the use or employment by another person who engages in any act  
34 proscribed in this Act may bring in court, without prejudice to the criminal  
35 liability provided for in this Act, whether by way of original complaint,  
36 counterclaim, cross-claim or third-party action for damages and such equitable  
37 relief, including an injunction, as the court deems to be necessary and proper.  
38 Such person, if he has not suffered any loss of money or property, may obtain  
39 such an injunction if it can be shown that the aforementioned unfair method of  
40 competition, act or practice may have the effect of causing such loss of money or  
41 property.  
42

43 For purposes of this section, the injured party has one (1) year from the  
44 date of the cause of action arises to file the appropriate complaint.  
45

46 **SEC. 11.** If any provision or part hereof, is held invalid or  
47 unconstitutional, the remainder of the law or the provision not otherwise  
48 affected shall remain valid and subsisting.  
49

50 **SEC. 12.** Any law, presidential decree or issuance, executive order, letter  
51 of instruction, administrative order, rule or regulation contrary to, or inconsistent  
52 with the provision of this Act is hereby repealed, modified, or amended  
53 accordingly.



1  
2  
3  
4  
5

**SEC. 13.** This Act shall take effect fifteen (15) days after its publication in at least two (2) newspaper of general circulation or the Official Gazette.

*Approved,*