

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

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10 JUL 20 AM 1:30

SENATE
S. No. 1660

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Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

The issue of credit card debt is one that affects many Filipinos. More young people are getting themselves into situations where they find themselves unable to meet their unsecured credit commitments. A major issue with credit cards is that it is very easy to spend beyond ones means.

These days, college students are big targets by credit card companies, since many are young and so more likely to be irresponsible spenders. Many students are over the age of 18, so they don't need their parents' signature to get a card. However, it is common for a parent to help pay off their child's debt at that age (once the student admits exactly how much money they spent). Nevertheless, the majority of adults own credit cards.

The growing trend for young people to get into these amounts of problem debt is a concern and Congress should play in addressing this matter. Bankruptcy figures are soaring, and this rise may be accounted for by the young who are without assets and who have overspent on credit cards and personal loans. These trends are a natural consequence of the desensitization of borrowing - credit cards have blurred the distinction between borrowing and spending for many young people.

The proposed Bill seeks to regulate the issuance of credit cards to young adults and prevent credit card companies from taking unfair advantage of young adults and their parents.¹

Miriam Defensor Santiago
MIRIAM DEFENSOR SANTIAGO
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¹ This bill was originally filed in the Fourteenth Congress, Second Regular Session

10 JUL 20 AM 10:30

SENATE
S. No. 1660

Introduced by Senator Miriam Defensor Santiago

1 AN ACT
2 TO PREVENT CREDIT CARD ISSUERS FROM TAKING UNFAIR ADVANTAGE OF
3 COLLEGE STUDENTS AND THEIR PARENTS AND FOR OTHER PURPOSES.
4
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6 *Be it enacted by the Senate and the House of Representatives of the Philippines in*
7 *Congress assembled:*
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10 SECTION 1. *Short Title.* - This Act may be known as the "Student Credit Card
11 Protection Act."
12

13 SECTION 2. *Definitions.* - For purposes of this Act, the following definitions shall apply:

14 (A) COLLEGE STUDENT CREDIT CARD ACCOUNT - means a credit card account
15 under an open end consumer credit plan established or maintained for or on behalf of any college
16 student.

17 (B) COLLEGE STUDENT - means an individual:

18 (i) who is a full-time student attending an institution of higher education; and

19 (ii) who has not yet attained the age of 21.

20 (C) INSTITUTION OF HIGHER EDUCATION - means institutions offering tertiary
21 degree programs and post secondary programs.

22 (D) TERTIARY DEGREE PROGRAMS - refer to courses of study leading to master's,
23 doctor's or similar degrees. It also includes courses of study which by themselves may be only
24 for one-two- or three- year courses of study leading to less than a bachelor's degree program, but
25 which can subsequently be credited in full bachelor's degrees.
26

27 SECTION 3. *Maximum Amount Limitation as a Percentage of Gross Income.* - Unless a
28 parent, legal guardian, or spouse of a college student assumes joint liability for debts incurred by
29 the student in connection with a college student credit card account:
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31 (A) No creditor shall grant a college student a credit card account where the credit limit
32 for that account exceeds, during a full calendar year, the greater of:

33 (i) Twenty percent (20%) percent of the annual gross income of the student; or

34 (ii) Fifteen Thousand Pesos (P15,000.00); and
35

36 (B) No creditor shall grant a student a credit card account, if the credit limit for that credit
37 card account, combined with the credit limits of any other credit card accounts held by
38 the student, would exceed thirty percent (30%) of the annual gross income of the student
39 in the most recently completed calendar year.
40

41 SECTION 4. *Parental Approval Required To Increase Credit Lines For Accounts For*
42 *Which Parent Is Jointly Liable.* - No increase may be made in the amount of credit authorized to
43 be extended under a college student credit card account for which a parent, legal guardian, or
44 spouse of the consumer has assumed joint liability for debts incurred by the consumer in
45 connection with the account, before the consumer attains the age of 21, with respect to such
46 consumer, unless the parent, guardian, or spouse of the consumer, as applicable, approves in
47 writing, and assumes joint liability for, such increase.
48

49 SECTION 5. *Income Verification* - For purposes of this Act, a creditor shall require
50 adequate proof of income, income history, and credit history, subject to the rules of the Monetary
51 Board of the Central Bank of the Philippines, before any college student credit card account may
52 be opened by or on behalf of a student.
53

54 SECTION 6. *Prohibition On More Than 1 Credit Card Account For Any College*
55 *Student.* - No creditor may open a credit card account for, or issue any credit card to, any college
56 student who:

57 A) Has no verifiable annual gross income; and

58 B) Already maintains a credit card account under an open end consumer credit plan
59 with that creditor, or any affiliate thereof.
60

61 SECTION 7. *Exemption Authority* - The Monetary Board of the Central Bank of the
62 Philippines may, by rule, provide for exemptions to the provisions of this subsection, as deemed
63 necessary or appropriate and consistent with the purposes of this Act.
64

65 SECTION. 8. *Regulations Required* - Not later than 180 days after the date of enactment
66 of this Act, Monetary Board of the Central Bank of the Philippines shall issue such rules as may
67 be necessary to carry out the provisions of this Act.
68

69 SECTION. 9. *Penalties* - Any creditor who shall violate any provision of this Act shall
70 upon conviction, be subject to a fine of not less than fifty thousand pesos (P50,000.00) but not
71 more than One thousand pesos (P100,000.00).

72 Any director, officer or agent of a corporation who shall authorize, order or perform any
73 of the acts or practices constituting in whole or in part a violation of Article 18, and who has
74 knowledge or notice of noncompliance received by the corporation from the concerned
75 department, shall be subject to penalties to which that corporation may be subject.

76 In case the violation is committed by, or in the interest of a foreign juridical person duly
77 licensed to engage in business in the Philippines, such license to engage in business in the
78 Philippines shall immediately be revoked.

79

80 SECTION 10. *Separability Clause* – If any provision or part thereof, is held invalid or
81 unconstitutional, the remainder of the law or the provision not otherwise affected shall remain
82 valid and subsisting.

83 SECTION 11. *Repealing Clause* – Any law, presidential decree or issuance, executive
84 order, letter of instruction, administrative order, rule or regulation contrary to, or inconsistent
85 with the provisions of this Act is hereby repealed, modified or amended accordingly.

86 SECTION 12. *Effectivity Clause* – This Act shall take effect fifteen (15) days after its
87 publication in at least two (2) newspapers of general circulation.

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89 Approved.