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SENATE  
S. No. 1761

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Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

Republic Act No. 7394, otherwise known as the Consumer Act, Title 4, Article 141 provides that before opening an account under an open-end-credit plan, the creditor shall disclose, to the extent applicable, the following information:

- a) The conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;
- b) The method of determining the balance upon which a finance charge may be imposed;
- c) The method of determining the amount of the finance charges, including any minimum or fixed amount imposed as a financed charge;
- d) Where one or more periodic rates may be used to compute a finance charge, each such rate, the range of balances to which it is applicable, and the corresponding simple annual rate; and
- e) The conditions under which the creditor may impose a security lien and a description of the goods to which such lien may attach.

This bill complements the law by requiring a 90-day notice before changing the annual percentage rate of interest applicable on any credit card account or before changing the index used to determine such rate. It further seeks to freeze the interest rate terms and fees on canceled credit card accounts before the 90-day period ends.\*

*Miriam Defensor Santiago*  
MIRIAM DEFENSOR SANTIAGO

\* This bill was originally filed during the Thirteenth Congress, First Regular Session.

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1 AN ACT  
2 REQUIRING CREDIT CARD CORPORATIONS TO GIVE THEIR CONSUMERS NINETY  
3 DAYS NOTICE BEFORE CHANGING THEIR ANNUAL CREDIT PERCENTAGE RATE OF  
4 INTEREST APPLICABLE ON ANY CREDIT CARD ACCOUNT OR BEFORE CHANGING  
5 THE INDEX USED TO DETERMINE SUCH RATE

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

6 SECTION 1. *Short Title.* – This Act shall be known as the “Credit Card Interest Rate  
7 Change Disclosure Act.”

8 SECTION 2. *Declaration of Policy.* – The State shall simplify, clarify and modernize the  
9 laws governing credit transactions and encourage the development of fair and economically  
10 sound consumer credit practices. The State shall assure the full disclosure of the true cost of  
11 credit to protect the consumer from lack of awareness of the true cost of credit to the user.

12 SECTION 3. *Definition of Terms.* – As used in this Act, the term:

13 (A) “Credit Card” means any card, plate, coupon book or other credit card device  
14 existing for the purpose of obtaining money, property, labor or services on credit;  
15 and

16 (B) “Open-End-Credit Plan” means a consumer credit extended on an account pursuant  
17 to a plan under which:

18 (1) The creditor may permit the person to make purchases or obtain loans, from  
19 time to time, directly from the creditor or indirectly by the use of credit card,  
20 check or other device;

21 (2) The person has the privilege of paying the balance;

1 (3) A finance charge may be computed by the creditor from time to time on an  
2 outstanding unpaid balance.

3 SECTION 4. *Advance Notice of Increase in Interest Required.* – In the case of any credit  
4 card account under an open-end-credit plan, no increase in any annual percentage rate of interest  
5 other than an increase due solely to a change in another rate of interest to which such rate is  
6 indexed or an increase due to the expiration of any introductory percentage rate of interest  
7 applicable to any outstanding balance of credit under such plan; and no change in the index used  
8 to determine any such annual percentage rate of interest, may take effect before the end of the  
9 ninety (90) day period beginning on the date of notice of such increase or change in index is first  
10 provided to the consumer.

11 SECTION 5. *Freeze on Interest Rate Terms and Fees on Canceled Cards.* –

12 (A) *Increase Not Effective for Canceled Accounts.* – If, after receiving a notice pursuant  
13 to Section 3 with respect to any credit card account under an open-end-credit plan, a consumer  
14 cancels the credit card account before the end of the ninety (90) day period referred to in such  
15 Section--

16 (1) An annual percentage rate of interest applicable after the cancellation with  
17 respect to the outstanding balance on such account as of the date of  
18 cancellation may not exceed any annual percentage rate or interest applicable  
19 with respect to such balance under the terms and conditions in effect before  
20 the cancellation; and

21 (2) The repayment of such outstanding balance after the cancellation shall be  
22 subject to all other terms and conditions applicable with respect to such  
23 account before the cancellation.

24 (B) *Notice of Right to Cancel.* – The notice referred to in Section 3 with respect to an  
25 increase in any annual percentage rate of interest or any change in an index shall be made in a  
26 clear and conspicuous manner and shall contain a brief statement of the right of the consumer—

27 (1) To cancel the account before the effective date of the increase or change in  
28 index; and

1 (2) After such cancellation, to pay any balance outstanding on such account at the  
2 time of the cancellation in accordance with the terms and conditions in effect  
3 before the cancellation.

4 SECTION 6. *Penalties.* – Any creditor who in connection with any credit card  
5 transaction fails to disclose to any person any information in violation of this Act shall be liable  
6 to such person in the amount of One Thousand pesos (P1,000.00) or in the amount equal to twice  
7 the finance charge required by the creditor in connection with such transaction, whichever is  
8 greater. Action to recover such penalty may be brought by such person within one (1) year from  
9 the date of the occurrence of the violation in any court of competent jurisdiction.

10 SECTION 7. *Separability Clause.* – If any provision or part hereof is held invalid or  
11 unconstitutional, the remainder of the law of the provision not otherwise affected shall remain  
12 valid and subsisting.

13 SECTION 8. *Repealing Clause.* – Any law, presidential decree or issuance, executive  
14 order, letter of instruction, administrative order, rule or regulation contrary to, or inconsistent  
15 with, the provisions of this Act is hereby repealed, modified or amended accordingly.

16 SECTION 9. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its  
17 publication in at least two (2) newspapers of general circulation.

Approved,