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SENATE

S. No. 3001

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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.


MIRIAM DEFENSOR SANTIAGO

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

9 JAN 26 1973

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S. No. 3001

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1 AN ACT
2 TO PREVENT CREDIT CARD ISSUERS
3 FROM TAKING UNFAIR ADVANTAGE OF COLLEGE STUDENTS
4 AND THEIR PARENTS AND FOR OTHER PURPOSES.
5
6

7 *Be it enacted by the Senate and the House of Representatives of the Philippines in*
8 *Congress assembled:*
9

10
11 SECTION 1. *Short Title.* - This Act may be known as the "Student Credit Card
12 Protection Act."
13

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

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

19 (B) COLLEGE STUDENT - means an individual:

- 20 (i) who is a full-time student attending an institution of higher education; and
21 (ii) who has not yet attained the age of 21.

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

24 (D) TERTIARY DEGREE PROGRAMS - refer to courses of study leading to
25 master's, doctor's or similar degrees. It also includes courses of study which by
26 themselves may be only for one-two- or three- year courses of study leading to less than a
27 bachelor's degree program, but which can subsequently be credited in full bachelor's
28 degrees.
29

30 SECTION 3. *Maximum Amount Limitation as a Percentage of Gross Income.* -
31 Unless a parent, legal guardian, or spouse of a college student assumes joint liability for
32 debts incurred by the student in connection with a college student credit card account:
33

34 (A) No creditor shall grant a college student a credit card account where the credit
35 limit for that account exceeds, during a full calendar year, the greater of:

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

38 (ii) Fifteen Thousand Pesos (P15,000.00); and

39

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

44

45 SECTION 4. *Parental Approval Required To Increase Credit Lines For Accounts*
46 *For Which Parent Is Jointly Liable.* - No increase may be made in the amount of credit
47 authorized to be extended under a college student credit card account for which a parent,
48 legal guardian, or spouse of the consumer has assumed joint liability for debts incurred
49 by the consumer in connection with the account, before the consumer attains the age of
50 21, with respect to such consumer, unless the parent, guardian, or spouse of the
51 consumer, as applicable, approves in writing, and assumes joint liability for, such
52 increase.

53

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

58

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

62

63 A) Has no verifiable annual gross income; and

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

66

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

70

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

74

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

78 Any director, officer or agent of a corporation who shall authorize, order or
79 perform any of the acts or practices constituting in whole or in part a violation of Article
80 18, and who has knowledge or notice of noncompliance received by the corporation from
81 the concerned department, shall be subject to penalties to which that corporation may be
82 subject.

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

86

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

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

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

96

97 Approved.