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REPUBLIC OF THE PHILIPPINES)
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Senate
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13 JUL -2 1952

SENATE

S. B. 306

BY:

Introduced by SENATOR CYNTHIA VILLAR

EXPLANATORY NOTE

Given the fast-paced nature of the current time, owning a motor vehicle now is not considered a luxury but more of a necessity to cope with our everyday duties and responsibilities. Complying with this necessity, however, does not come cheap. Owning a motor vehicle is a big investment and could take a substantial chunk of one's savings. For some unfortunate buyers, an investment in this endeavor has become for naught after they acquired a "lemon" or those that fail to meet the standards of quality and performance; they continue with the burden of retaining the "lemon" and paying the expensive cost thereof, without equitable redress for their unlucky fate.

It is one of the guarantees of the State under our Constitution to protect consumers from trade malpractices and from substandard products (*Section 9, Article XVI, 1987 Philippine Constitution*). In support of this State guarantee, I believe it appropriate to recommend the adoption into law of the attached bill that would give ample protection to buyers of motor vehicles, particularly those that are "lemon".

The historical antecedents of the lemon law originated in the United States. It was crafted primarily to return to the consumer the full value of his money. Among others, it provides that if a manufacturer or its authorized dealer cannot successfully repair a defective product within a reasonable number of repair attempts, the manufacturer must either promptly replace or repurchase the product. In sum, the measure provides for legal remedies to buyers who face the ill fate of lemon automobiles ending up in their hands.

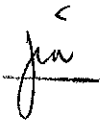
The attached bill seeks to adopt the Philippine version of the US lemon law, with provisions appropriate to our country's setting.

In view of the foregoing, I recommend the approval of this bill.

CYNTHIA A. VILLAR

13 JUL -2 A9:52

SENATE
S. B. 306

RECEIVED BY: 

Introduced by SENATOR CYNTHIA VILLAR

AN ACT
STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE
OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

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

1 SECTION 1. *Short Title.* – This Act shall be known as the “*Philippine Lemon Law*
2 *of 2013.*”
3

4 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to
5 promote full protection to the rights of consumers in the sale of motor vehicles against
6 sales and trade practices which are deceptive, unfair or otherwise inimical to the
7 consumers and the public interest. The State recognizes that a motor vehicle is a major
8 consumer purchase or investment. The consumer rights should thus be clearly defined
9 including the means for redress for violations thereof.
10

11 SEC. 3. *Definition of Terms.* – For purposes of this Act, the following terms shall
12 mean:
13

14 (a) “Brand new motor vehicle” refers to a vehicle constructed entirely from
15 new parts that has never been sold or registered with the Department of
16 Transportation and Communications (DOTC) or an appropriate agency or
17 authority and operated on the highway of the Philippines, or in a foreign
18 state or country;

19 (b) “Collateral charges” refers to the fees paid to the Land Transportation
20 Office (LTO) for the registration of a brand new motor vehicle and other
21 incidental expenses, including the cost of insurance pertaining to the said
22 vehicle;
23

- 1 (c) "Comparable motor vehicle" refers to a motor vehicle that is identical or
2 reasonably equivalent to the motor vehicle to be replaced, in terms of
3 specifications and values subject to availability, as the motor vehicle
4 existed at the time of purchase: *Provided*, That there shall be an offset
5 from this value for reasonable allowance for its use;
6
- 7 (d) "Consumer" refers to any person, natural or juridical, who is a purchaser,
8 either by cash or credit, of a brand new motor vehicle;
9
- 10 (e) "Dealer" or "Seller" refers to any person other than a manufacturer who
11 sells motor vehicles to the public;
12
- 13 (f) "Reasonable allowance for use", for purposes of this Act, shall mean
14 twenty percent (20%) *per annum* deduction from the purchase price, or
15 the product of the distance traveled in kilometers and the purchase price
16 divided by one hundred thousand (100,000), whichever is higher;
17
- 18 (g) "Distributor" refers to any person or entity other than manufacturer who
19 sells brand new motor vehicles to their duly authorized dealers or retailers;
20
- 21 (h) "Implementing agency" refers to the Department of Trade and Industry
22 (DTI);
23
- 24 (i) "Lemon Law rights period" refers to the period ending twelve (12) months
25 after the date of the original delivery of brand new motor vehicle to a
26 consumer or the first twenty thousand (20,000) kilometers of operation
27 after such delivery, whichever comes first. This shall be the period during
28 which the consumer can report any non-conformity, as defined in
29 paragraph (k) herein, to the standards and specifications of the
30 manufacturer, distributor, authorized dealer or retailer, and pursue any
31 right provided for under this Act;
32
- 33 (j) "Manufacturer" refers to a person, partnership, association, corporation or
34 entity engaged in the business of manufacturing or assembling motor
35 vehicles, or of distributing motor vehicles to motor vehicle dealers;
36
- 37 (k) "Motor vehicle" refers to any self-propelled four (4)-wheeled road vehicle
38 designed to carry passengers including, but not limited to, sedans,

1 coupes, station wagons, convertibles, pickups, vans, sport utility vehicles
2 (SUVs) and Asian utility vehicles (AUVs) but excepting motorcycles,
3 delivery trucks, dump trucks, buses, road rollers, trolley cars, street
4 sweepers, sprinklers, lawn mowers and heavy equipment, such as, but not
5 limited to, bulldozers, payloaders, graders, forklifts, amphibian trucks,
6 cranes and vehicles which run only on rails or tracks, and tractors, trailers
7 and traction engines of all kinds used exclusively for agricultural purposes.
8 Trailers having any number of wheels, when propelled or intended by
9 attachment to a motor vehicle, shall be classified as separate motor
10 vehicle with no power rating;

11
12 (l) "Non-conformity" refers to any defect or condition that substantially impairs
13 the use, value or safety of a brand new motor vehicle which prevents it
14 from conforming to the manufacturer's or distributor's standards or
15 specifications, which cannot be repaired, but excluding conditions
16 resulting from noncompliance by the consumer of his obligations under the
17 warranty, modifications not authorized by the manufacturer or distributor,
18 abuse or neglect, and damage due to accident or *force majeure*;

19 (m) "Purchase price" refers to the invoice price or the amount of money which
20 the dealer or retailer actually received for the brand new motor vehicle, in
21 consideration of the sale of such brand new motor vehicle;

22
23 (n) "Warranty" refers to the written assurance, so labeled, of the manufacturer
24 of a brand new motor vehicle, including any term or condition precedent to
25 the enforcement of obligations under the warranty;

26
27 (o) "Warranty rights period" refers to the period provided for under the
28 contract of sale when the manufacturer would guarantee the materials
29 used, workmanship and roadworthiness of a brand new motor vehicle for
30 ordinary use or reasonable intended purposes.

31
32 SEC. 4. Coverage. – This Act shall cover brand new motor vehicles with non-
33 conformity reported by the consumer within twelve (12) months from the date of original
34 delivery to the consumer or twenty thousand (20,000) kilometers of operation after such
35 delivery, whichever comes first. The following causes of non-conformity shall be
36 excluded:

37
38 (a) Non-compliance by the consumer of his obligations under the warranty;

- 1 (b) Modifications not authorized by the manufacturer or distributor;
- 2 (c) Abuse or neglect of the brand new motor vehicle; and
- 3 (d) Damage to the vehicle due to an accident or *force majeure*.

4
5 SEC. 5. *Repair Attempts.* – At any time within the Lemon Law rights period and
6 after at least four (4) separate repair attempts by the same dealer manufacturer for the
7 same complaint, the consumer, if still unsatisfied with the results of the said repairs,
8 may invoke his rights under this Act.

9
10 SEC. 6. *Notice of Availment of the Lemon Law Rights.* – Before availing of any
11 remedy under this Act and subject to compliance with the provisions of Section 5
12 hereof, the consumer shall, in writing, notify the manufacturer, distributor, authorized
13 dealer or retailer of the unresolved complaint and the consumer's intention to invoke his
14 rights under this Act within the Lemon Law rights period.

15
16 The warranty booklet issued by the manufacturer, distributor, authorized dealer
17 or retailer shall clearly state the responsibility of the consumer under this section. It shall
18 likewise provide the manner and form of such notice to constitute a valid and legal
19 notice to the manufacturer, distributor, authorized dealer or retailer.

20
21 SEC. 7. *Availment of the Lemon Law Rights.* – Subsequent to the filing of the
22 notice of availment referred to in the preceding section, the consumer shall bring the
23 vehicle to the dealer from which the vehicle was purchased for a final attempt to
24 address the consumer's complaints to his satisfaction.

25
26 It shall be the duty of the manufacturer, distributor, authorized dealer or retailer,
27 upon receipt of the motor vehicle and the notice of non-conformity required under
28 Section 6 hereof, to attend to the complaints of the consumer including, as may be
29 necessary, making the repairs and undertaking such actions to make the vehicle
30 conform to the standards or specifications of the manufacturer or distributor for such
31 vehicle.

32
33 In case the consumer remains unsatisfied with the dealer manufacturer's efforts
34 to repair the vehicle, pursuant to the consumer's availment of his Lemon Law rights, the
35 consumer may file a complaint before the DTI as provided for under this Act: *Provided,*
36 *however,* That if the vehicle is not returned for repair based on the same complaint
37 within thirty (30) calendar days from the date of notice of release of the motor vehicle to
38 the consumer following this repair attempt within the Lemon Law rights period, the

1 repair is deemed successful: *Provided, finally,* That, in the event the consumer still
2 remains unsatisfied after the thirty (30) days period but still within the Lemon Law rights
3 period, the consumer may be allowed to avail of the same remedies under Sections 5
4 and 6 hereof.

5

6 To compensate for the non-usage of the vehicle while under repair and during
7 the period of avilment of the Lemon Law rights, the consumer shall be provided a
8 reasonable daily transportation allowance, an amount which covers the transportation of
9 the consumer from his or her residence to his or her regular workplace and *vice versa*,
10 equivalent to air-conditioned taxi fare or in such amount to be agreed upon by the
11 parties, or a service vehicle at the option of the manufacturer, distributor, authorized
12 dealer or retailer. Any disagreement on this matter shall be resolved by the
13 implementing agency provided for under this Act.

14

15 Nothing herein shall be construed to limit or impair the rights and remedies of a
16 consumer under any other law.

17

18 **SEC. 8. Remedies for Dispute Resolution.** – The DTI shall exercise exclusive
19 and original jurisdiction over disputes arising from the provisions of this Act. All disputes
20 arising from the provisions of this Act shall be settled by the DTI in accordance with the
21 following dispute resolution mechanisms:

22

23 (A) Mediation

24

25 (1) The principles of negotiation, conciliation and mediation towards amicable
26 settlement between the manufacturer or distributor and the consumer shall
27 be strictly observed;

28

29 (2) In the course of its dispute resolution efforts, the DTI shall endeavor to
30 independently establish the validity of the consumer's outstanding
31 complaint. The DTI shall likewise retain the services of other government
32 agencies or independent private entities in the ascertainment of the
33 validity of the consumer's complaint. Any cost incurred in establishing the
34 validity of the consumer's complaint shall be borne jointly by the consumer
35 and the dealer manufacturer;

1 (3) The complaint shall be deemed valid if it is independently established that
2 the vehicle does not conform to the standards or specifications set by the
3 manufacturer;

4
5 (4) Upon failure of the negotiation or mediation between the manufacturer or
6 distributor and the consumer, the parties shall execute a certificate
7 attesting to such failure; and

8
9 (5) At any time during the dispute resolution period, the manufacturer or
10 distributor and the consumer shall be encouraged to settle amicably. All
11 disputes that have been submitted for mediation shall be settled not later
12 than forty-five (45) working days from the date of filing of the complaint
13 with the DTI.

14
15 (B) Arbitration

16
17 (1) In the event there is a failure to settle the complaint during the mediation
18 proceedings, the parties may voluntarily enter into arbitration proceedings,
19 likewise to be supervised by the DTI. The DTI shall rely on the
20 independent findings as to conformity to standards and specifications
21 established herein;

22
23 (2) In case a non-conformity of the vehicle is found by the DTI, it shall rule in
24 favor of the consumer and direct the dealer-manufacturer to grant either of
25 the following remedies to the consumer:

26
27 (i) Replace the motor vehicle with a similar or comparable motor
28 vehicle in terms of specifications and values, subject to availability;

29 or

30 (ii) Accept the return of the motor vehicle and pay the consumer the
31 purchase price plus collateral charges.

32
33 In case the consumer decides to purchase another vehicle with a
34 higher value and specifications from the same dealer-manufacturer, the
35 consumer shall pay the difference in cost.

1 In both cases of replacement and repurchase, the reasonable
2 allowance for use, as defined in this Act, shall be deducted in determining
3 the value of the non-conforming vehicle.
4

- 5 (3) In case a non-conformity of the vehicle is not found by the DTI, it shall rule
6 in favor of the dealer-manufacturer and direct the consumer to reimburse
7 the dealer-manufacturer the costs incurred by the latter in validating the
8 consumer's complaints.
9

10 SEC. 9. *Determination of Reasonable Allowance for Use.* – For purposes of
11 this Act, "reasonable allowance for use" shall mean twenty percent (20%) *per annum*
12 deduction from the purchase price, or the product of the distance traveled in kilometers
13 and the purchase price divided by one hundred thousand (100,000), whichever is
14 higher.
15

16 SEC. 10. *Disclosure on Resale.* – Should the returned vehicle be made available
17 for resale, the manufacturer or distributor shall, prior to sale, lease or transfer, disclose
18 to the dealer in writing that:
19

- 20 (a) The motor vehicle was returned to the manufacturer, distributor, factory or
21 branch;
22 (b) The nature of the non-conformity which caused the return; and
23 (c) The condition of the motor vehicle at the time of the transfer to the dealer.
24

25 It shall be the responsibility of the dealer to make the same disclosure in writing,
26 in turn, to the next purchaser prior to sale. The responsibility of the dealer under this
27 section shall cease upon the sale of the affected motor vehicle
28 to the first purchaser.
29

30 SEC. 11. *Penalty.* – The manufacturer, distributor or dealer adjudged to have
31 violated the provisions requiring disclosure as mentioned in the preceding section shall
32 be liable to pay a minimum amount of One hundred thousand pesos (Php100,000.00)
33 as damages to the aggrieved party without prejudice to any civil or criminal liability they
34 and/or the responsible officer may incur under existing laws.
35

36 SEC. 12. *Assistance by Other Agencies.* – The DOTC and other agencies,
37 political subdivisions and local government units, including government-owned and -

1 controlled corporations, shall render such assistance as required by the DTI in order to
2 effectively implement the provisions of this Act.

3

4 SEC. 13. *Implementing Rules and Regulations.* – The DTI shall promulgate the
5 necessary implementing rules and regulations within ninety (90) days from the effectivity
6 of this Act.

7

8 SEC. 14. *Separability Clause.* – If, for any reason, any part or provision of this
9 Act is declared invalid, such declaration shall not affect the other provisions of this Act.

10

11 SEC. 15. *Repealing Clause.* – All laws, decrees, executive orders, issuances,
12 rules or regulations or parts thereof which are inconsistent with the provisions of this Act
13 are hereby deemed repealed, amended or modified accordingly.

14

15 SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after its
16 publication in the *Official Gazette* or in two (2) national newspapers of general
17 circulation.

18

19 Approved,