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REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



Senate  
Office of the Secretary

13 JUL -8 P1:22

S E N A T E

S. B. No. 602

RECEIVED BY: *ji*

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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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SENATE

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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.

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- (C.) "Access Device" means any card, plate, code, account number, electronic serial number, personal identification number, or other telecommunications service, equipment, or instrumental identifier, or other means of account access that can be used alone or in conjunction with another access device, to obtain money, goods, services, or any other thing of value, or that can be used to initiate a transfer of fund (other than a transfer originated solely by paper instrument);
  - (D.) "Counterfeit Access Device" means any access device that is counterfeit, fictitious, altered, or forged, or an identifiable component of an access device or a counterfeit access device;
  - (E.) "Unauthorized Access Device" means any device that is lost, stolen, expired, revoked, cancelled, or obtained with intent to defraud;
  - (F.) "Produce" includes design, alter, authenticate, duplicate, or assemble;
  - (G.) "Traffic" means transfer, or otherwise dispose of, to another, or to obtain control of with intent to transfer or dispose of;
  - (H.) "Device-making equipment" means any equipment, mechanism, or impression designed or primarily used for making an access device or a counterfeit access device;
  - (I.) "Credit Card System Member" means a financial institution or other entity that is a member of a credit card system, including an entity, whether affiliated with or identical to the credit card issuer, that is the sole member of a credit card system;
  - (J.) "Scanning Receiver" means a device or apparatus that can be used to intercept a wire or electronic communication;
  - (K.) "College Student Credit Card Account" means a credit card account under an open-end consumer credit plan established or maintained for or on behalf of any college student;
  - (L.) "College Student" means an individual:
    - (1.) Who is a full-time student attending an institution of higher education; and
    - (2.) Who has not yet attained the age of 21.
  - (M.) "Institution of Higher Education" means institutions offering tertiary degree programs and post secondary programs;

1 (N.) "Tertiary Degree Programs" refer to courses of study leading to  
2 master's, doctor's or similar degrees. It also includes courses of  
3 study which by themselves may be only for one, two, or three-year  
4 courses of study leading to less than a bachelor's degree program,  
5 but which can subsequently be credited in full bachelor's degrees.  
6

7 **SEC. 4. Privacy and Fraud. -**  
8

9 (A.) No person, firm, partnership, corporation, or other business entity  
10 that accepts a credit card for a business transaction shall write,  
11 cause to be written, or require that a credit card holder write  
12 personal identification, not required by the credit card issuer, on  
13 the credit card transaction form. Personal identification  
14 information shall include, but shall not be limited to a credit card  
15 holder's address or telephone number.  
16

17 (B.) Acts of fraud and related activity in connection with access devices  
18 are hereby prohibited, such as those who shall:  
19

20 1) Knowingly and with intent to defraud uses or traffics in one or  
21 more counterfeit access devices;  
22

23 2) Knowingly and with intent to defraud uses or traffics in or uses  
24 any unauthorized device, and by such conduct obtains anything  
25 of value;  
26

27 3) Knowingly and with intent to defraud, produces any counterfeit  
28 access device or any unauthorized access device;  
29

30 4) Knowingly and with intent to defraud, produces, traffics in, has  
31 control or custody of, or possesses device-making equipment;  
32

33 5) Knowingly and with intent to defraud, uses, produces, traffics  
34 in, has control or custody of, or possesses a telecommunications  
35 device;  
36

37 6) Knowingly and with intent to defraud, uses, produces, traffics  
38 in, has control or custody of, or possesses:  
39

40 a.) A scanning receiver; or  
41

42 b.) Hardware or software used for altering or modifying  
43 telecommunications instruments to obtain unauthorized  
44 access to telecommunications devices  
45

46 7) Knowingly and with intent to defraud effects transaction, with  
47 one or more access devices issued to another person or persons,  
48 to receive payment or any other thing of value;  
49

1 8) Without authorization of the issuer of the access device,  
2 knowingly and with intent to defraud, solicits for the purpose  
3 of:

4  
5 i) Offering an access device; or

6  
7 ii) Selling information regarding an application to obtain  
8 an access device; or

9  
10 9) Without the authorization of the credit card system member or  
11 its agent, knowingly and with intent to defraud causes or  
12 arranges for another person to present to the member or its  
13 agent, for payment, one or more evidence or records of  
14 transactions made by an access device;

15  
16 (C.) The provisions of this section shall apply to all credit card  
17 transactions;

18 provided, however, that the provisions of this section shall not be  
19 construed to prevent a person, firm, partnerships, corporation, or  
20 other business entity from requesting information that is necessary  
21 for shipping, delivery, or installation or purchased merchandise or  
22 services or for a warranty when such information is provided  
23 voluntarily by a credit holder. In addition, the provisions of this  
24 section shall not be construed to prohibit a person, firm,  
25 partnership, corporation or other business entity from requesting  
26 one or more additional identification cards to confirm the identity  
27 of the credit card user.  
28

29 **SEC. 5. Notice and Minimum Payments. -**

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

41  
42 (B.) If, after receiving a notice with respect to any credit card account  
43 under an open-end-credit plan, a consumer cancels the credit card  
44 account before the end of the ninety (90) day period, the following  
45 shall be observed:

46  
47 1.) An annual percentage rate of interest applicable after the  
48 cancellation with respect to the outstanding balance on such  
49 account as of the date of cancellation may not exceed any  
50 annual percentage rate or interest applicable with respect to

1 such balance under the terms and conditions in effect before the  
2 cancellation; and

3  
4 2.) The repayment of such outstanding balance after the  
5 cancellations shall be subject to all other terms and conditions  
6 applicable with respect to such account before the cancellation.  
7

8 (C.) The notice referred to with respect to an increase in any annual  
9 percentage rate of interest or any change in an index shall be made  
10 in a clear and conspicuous manner and shall contain a brief  
11 statement of the rights of the consumer:

12  
13 1.) To cancel the account before the effective date of the increase or  
14 change in index; and

15  
16 2.) After such cancellation, to pay any balance outstanding on such  
17 account at the time of the cancellation in accordance with the  
18 terms and conditions in effect before the cancellation.  
19

20 (D.) Additional information regarding repayment of the outstanding  
21 balance of the consumer under the account, appearing in  
22 conspicuous type on the front of the first page of each such billing  
23 statement, and accompanied by an appropriate explanation, shall  
24 contain:

25  
26 1.) The words "Minimum Payment Warning: Making only the  
27 minimum payment will increase the amount of interest that you  
28 pay and the time it will take to repay your outstanding  
29 balance";

30  
31 2.) The number of years and months (rounded to the nearest  
32 month) that it would take for the consumer to pay the entire  
33 amount of that balance, if the consumer pays only the required  
34 minimum monthly payments;

35  
36 3.) The total cost to the consumer, shown as the sum of all principal  
37 and interest payments, and the breakdown of the total costs in  
38 interest and principal, of paying that balance in full if the  
39 consumer pays only the required minimum monthly payments,  
40 and if no further advances are made;

41  
42 4.) The monthly payment amount that would be required for the  
43 consumer to eliminate the outstanding balance in 36 months if  
44 no further advances are made; and

45  
46 5.) A toll-free number at which the consumer may receive  
47 information about accessing credit counseling and debt  
48 management services.  
49

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

- 1  
2 (A.) Interest rates imposed on any credit card on purchases and cash  
3 advances made through such facility shall in no case be higher than  
4 1% per month or 12% per annum, without compounding;  
5  
6 (B.) Surcharges or penalties shall likewise be limited to a ceiling of 1%  
7 per month, without compounding;  
8  
9 (C.) No other costs shall be imposed other than the foregoing except for  
10 reasonable attorney's fees and expenses of collection completely  
11 disclosed to, sufficiently understood by and voluntarily agreed  
12 with by an applicant for a credit card;  
13  
14 (D.) The pertinent provisions of the Truth in Lending Act shall apply  
15 suppletorily insofar as relevant and complimentary to the  
16 provisions of this Act.  
17

18 **SEC. 7. *Student Credit Card Protection.* -**  
19

- 20 (A.) Unless a parent, legal guardian, or spouse of a college student  
21 assumes joint liability for debts incurred by the student in  
22 connection with a college student credit card account:  
23  
24 1.) No credit card issuer shall grant a college student card account  
25 where the credit limit for that account exceeds, during a full  
26 calendar year:  
27  
28 (a.) Twenty percent (20%) of the annual gross income of the  
29 student, if any; or  
30  
31 (b.) Fifteen Thousand Pesos (P15,000.00), whichever is greater;  
32 and  
33  
34 2.) No credit card issuer shall grant a student a credit card account,  
35 if the credit limit for that credit card account, combined with the  
36 credit limits of any other credit card accounts held by the  
37 student, would exceed thirty percent (30%) of the annual gross  
38 income of the student, if any, in the most recently completed  
39 calendar year.  
40  
41 (B.) No increase shall be made in the amount of credit authorized to be  
42 extended under a college student credit card account for which a  
43 parent, legal guardian, or spouse of the consumer has assumed  
44 joint liability, unless such parent, guardian, or spouse, as the case  
45 may be, approves in writing, and assumes joint liability for, such  
46 increase.  
47  
48 (C.) For purposes of this Act, a credit card issuer shall require adequate  
49 proof of income, income history, and credit history, subject to the  
50 rules of the Monetary Board of the Bangko Sentral ng Pilipinas,

1 before any college student credit card account may be opened by or  
2 on behalf of a student.

3  
4 (D.) No credit card issuer may open a credit card account for, or issue  
5 any credit card to, any college student who:

6  
7 1) Has no verifiable annual gross income; and

8  
9 2) Already maintains a credit card under an open-end-consumer  
10 credit plan with that credit card issuer; or any affiliate thereof.

11  
12 (E.) The Monetary Board of the Bangko Sentral ng Pilipinas may, by  
13 rule, provide for exemptions to the provisions of this subsections,  
14 as deemed necessary or appropriate and consistent with the  
15 purpose of this Act.

16  
17 **SEC. 8. Penalties. -**

18  
19 (A.) Any violation of the provisions of this Act shall be punishable by a  
20 penalty of imprisonment of *arresto mayor* or a fine ranging from  
21 Fifty Thousand Pesos (P50,000.00) to One Hundred Thousand  
22 Pesos (P100,000.00), or both, depending upon the gravity of the act  
23 committed and the circumstances attendant thereto as may be  
24 determined by the court.

25  
26 (B.) If the entity responsible for the prohibited act is a corporation, trust  
27 or firm, partnership, association, or any other entity, the penalty or  
28 imprisonment shall be imposed on the entity's responsible officers,  
29 including, but not limited to, the president, vice-president, chief  
30 executive officer, general manager, managing director, or partner  
31 directly responsible therefor.

32  
33 (C.) In case the violation is committed by, or in the interest of a foreign  
34 juridical person duly licensed to engage in business in the  
35 Philippines, such license to engage in business in the Philippines  
36 shall immediately be revoked.

37  
38 **SEC. 9.** The National Bureau of Investigation (NBI) shall, in addition  
39 to any other agency having such authority, have the authority to investigate  
40 offenses under this Act.

41  
42 **SEC. 10.** Any person who engages in the conduct of any trade or  
43 commerce and who suffer any loss or money or property, real or personal, as a  
44 result of the use or employment by another person who engages in any act  
45 proscribed in this Act may bring in court, without prejudice to the criminal  
46 liability provided for in this Act, whether by way of original complaint,  
47 counterclaim, cross-claim or third-party action for damages and such equitable  
48 relief, including an injunction, as the court deems to be necessary and proper.  
49 Such person, if he has not suffered any loss of money or property, may obtain  
50 such an injunction if it can be shown that the aforementioned unfair method of



1 competition, act or practice may have the effect of causing such loss of money or  
2 property.

3  
4 For purposes of this section, the injured party has one (1) year from the  
5 date of the cause of action arises to file the appropriate complaint.

6  
7 **SEC. 11.** If any provision or part hereof, is held invalid or  
8 unconstitutional, the remainder of the law or the provision not otherwise  
9 affected shall remain valid and subsisting.

10  
11 **SEC. 12.** Any law, presidential decree or issuance, executive order, letter  
12 of instruction, administrative order, rule or regulation contrary to, or inconsistent  
13 with the provision of this Act is hereby repealed, modified, or amended  
14 accordingly.

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

18  
19 *Approved,*