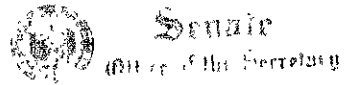


SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Second Regular Session)



14 DEC 22 P4:13

SENATE
S. B. No. 2536

Introduced by Senator Miriam Defensor Santiago

AN ACT
TO PROVIDE FOR A MORE DETAILED AND UNIFORM DISCLOSURE BY
CREDIT AND CHARGE CARD ISSUERS WITH RESPECT TO INFORMATION
RELATING TO INTEREST RATES AND OTHER FEES WHICH MAY BE
INCURRED BY CONSUMERS THROUGH THE USE OF ANY CREDIT OR
CHARGE CARD

EXPLANATORY NOTE

The last decade has witnessed the phenomenal growth of credit cards in the Philippines. Banks and other financial institutions have included credit cards in their wide array of financial services.

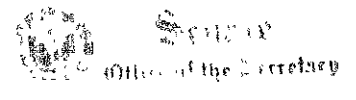
However, there is no specific law regulating the solicitation of applications of credit cards and the imposition of interest and penalty charge. Many cardholders have been victims of being charged with additional interests and penalties, or both, because of their ignorance on the application of such fees. Present and prospective credit card holders must be sufficiently informed of what they are entering into.

This bill seeks to regulate the credit card industry by providing for the disclosure by credit card issuer of information relating to interest rates, penalties and other fees which may be incurred through the use of any credit card or charge card.¹

MIRIAM DEFENSOR SANTIAGO
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¹ This bill was originally filed during the Thirteenth Congress First Regular Session.

SIXTEENTH CONGRESS OF THE REPUBLIC)
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SENATE
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R. ...
[Handwritten signature]

Introduced by Senator Miriam Defensor Santiago

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

AN ACT
TO PROVIDE FOR A MORE DETAILED AND UNIFORM DISCLOSURE BY
CREDIT AND CHARGE CARD ISSUERS WITH RESPECT TO INFORMATION
RELATING TO INTEREST RATES AND OTHER FEES WHICH MAY BE
INCURRED BY CONSUMERS THROUGH THE USE OF ANY CREDIT OR
CHARGE CARD

1 SECTION 1. *Short Title.* – This Act may be cited as the “Fair Credit and Charge
2 Card Disclosure Act of 2014.”

3 SECTION 2. *Declaration of Policy.* – It is the policy of the state to protect the
4 right of consumers by providing for the disclosure by credit and charge card issuers of
5 information relating to interest rates, penalties, fines, and other fees which may be
6 incurred through the use of any credit or charge card.

7 SECTION 3. *Definition of Terms.* – For purpose of this Act, the term:

8 (A) “Charge Card” means any card, plate or other single credit card device that
9 may be used from time to time to obtain credit;

10 (B) “Credit Card” means any card, plate, coupon book or other credit device
11 existing for the purpose of obtaining money, property, labor or services on credit;

12 (C) “Open-end-credit-plan” means a consumer credit extended on an account
13 pursuant to a plan which:

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

4 (2) the person has the privilege of paying the balance or a finance charge
5 may be computed by the creditor from time to time on an outstanding unpaid
6 balance; and

7 (3) a finance charge may be computed by the creditor from time to time on
8 an outstanding unpaid balance.

9 (D) "Board" means the Monetary Board;

10 (E) "Penalty Charges" means such amount of interest imposed on the credit card
11 holder for non-payment of an account within a prescribed period.

12 SECTION 4. *Direct Mail and Solicitation.* -- Any application to open a credit card
13 account for any person under an open-end credit plan or a solicitation to open such an
14 account shall disclose the following information:

15 (A) *Annual Percentage Rate.* -- Each annual percentage rate applicable to
16 extensions of credit under such credit plan. Where an extension of credit is subject to a
17 variable rate the fact that the rate is variable, the annual package rate in effect at the time
18 of the mailing, and how the rates is determined. Where more than one applies, the range
19 of balances for more than each rate applies.

20 (B) *Annual and Other Fees.* -- Any annual fee, other periodic fee, or membership
21 fee imposed for the issuance or availability of a credit card, including any account
22 maintenance fee or any other charge imposed based on activity or inactivity for the
23 account during the billing cycle.

24 Any minimum finance charge imposed for each period during which any
25 extension of credit which is subject to a finance charge is outstanding.

1 Any transaction charge imposed in connection with use of the card to purchase
2 goods or service.

3 Any a penalty or surcharge imposed for the delay in payment of an account

4 (C) *Grace Period.* -- The date by which or the period within which any credit
5 extended under such credit plan for the purchase of goods or services must be repaid to
6 avoid incurring a finance charge, and if no such period is offered, such fact shall be
7 clearly stated. If the length of such grace period varies, the card issuer may disclose the
8 range of days in the grace period, the minimum number of days in the grace period, or the
9 average number of days in the grace period, if the disclosure is identified as such.

10 (D) *Balance Calculation Method.* - The name of the balance calculation method
11 used in determining the balance by which the finance charge is computed. The method
12 used has been defined by the Board, or a detailed explanation of the balance calculation
13 method if the method has not been so defined.

14 In prescribing regulation to carry out this law, the Board shall define any name not
15 which is composed of more than five (5) balance calculation methods determined to be
16 the most commonly used methods.

17 SECTION 5. *Other Information.* -- In addition to the information required to be
18 disclosed under Section 4 of this Article, each application or solicitation to which such
19 section applies shall disclose clearly and conspicuously the following information:

20 (A) *Cash Advance Fee.* - Any fee imposed for an extension of credit in the form of
21 cash;

22 (B) *Late Fee.* - Any fee imposed for a late payment; and

23 (C) *Over-the-Limit-Fee.* - Any fee imposed in connection with an extension of
24 credit in excess of the amount of credit authorized to be extended with respect to such
25 amount.

1 SECTION 6. *Telephone Solicitations.* -- In any telephone solicitation to open a
2 credit card account for any person under an open-end consumer credit plan, the person
3 making the solicitation shall orally disclose the information described in Section 4 of this
4 Act.

5 SECTION 7. *Exceptions.* -- Section 4. shall not apply to any telephone solicitation
6 if the credit card issuer:

7 (A) Does not impose any fee in connection with Section 4(B) of this Act;

8 (B) Does not impose any fee in connection with telephone solicitations unless the
9 consumer signifies acceptance by using the card; or

10 (C) Discloses clearly and conspicuously that the consumer will not be obligated to
11 pay any fees or charges disclosed unless the consumer elect to accept the card or account
12 by using the card.

13 SECTION 8. *Application and Solicitation by Other Means.* -- Any application to
14 open a credit card account for any person under an open-end consumer credit plan, and
15 any solicitation to open such an account without requiring an application, that I made
16 available to the public or contained in catalogues, magazines, or other publication shall
17 meet the following disclosure requirements:

18 (A) An application or solicitation described in this Section meets the requirement
19 of this paragraph if such application or solicitation contains the information described in
20 Sections 4 and 5 in a clear and conspicuous form;

21 (B) A statement in a conspicuous and prominent location on the application or
22 solicitation, that the information is accurate as of the date the application or solicitation
23 was printed; the information contained in the application or solicitation is subject to
24 change after such date; and the applicant should contact the creditor for information on

1 any change in the information contained in the application or solicitation since it is
2 printed;

3 (C) A clear and conspicuous disclosure of the date the application or solicitation
4 was printed; and

5 (D) A disclosure, in a conspicuous and prominent location on the application or
6 solicitation, of a toll free telephone number or a mailing address at which the applicant
7 may contact the creditor to obtain any change in the information provided in the
8 application or solicitation since it was printed.

9 SECTION 9. *General Information Without Any Specific Term.* – An application or
10 solicitation described in Section 8 meets the requirement of this section if such
11 application --

12 (A) contains a statement, in a conspicuous prominent location on the application
13 or solicitation, that there are costs associated with the use of credit cards; and the
14 applicant may contact the creditor to request disclosure of specific information of such
15 costs by calling a toll free telephone number or by writing to an address, specified in the
16 application;

17 (B) contains a disclosure, in a conspicuous and prominent location on the
18 application or solicitation, of a toll free telephone number and a mailing address at which
19 the applicant may contact the creditor to obtain such information; and

20 (C) does not contain any of the items described in Section 4.

21 SECTION 10. *Charge Card Application and Solicitation.* – Any application
22 or solicitation to open a charge card shall disclose clearly and conspicuously the
23 following information:

24 (A) Any annual fee, other periodic fee, or membership fee imposed for the
25 issuance or availability of the charge card, including any account maintenance fee or

1 other charge imposed based on activity or inactivity for the account during the billing
2 cycle;

3 (B) Any transaction charge imposed in connection with use of the card to purchase
4 goods or services; and

5 (C) A statement that charges incurred by use of the card is due and payable upon a
6 receipt of periodic statement for such charge card account.

7 SECTION 11. *Applications and Solicitation by Other Means.* – An
8 application to open a charge account and any solicitation to open an account without
9 requiring an application, that is made available to the public or contained in catalogs,
10 magazines, or other publications shall contain:

11 (A) The information described in Sections 10 and 11 in a clear and conspicuous
12 form

13 (B) A statement, in a conspicuous and prominent location on the application or
14 solicitation, that the information is accurate as of the date of the application or solicitation
15 as printed; the information contained in the application or solicitation is subject to the
16 change after such date; and the applicant should contact the creditor for information on
17 any change in the information contained in the application or solicitation since it was
18 printed;

19 (C) A clear and conspicuous disclosure of the date the application or solicitation
20 was printed; and

21 (D) A disclosure, in a conspicuous an prominent location on the application or
22 solicitation of a toll-free telephone number or a mailing address at which the applicant
23 may contact the creditor to obtain any change in the information provided in the
24 application or solicitation since it a printed.

25 SECTION 12. *Issuer of Charge Cards Which Provides Access to Open End*
26 *Consumer Credit Plans.* -- If a charge card permits the card holder to receive an extension

1 of credit under an open-end consumer credit plan, which is not maintained by the charge
2 card issuer, the charge card issuer may provide the information describe in Sections 4 and
3 10 in the form required by such sections in lieu of the information required to be provided
4 under Sections 5,6 and 8 with respect to any credit extended under such plan, if the
5 charge card issuer discloses clearly an conspicuously to the consumer in the application
6 or solicitation that---

7 (A) The charge card issuer will make an independent decision as to whether to
8 issue the card;

9 (B) The charge card my arrive before the decision is made with respect to an
10 extension of credit under an open-end consumer credit place; and

11 (C) Approval by the charge card issuer does not constitute approval by the issuer
12 of the extension of credit.

13 The information required to be disclosed under Section 4 shall be provided to the
14 charge card holder by the creditor which maintains such open-end consumer credit plan
15 before the first extension of credit under such plan.

16 SECTION 13. *Regulatory authority of the board.* - The board may, by
17 regulation, require the disclosure of information in addition to that otherwise required by
18 the provisions and notify any disclosure of information required by this Act in any
19 application to own a credit card account for any person under an open end consumer
20 credit plan or any application to open a charge card account for any person, or a
21 solicitation to open any such account without requiring an application, if the Board
22 determines that an action is necessary to carry out the purpose of, or prevent evasion of,
23 any provision of this Act.

24 SECTION 14. *Disclosure Prior to Renewal.* - Except as otherwise provided
25 in Section 6, a card issuer that impose any fee described in Section 4 shall transmit to a

1 consumer's credit or charge card account a clear and conspicuous disclosure of the date
2 by which, the month by which, or the billing period at the close of which, the account
3 will expire if not renewed;

4 The information described in Section 4 or Section 10 shall transmit to a consumer
5 at least 30 days prior to the scheduled renewal date of he consumer's credit or charge
6 card account a clear and conspicuous disclosure of the date by which, the month by
7 which, or the billing period at the close of which, the account will expire if not renewed;
8 and the method by which the consumer may terminate continued credit availability under
9 the account.

10 SECTION 15. *Special Rule for Certain Disclosures.* - The disclosure
11 required by this subsection may be provided -

12 (A) Prior to posting a fee described by Section 4(B) to the account, or

13 (B) With the periodic billing statement first disclosing the fee posted to the
14 account.

15 SECTION 16. *Limitation on Use of Special Rule.* - Disclosures may be
16 provided under Section 15 only if the consumer is given a 30-day period to avoid
17 payment of the fee or to have the fee recredited to the account in any case here the
18 consumer does not want to continue the availability of the credit;

19 SECTION 17. *Short Term Renewals.* - The Board may, by regulation,
20 provide for fewer disclosures that are required by this Act in the case of an account which
21 is renewable for a period of less that six (6) months.

22 SECTION 18. *Other Rules for Disclosures.* - If the amount of any fee required to
23 be disclosed under this Act is determined on the basis of percentage of another amount,
24 the percentage used in making such determination and the identification of the amount

1 against which such percentage is applied shall be disclosed in lieu of the amount of such
2 fee. If a credit or charge card issuer does not impose any fee required to be disclosed
3 under any provision of this Act, such provision shall not apply with respect to each
4 issuer.

5 SECTION 19. *Penalties.* - Any issuer of a charge card or credit card found
6 violating any provision of this Act shall, after due notice and hearing, have its license to
7 issue credit card or charge card upended and shall be imposed a fine of not less than One
8 Hundred Thousand Pesos (P100,000.00) nor more than One Million Pesos, at the
9 discretion of the Board.

10 SECTION 20. *Repealing Clause.* - Any law, presidential decree or issuance,
11 executive order, letter of instruction, administrative order, rule or regulation contrary to
12 or inconsistent with the provision of this Act is hereby repealed, modified or amended
13 accordingly.

14 SECTION 21. *Separability Clause.* - If any provision, or part hereof, is held
15 invalid or unconstitutional, the remainder of the law or the provision not otherwise affected
16 shall remain valid and subsisting.

17 SECTION 22. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after
18 its publication in at least two (2) newspapers of general circulation.

19 Approved,

/dpmDec2014