



HOUSE OF REPRESENTATIVES

H. No. 5417

BY REPRESENTATIVES COLLANTES, GUANLAO, PONCE ENRILE, ROMULO,
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VILLAR, PANCHO, CO, BATOCABE, TEJADA, PAGDILAO, LEE,
OAMINAL AND TAMBUNTING, PER COMMITTEE REPORT NO. 564

AN ACT REGULATING THE PHILIPPINE CREDIT CARD INDUSTRY

*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
2 Credit Card Industry Regulation Law”.

3 SEC. 2. *Declaration of Basic Policy.* – It is the policy of the State to
4 foster the development of the credit card industry as an indispensable tool in
5 making consumer credit readily available to all Filipinos under conditions of
6 fair and sound consumer credit practices which are aligned with global best
7 practices, in promoting an efficient payments system and in encouraging
8 competition and transparency that support a more efficient delivery of credit
9 card services. To ensure the vibrancy and efficiency of the credit card industry,
10 the State shall institute appropriate mechanisms to protect and educate credit
11 cardholders.

12 SEC. 3. *Scope and Coverage.* – This law shall govern all credit card
13 issuers, acquirers and all credit card transactions.

1 SEC. 4. *Supervision.* – The Bangko Sentral ng Pilipinas (BSP) shall
2 supervise all credit card issuers and acquirers. Supervision shall include the
3 following:

4 (a) The issuance of rules of conduct or the establishment of standards
5 of operation for uniform application to all institutions or functions covered,
6 and the imposition of penalties in case of noncompliance therewith;

7 (b) The conduct of examination as determined by the Monetary Board
8 to determine compliance with laws and regulations; and

9 (c) Overseeing to ascertain that laws and regulations are complied with.

10 The BSP may also limit and prohibit the charging of annual membership
11 fees for credit cards. In the exercise of its authority to limit and prohibit these
12 fees, the Monetary Board shall be guided by the following:

13 (1) The purpose for the fees including the cost of production of the
14 credit card;

15 (2) The service extended to cardholders;

16 (3) The other charges and fees already imposed for credit cards;

17 (4) Change in price levels; or

18 (5) Such other relevant criteria as the Monetary Board may
19 adopt.

20 SEC. 5. *Definition of Terms.* – As used in this Act, the following
21 terms are defined as follows:

22 (a) *Acceleration clause* refers to the provision in the contract between
23 the credit card issuer and the cardholder that gives the credit card issuer the
24 right to demand the full settlement of the obligation in case of default or
25 nonpayment of any amount due or for any valid reason;

26 (b) *Acquirer* refers to the institution that accepts and facilitates the
27 processing of the credit card transaction which is initially accepted by the
28 merchant;

1 (c) *Balance transfer* refers to the transfer of the balance in a credit card
2 account to another credit card account;

3 (d) *Billing cycle/billing period* refers to the period of time between
4 billings. Billing cycles shall comprise at least fifteen (15) days;

5 (e) *Card association* refers to any company that provides credit card
6 network such as American Express, VISA International, MasterCard
7 International, JCB International, Diners Club, and China Union Pay;

8 (f) *Cash advances* refer to cash obtained from the credit card account
9 in any manner availed by the cardholder;

10 (g) *Credit card* refers to any card or other credit device intended for the
11 purpose of obtaining money, property, or services on credit;

12 (h) *Credit card issuer* refers to a bank or a corporation that offers the
13 use of its credit card;

14 (i) *Credit card limit* refers to the maximum total amount for purchases,
15 cash advances, balance transfers, and finance charges, service fees, penalties,
16 and other charges which can be charged to the credit card;

17 (j) *Default or delinquency* refers to the nonpayment of, or payment of
18 an amount less than, the minimum amount due or minimum payment required,
19 or words of similar import for at least two (2) billing cycles;

20 (k) *Finance charges* refer to the interest charged to the cardholder on
21 all credit card transactions in accordance with the terms and conditions
22 specified in the agreement on the use of the credit card;

23 (l) *Installment purchases* refer to transactions wherein payment for
24 which is amortized in parts over a fixed period;

25 (m) *Industry association* refers to an association composed of
26 companies engaged in the business of banking, finance, credit and payments;

27 (n) *Membership fee* refers to the amount a credit card issuer levies for
28 the right to use its credit card and acquire access to other membership

1 benefits. This may also be referred to as annual membership fee, annual fee,
2 joining fee or application fee;

3 (o) *Minimum amount due or minimum payment required* refers to the
4 minimum amount that a cardholder is required to pay on or before the payment
5 due date for a particular billing cycle/billing period which may include:

6 (1) Total outstanding balance multiplied by the required payment
7 percentage or a fixed amount, whichever is higher;

8 (2) Any amount which is part of any fixed monthly installment that is
9 charged to the card;

10 (3) Any amount in excess of the credit line; and

11 (4) All past due amounts, if any;

12 (p) *Outstanding balance* refers to the amount to be repaid at any point
13 in time;

14 (q) *Statement cut-off date* refers to the end date of a billing cycle as
15 determined by the credit card issuer, when account activities (purchases,
16 payments, charges) during the billing cycle are summarized;

17 (r) *Statement of account or billing statement* refers to the regular
18 statement listing of the purchases, payments and other debits and credits made
19 to the credit card account within the billing cycle; and

20 (s) *Supplementary card or extension card* refers to a credit card issued
21 to another person whose credit limit is consolidated with the primary
22 cardholder.

23 SEC. 6. *Minimum Requirements for Risk Management System of Credit*
24 *Card Issuers.* – To effectively deliver services and at the same time safeguard
25 their interests, the credit card issuer and acquirer must establish an appropriate
26 system for managing risk exposures arising from credit card operations. Such
27 risk management system shall be documented in a complete and concise
28 manner, and shall cover the organizational set-up for the institution engaged in
29 or unit handling the credit card business, its information management system,

1 as well as accounting policies and procedures, internal and external functions,
2 and internal control system.

3 SEC. 7. *Minimum Requirements for the Issuance of Credit Cards.* –
4 Before issuing credit cards, credit card issuers must conduct know-your-client
5 (KYC) procedures and exercise proper diligence in ascertaining that applicants
6 possess good credit standing and are financially capable of fulfilling their
7 credit commitments.

8 SEC. 8. *Service Level Agreement.* – There shall be, in the service level
9 agreement between the acquiring banks and their partner merchants, a
10 provision requiring merchants to perform due diligence to establish the identity
11 of the cardholders.

12 Nothing in this law shall preclude a card issuer from verifying or
13 seeking confirmation with the cardholder any purchase if in their assessment
14 there is reasonable concern as to the validity of the purchase.

15 SEC. 9. *Determination of Credit Card Limit; Changes Thereof.* –
16 Credit card issuers shall determine, based on the credit standing and financial
17 capacity of the cardholder, the credit limit to be extended to the cardholder.
18 The card issuers may thereafter implement changes in the credit limit
19 applicable of the account based on their risk management policies and
20 guidelines: *Provided*, That the cardholder is notified of such changes:
21 *Provided, further*, That any credit limit increase may be declined by the
22 cardholder: *Provided, finally*, That the cardholder has the option to request for
23 a credit limit adjustment subject to the approval of the credit card issuer.

24 SEC. 10. *Information to be Disclosed.* – A credit card issuer shall
25 disclose to all credit cardholders and potential credit cardholders the following
26 information:

27 (a) Finance charges for unpaid amounts after payment due date;

1 (b) The percentage that the interest bears to the total amount to be
2 financed expressed as a simple monthly or annual rate, as the case may be, on
3 the outstanding balance of the obligation;

4 (c) The default, late payment/penalty fees or similar
5 delinquency-related charges payable in the event of late payments: *Provided*,
6 That late payment or penalty fees shall be based on the unpaid minimum
7 amount due or a prescribed minimum fixed amount: *Provided, further*, That
8 the late payment or penalty fees may be based on the total outstanding balance
9 of the credit card obligation, including amounts payable under installment
10 terms or deferred payment schemes, if the contract between the issuer and the
11 cardholder contains an acceleration clause and the total outstanding balance of
12 the credit card is classified and reported as past due;

13 (d) The method of determining the balance upon which interest and/or
14 delinquency charges may be imposed;

15 (e) The method of determining the amount of interest and/or
16 delinquency charges, including any minimum or fixed amount imposed as
17 interest and/or delinquency charge;

18 (f) Other fees, such as membership/renewal fees, processing fees,
19 over-the-limit fees, collection fees, credit investigation fees and attorney's fees;

20 (g) For transactions made in foreign currencies, for dual currency
21 accounts (peso and dollar billings), as well as payments made by credit
22 cardholders in any currency other than the billing currency, the manner of
23 conversion from the transaction currency and payment currency to Philippine
24 pesos or billing currency, which may be a definition or general description of
25 conversion rates;

26 (h) A reminder to the cardholder in the billing statement, or its
27 equivalent document, that payment of only the minimum amount due or any
28 amount less than the total amount due for the billing cycle/billing period,

1 would mean the imposition of interest and/or other charges. A written
2 statement in the following form must be printed in the billing statement –
3 “Important Reminder: Paying less than the total amount due will increase the
4 amount of interest you pay and the time it takes to repay your balance”; and

5 (i) Any other information that may be required by the BSP.

6 The credit card issuer shall endeavor to convey the information in a
7 manner that is understandable to the credit cardholder: *Provided*, That the
8 items enumerated above may be included in a billing statement on a quarterly
9 basis at the minimum in tabular format.

10 SEC. 11. *Computations to be Disclosed.* – In addition to the
11 foregoing, a credit card issuer must, to the extent practicable, provide a
12 detailed explanation and a clear illustration of the manner by which all charges
13 and fees are computed.

14 Every billing statement shall contain clear and concise repayment
15 information that would apply to the outstanding balance of the consumer
16 placed in a conspicuous place and prominent location on the billing statement.
17 The repayment information shall also include the number of months (rounded
18 to the nearest month) that it would take to pay the entire amount of that balance
19 excluding installment, if the consumer pays only the required minimum
20 monthly payments and if no further advances are made.

21 Compliance with this section may be deferred for such reasonable time
22 as the BSP may determine within which credit card issuers should modify their
23 systems accordingly.

24 SEC. 12. *Over-the-Limit Transaction.* – If a cardholder breaches the
25 credit limit by a new transaction, the subject transaction may be
26 processed subject to the discretion of the credit card issuer: *Provided*, That no
27 over-the-limit fee shall be charged unless the cardholder provides expressed
28 consent to be charged the over-the-limit fee or unless that account remains to

1 be over-the-limit on the account's next statement date: *Provided, further,* That
2 such fees are clearly and prominently disclosed in the table of fees and charges.

3 SEC. 13. *Lost or Stolen Card.* – In case a credit card is lost or stolen,
4 any transaction made prior to reporting to the credit card issuer shall be for the
5 account of the cardholder.

6 SEC. 14. *Confidentiality of Information.* – Credit card issuers, their
7 officers, employees and agents shall keep strictly confidential the data on the
8 cardholder, except under any of the following circumstances:

9 (a) When disclosure of information is with the consent of the
10 cardholder;

11 (b) When the customer information is released, submitted or exchanged
12 with credit information bureaus, industry association, or card association;

13 (c) Upon orders of court of competent jurisdiction or any government
14 office or agency authorized by law, or under such conditions as may be
15 prescribed by the Monetary Board of the BSP;

16 (d) When disclosure to third party service providers is necessary for the
17 sole purpose of assisting or rendering services to the credit card issuer in
18 enforcing its rights against the cardholder;

19 (e) When disclosure to third parties such as insurance companies is
20 necessary for the sole purpose of insuring the credit card issuer from
21 cardholder default or other credit loss, and the cardholder from fraud or
22 unauthorized charges; and

23 (f) When disclosure to third parties is for the purpose of investigating
24 fraud or unauthorized activities or mitigating risk involving card issuance, use
25 and acquiring.

26 The recipient of information described herein shall likewise be bound to
27 preserve confidentiality of the cardholder data.

1 SEC. 15. *Customer Assistance Unit.* – A card issuer shall establish a
2 consumer assistance unit within its organization which shall be responsible for
3 providing prompt action for the expeditious resolution of complaints, inquiries
4 and requests.

5 SEC. 16. *Complaint on Billing Error or Discrepancy.* – A credit card
6 issuer shall give cardholders up to sixty (60) calendar days from statement date
7 to report any error or discrepancy in their billing statement. The credit card
8 issuer shall take action within ten (10) business days from receipt of such
9 notice.

10 SEC. 17. *Appropriate Manner of Collection.* – A credit card issuer
11 may resort to all reasonable and legally permissible means to collect amounts
12 due them under the credit card agreement: *Provided, That* in the exercise of its
13 rights and performance of duties, they must observe good faith, reasonable
14 conduct and proper decorum and refrain from engaging in unscrupulous acts.

15 A credit card issuer or collection agent shall not harass, abuse or
16 oppress any person or engage in any unfair practices, as may be defined by
17 BSP rules and regulations, in connection with the collection of any credit card
18 debt.

19 SEC. 18. *Use of Third-Party Collection Agents.* – A credit card issuer
20 may engage qualified third party service providers/collection agents for the
21 purpose of assisting or rendering services in the administration of the credit
22 card business including recovery of unpaid obligations and enforcement of
23 rights against the cardholder.

24 SEC. 19. *Endorsement of Credit Card Debt Collection by the Credit*
25 *Card Issuer to a Collection Agency.* – A credit card issuer shall inform its
26 cardholder in writing of the endorsement of the collection of the account to a
27 collection agency, or the endorsement of the account from one collection
28 agency to another, prior to the actual endorsement. The notification shall

1 include the full name of the collection agency and its contact details. The
2 requirement to notify a cardholder in writing about the endorsement of the
3 account to the collection agency shall be included in the terms and conditions
4 of the credit card agreement: *Provided*, That the credit card issuer shall refer
5 the collection of an account to only one collection agency at any one time.

6 SEC. 20. *Communication in Connection With Debt Collection.* – The
7 credit card issuer or its collection agency may communicate with a credit
8 cardholder in connection with the collection of any debt through the mode or
9 modes prescribed by the BSP in guidelines it shall issue for this purpose.

10 SEC. 21. *Due Date.* – Notwithstanding any provision in the contract,
11 if the payment due date for a credit card falls on weekends and regular national
12 holidays, the card payment due date is automatically moved to the next
13 business day. Payment through any authorized mode, made to any accredited
14 payment centers of the credit card issuer shall be considered as payment to the
15 credit card issuer made on the same date.

16 SEC. 22. *Application of Card Payment.* – Upon receipt of a payment
17 from a cardholder whose account carries different interest rates for different
18 types of purchases (i.e. cash advances, regular purchases, balance transfers),
19 the credit card issuer shall apply amounts in excess of the minimum payment
20 amount first to the fees and charges, and then to the billed balance bearing the
21 highest rate of interest, followed by the billed balance bearing the next higher
22 rate of interest, until the payment is exhausted: *Provided*, That the original
23 rates for promotional offers shall be the basis for determining hierarchy of
24 payment.

25 SEC. 23. *Termination of Account.* – A cardholder may cancel or
26 terminate account anytime: *Provided*, That the cardholder either pays in full
27 the outstanding balance or enters into another agreement for repayment of
28 outstanding balance whether through a one-time payment or on installments

1 within a fixed period of time: *Provided, further,* That repayment in
2 installments shall only be generally subject to interest unless there is a
3 violation of the new agreement.

4 SEC. 24. *Administrative Sanctions on Credit Card Issuers.* – The
5 provisions of Section 37 of Republic Act No. 7653, otherwise known as “The
6 New Central Bank Act”, shall be made applicable to any credit card issuer,
7 acquiring bank, their directors and officers including, but not limited to, the
8 administrative sanctions that may be imposed, without prejudice to the criminal
9 sanctions against the culpable persons provided in Section 25 hereof, for any
10 willful violation of this law or any related rules, regulations, orders or
11 instructions issued by the Monetary Board: *Provided,* That in addition to the
12 administrative sanctions that may be imposed, the authority of the credit card
13 issuer to issue credit cards may be suspended or cancelled by the BSP.

14 SEC. 25. *Violation of this Act and Other Related Rules, Regulations,*
15 *Orders or Instructions.* – A person who willfully violates any provision of
16 this law or any related rules, regulations, order or instructions, issued by the
17 Monetary Board shall be punished by imprisonment of not less than two (2)
18 years nor more than ten (10) years, or by a fine of not less than fifty thousand
19 pesos (P50,000.00) but not more than two hundred thousand pesos
20 (P200,000.00), or both, at the discretion of the court.

21 SEC. 26. *Transitory Provision.* – All existing credit card companies
22 that are not supervised by the BSP are hereby given such reasonable time as
23 the Monetary Board may determine in order to comply with applicable rules
24 and regulations.

25 SEC. 27. *Separability Clause.* – If any provision or section of this
26 Act is held to be unconstitutional or invalid, the other provisions or sections
27 hereof which are not affected thereby shall continue to be in full force and
28 effect.

1 SEC. 28. *Repealing Clause.* – All other laws, decrees, executive
2 orders, proclamations and administrative regulations, or parts thereof
3 inconsistent herewith are hereby repealed or modified accordingly.

4 SEC. 29. *Effectivity.* – This Act shall take effect fifteen (15) days after
5 its publication in the *Official Gazette* or in at least two (2) national newspapers
6 of general circulation.

Approved,

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