

2

**NINETEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES**  
*First Regular Session*



**Senate**  
Office of the Secretary

'22 AUG -1 P 2 :58

RECEIVED BY:

**SENATE**  
Senate Bill No. 978

**Introduced by Senator Aquilino "Koko" Pimentel III**

**AN ACT  
PROHIBITING THE ISSUANCE OF PRE-APPROVED  
CREDIT CARDS WITHOUT THE CONSENT OF THE  
CONSUMER AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

Article XVI, Section 9 of the 1987 Constitution states that, "The State shall protect consumers from trade malpractices and from substandard hazardous products."

Article 2 of Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines, declares that "It is the policy of the state to protect the interests of the consumer, promote his general welfare and to establish standards of conduct for business and industry. Towards this end, the State shall implement measures to achieve the following objectives: x x x; (b) protection against deceptive, unfair, and unconscionable sales, acts and practices; (c) provision of information and education to facilitate sound choice and the proper exercise of rights by the consumer; and (d) provision of adequate rights and means of redress; x x x."

According to reports, the issuance of pre-approved credit cards is among the Top 5 complaints against credit card operations<sup>1</sup> of banks, quasi-banks, and/or its subsidiaries or affiliates despite the issuance of Bangko Sentral ng Pilipinas' (BSP) Circular No. 702 on December 15, 2010, prohibiting such act. The said prohibition was further reiterated by the BSP in Circular No. 845 dated August 15, 2014.

Credit card issuers have been using "loyalty offers" as basis when it comes to issuing pre-approved cards. Some also send unsolicited supplementary cards which are extensions of an existing cardholder's initial credit card. Consumers are, in effect, deceived and enticed to use these pre-approved credit cards, with some ending up buried in credit card debts.

This bill seeks to strengthen the prohibition on the issuance of pre-approved credit cards to consumers and provide for heavier penalties for violations of this Act.

The passage of this measure is earnestly sought.

  
AQUILINO "KOKO" PIMENTEL III

---

<sup>1</sup><https://www.rappler.com/business/industries/67420-decline-pre-approved-credit-cards/>

NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



'22 AUG -1 P2 58

SENATE  
Senate Bill No. 978

RECEIVED BY:

---

Introduced by Senator Aquilino "Koko" Pimentel III

---

AN ACT  
PROHIBITING THE ISSUANCE OF PRE-APPROVED  
CREDIT CARDS WITHOUT THE CONSENT OF THE  
CONSUMER 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 “*Pre-*  
2 *approved Credit Card Prohibition Act*”.

3  
4        **SEC. 2.** *Declaration of Policy.* – Article XVI, Section 9 of the  
5 1987 Constitution states that “The State shall protect consumers from  
6 trade malpractices and from substandard hazardous products.”

7  
8        Furthermore, Article 2 of Republic Act No. 7394, otherwise  
9 known as the Consumer Act of the Philippines, declares that, “It is the  
10 policy of the state to protect the interests of the consumer, promote his  
11 general welfare and to establish standards of conduct for business and  
12 industry. Towards this end, the State shall implement measures to  
13 achieve the following objectives: x x x; (b) protection against  
14 deceptive, unfair, and unconscionable sales, acts and practices; (c)

1 provision of information and education to facilitate sound choice and  
2 the proper exercise of rights by the consumer; and (d) provision of  
3 adequate rights and means of redress; x x x.”

4  
5 **SEC. 3. *Definition of Terms.*** –

- 6  
7 a. *Credit Card* – Any card, plate, coupon book or other credit  
8 device existing for the purpose of obtaining money,  
9 property, labor or services on credit;  
10  
11 b. *Credit Card Application* – A documented request of the  
12 credit card applicant to a credit card issuer for the  
13 availment of a credit card;  
14  
15 c. *Credit Card Holder* – A person who owns and benefits  
16 from the use of a credit card;  
17  
18 d. *Credit Card Issuer* – A bank, quasi-bank, and/or its  
19 subsidiary or affiliate, or any entity that offers the use of its  
20 credit card facilities; and  
21  
22 e. *Pre-approved Credit Card* – Unsolicited credit card issued  
23 by a credit card issuer to a consumer who has not applied  
24 for such credit card.

25  
26 **SEC. 4. *Prohibition on the Issuance of Pre-approved Credit***  
27 ***Cards Not Applied For.*** – Banks, quasi-banks, and/or its subsidiaries  
28 or affiliates, or any entity authorized to be a credit card issuer shall not  
29 issue pre-approved credit cards to customers who have not applied for  
30 them.

1           **SEC. 5. *Acts Tantamount to Issuing Pre-approved Credit Cards.***

2   – The following acts shall be tantamount to the issuance of a pre-  
3 approved credit card which are violative of Section 4 hereof:

- 4
- 5           a. Sending of credit cards to consumers with no prior  
6           application, written request and supporting documents  
7           required for prudent credit card evaluation;
- 8
- 9           b. Sending of unsolicited supplementary cards and other  
10           cards with added features which are not in replacement  
11           or a substitute of an existing cardholder's initial credit  
12           card;
- 13
- 14           c. Unsolicited calls by credit card issuers requesting  
15           updated information from selected clients in order to be  
16           entitled to receive a credit card as a reward for his or her  
17           continued patronage of the credit card issuer's other  
18           financial products;
- 19
- 20           d. Unsolicited calls by the credit card issuer to its depositors  
21           informing them that they already have a credit card from  
22           the card issuer's Credit Card Department due to good  
23           standing as a depositor;
- 24
- 25           e. Sending of mails with credit card enclosed which will be  
26           deemed accepted upon the receipt of such card by a  
27           receiver, whether authorized or not;
- 28
- 29           f. Sending to a consumer an unsolicited credit card which  
30           is deemed accepted unless a request for termination is  
31           promptly instructed by the cardholder to the credit card  
32           issuer; and
- 33

1 g. Sending of credit cards as free offers to consumers who  
2 availed themselves of the credit card issuer's other  
3 financial products.  
4

5 **SEC. 6. *Harassment by Credit Card Collection Companies.*** –  
6 Credit card collection agents shall be prohibited from engaging in any  
7 unethical collection activities or any form of harassment against  
8 consumers who use pre-approved credit cards.  
9

10 **SEC. 7. *Duty of Credit Card Issuers.*** – Banks, quasi-banks,  
11 and/or its subsidiaries or affiliates, or any entity issuing credit cards  
12 must exercise, in accordance with the Manual of Regulations for Banks  
13 (MROB) and the Manual of Regulations for Non-Bank Financial  
14 Institutions (MORNBFI), proper diligence by ascertaining that  
15 applicants possess good credit standing and are financially capable of  
16 fulfilling their credit obligations.  
17

18 **SEC. 8. *Penalties.*** – The penalty for violating any of the  
19 prohibited acts under this Act shall be:  
20

- 21 a. First Offense: Censure for the directors and officers of the  
22 credit card issuer responsible for the violation and a fine of  
23 Three Hundred Thousand Pesos (PhP 300,000.00).  
24
- 25 b. Second Offense: Suspension of the credit card issuer  
26 concerned from the credit facilities of the Bangko Sentral ng  
27 Pilipinas (BSP) and a fine of Five Hundred Thousand Pesos  
28 (PhP 500,000.00).  
29
- 30 c. Third Offense: Revocation of the license to engage in the credit  
31 card business and a fine of Eight Hundred Thousand Pesos  
32 (PhP 800,000.00).  
33

1           **SEC. 9. *Implementing Rules and Regulations.*** – Within sixty (90)  
2 days from the effectivity of this Act, the BSP shall formulate rules and  
3 regulations for the proper implementation of this Act.  
4

5           **SEC. 10. *Separability Clause.*** – Should any provision or part of  
6 this Act be declared unconstitutional or invalid, the other provisions  
7 and parts hereof, insofar as they are separable from the invalid ones,  
8 shall remain in full force and effect.  
9

10           **SEC. 11. *Repealing Clause.*** – All laws, decrees, orders,  
11 issuances, rules and regulations or parts thereof which are inconsistent  
12 with this Act are hereby repealed or modified accordingly.  
13

14           **SEC. 12. *Effectivity Clause.*** – This Act shall take effect fifteen  
15 (15) days after its publication in the *Official Gazette* or in at least two  
16 (2) newspapers of general circulation.

*Approved,*