

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 5274

Introduced by: **REPRESENTATIVE ERIC L. OLIVAREZ**

EXPLANATORY NOTE

In this day and age where everything is fast-paced, technologically advanced, and leaning towards a system that is paperless, consumers are starting to explore more convenient ways to carry out and accomplish their day-to-day activities. Filipinos, especially professionals are starting to see the value of credit cards to facilitate their purchases and other important transactions.


According to Visa's Consumer Payment Attitudes Survey, an annual study conducted online across six markets in Southeast Asia, Over half of Filipinos who have tried electronic payment methods prefer it to using cash, as of 2016. Forty nine percent of Filipinos have more cards in their wallets compared to five years ago, while 29 percent carry less cash. Filipinos were most interested in contactless payments, and used them typically to pay for groceries, bills and fines, and food and beverages.

Indeed, while the Philippines has lagged behind other Southeast Asian countries in terms of actual credit card usage throughout the years, Filipinos nonetheless showed a huge appetite for new technology that bring convenience and security. This is why the banking industry is investing heavily in contactless payments and is convincing more retailers to install technology that would allow "tap and go" payment schemes.

As more and more Filipinos avail of the credit card service, the State has to be more vigilant in protecting their rights as consumers and ensuring that they do not fall on the traps of careless spending and, worse, incurring unnecessary and completely avoidable penalties from credit card companies. Perhaps by doing so, the State can also encourage more Filipinos to use and explore the realm of cashless transactions and the benefits it could offer, free from the fear of being unable to manage their own finances properly and of ending up paying hefty amounts of charges to the credit card company.

Filipinos only need security and assurance that the credit card industry is not out there only to get their hard-earned money in the form of inadequately disclosed fines, surcharges, and penalties. By enacting this proposed Act, the State is intensifying its regulatory functions that would strike a good balance between the interest of this booming credit card industry and the interest of the people who work hard for the money.

Therefore, this legislative measure is hereby earnestly being proposed for the approval of this august body.


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**AN ACT REQUIRING THE CREATION OF A SYSTEM OR
APPLICATION THAT WOULD DETERMINE POTENTIAL CREDIT
LIMIT BREACH AND GIVE THE CREDIT CARD HOLDER
REAL-TIME FINANCIAL NOTIFICATION**

Section 1. *Short Title.* This Act shall be known as the “Real Time Credit Limit Notification Act”.

Sec. 2. *Declaration of Policy.* It is hereby declared as a policy of the State to balance the interest of the credit card industry which has been recognized as an indispensable tool in in the economy’s development, with the right of the public particularly the credit cardholders to fair, sound and transparent consumer credit practices aligned with international best practices. To this end, the State shall institute appropriate mechanisms to protect credit cardholders from unexpected penalty and other charges in crucial cases such as a credit limit breach.

Sec. 3. *Scope and Coverage.* The Act shall govern all credit card issuers, acquirers and all credit card transactions in the Philippines.

Sec. 4. *Definition of Terms.* The following terms, as used in this Act, shall mean:

Credit card – refers to any card or other credit device intended for the purpose of obtaining money, property or services on credit.

Credit card limit - refers to the maximum total amount for purchases, cash advances, balance transfers, and finance charges, service fees, penalties, and other charges which can be charged to the credit card.

Credit card limit breach – refers to the situation when a credit cardholder's account balance is more than the maximum amount of money the credit card issuer would loan to the former.

Application – refers to a computer program or software application designed to run on devices such as computers, laptops and mobile devices like phones or tablets.

Credit card issuer – refers to a bank or a corporation that offers the use of its credit card.

Sec. 5. Creation of A Credit Limit Notification System – Every credit card issuer shall create or commission the creation of a credit limit notification system or application for its credit cardholders that would provide updated or real-time information on their outstanding credit card expenditure vis-à-vis the amount of their credit limit. The said application shall prompt an alert to the credit cardholder of a potential breach of his/her credit limit by a new transaction as well as of the remaining balance that the credit cardholder may use to avoid being charged penalties for any over-the-limit transaction. Provided further, that the application must clearly and prominently indicate the corresponding penalties, fees and/or other related charges for the breach of the credit limit to guide the credit card holder in case he/she decides to proceed with the over-the-limit transaction.

Sec. 6. *Period of Creation.* All credit card issuers must have a fully operational credit limit notification system/application bearing all the features or specifications required by this law and its Implementing Rules and Regulation, within one year from the effectivity of this Act.

Sec. 7. *Disclosure Requirement.* All credit card issuers are required to inform all its present credit cardholders of the existence of such credit limit notification system or application and provide basic guide or instructions on how to install and use such application in their devices. Provided further, that credit card applicants must be informed by the credit card issuer about such system by its attending agent or manager at the point of application, even pending its approval.

Sec. 8. *Violation of this Act.* A person or entity which failed to comply with the provisions of this Act and any related rules and regulations issued by the Monetary Board shall be subject to applicable criminal and administrative sanctions as well as any applicable penalties and fines, as provided in R.A. 7653 or the New Central Bank Act, and/or R.A. 10870 otherwise known as the Philippine Credit Card Industry Regulation Law. Provided, that in addition to the abovementioned sanctions that may be imposed, the authority of the credit card issuer to issue credit cards may be suspended or cancelled by the Bangko Sentral ng Pilipinas.

Sec. 9. *Implementing Agency and Rules.* The Monetary Board of the Bangko Sentral ng Pilipinas shall issue the necessary implementing rules and regulations to implement the provisions of this Act within ninety (90) days after its effectivity.

Sec. 10. *Separability Clause.* If any provision of this Act is declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain valid, and in full force and effect.

Sec. 11. *Repealing Clause.* All laws, orders, decrees, rules and regulations and other parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended or modified.

Sec. 12. *Effectivity.* This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,