



Republic of the Philippines
House of Representatives
Quezon City

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 9385



Introduced by REPRESENTATIVE ERIC L. OLIVAREZ

EXPLANATORY NOTE

It has been a well-entrenched policy of the State to protect the interests of the consumers, promote their general welfare and establish standards of conduct for business enterprises and the general industry of commerce. This very objective paved the way for the passage of Republic Act No. 7394 otherwise known as the “Consumer Act of the Philippines” way back in 1992.

Under Article 52 of the abovementioned law, an act or practice is deemed unfair or unconscionable if the seller, among others, takes advantage of the consumer’s physical or mental infirmity, ignorance, illiteracy, lack of time, or the general conditions of the environment or surroundings, and induces the latter to enter into a sales transaction grossly inimical to the consumer’s interest or grossly and unfairly leaning in favor of the former.

Recently, the Department of Trade and Industry (DTI) has been receiving various complaints regarding unfair practices of certain business enterprises especially those with in-house financing schemes, whereby they impose “installment only” payment method on their customers/buyers in order to unconscionably profit from the interest rates entailed in such form of payment, even though the said customer/buyer may have the capacity to pay the selling price in full outright and thereby be able to save money as they need not pay high cost of interest on top of the principal payments they have to make.

This bill is therefore being proposed to put a halt on this unfair business practice. This bill prohibits the imposition of "installment only" payment method and mandates businesses to allow consumers to pay in full price, or a combination thereof, among other related provisions that seek to protect the consumers from being forced into spending more than they need to.

This bill supplements and reinforces R.A. 7394 and more importantly, it serves as an exercise of the duty of the State to promote distributive justice and intervene when the common good so demands as so embodied under Section 6, of Article XII of the 1987 Constitution, which specifically provides, that:

"SECTION 6. The use of property bears a social function, and all economic agents shall contribute to the common good. Individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands."

In light of the foregoing, this legislative measure that primarily intends to further the protection of the consumers against predatory business enterprises is hereby earnestly being submitted for approval.


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**AN ACT
PROHIBITING THE IMPOSITION OF “INSTALLMENT ONLY” MODE OF
PAYMENT TO CONSUMERS IN THE SALE OR OFFER OF GOOD AND
SERVICES.**

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

8 **Section 1. Short Title.** This Act shall be known as the “Consumers’ Payment
9 Options Act of 2021.”

10 **Section 2. Prohibition.** It shall be unlawful for any person, company, or entity
11 engaged in the sale of, or offering for sale goods or services, to impose an
12 “installment only” mode of payment to consumers.

13 **Section 3. Options for Payment.** The consumers shall be given the option
14 to pay the full price outright, or in installment upon agreement of the seller and the
15 buyer, or a combination thereof upon agreement of the seller and the buyer for the
16 goods or services availed.

17 **Section 4. Right to Pay in Cash.** Consumers shall have the right to pay in
18 cash when availing goods or services through a physical, person-to-person, or in-

1 store transaction. Provided, that sellers who opt to provide its consumers other
2 channels of payment such as through debit/credit/prepaid cards, QR codes,
3 electronic fund transfer, and other digital means shall not be allowed to charge a
4 selling price higher from when the product or service is paid in cash.

5 **Section 5. *Exception to Cash Payment Option.*** The right to pay in cash may
6 not apply when the sales transaction is done online and the business does not
7 have a physical store where the consumer can walk into to buy a product or avail
8 a service and make payment through cash. Payment in cash may also be
9 suspended in cases where person-to-person or in-store transactions are deemed
10 unsafe, extremely difficult, or mandated by the government to be suspended due
11 to national emergencies, pandemic, war, or other analogous situations.

12 **Section 6. *Installment Payment.*** Any sales transaction entered into through
13 installment payment shall comply with the following terms:

14 a) *Interest Rate.* No interest shall be due unless expressly stipulated in
15 writing in accordance with Article 1956 of the Civil Code. Provided that the
16 seller shall not impose an interest rate more than the market-oriented
17 interest rate. Provided further, that the seller shall not collect advance
18 interest from the consumer. The seller shall also inform the buyer of other
19 fees or charges due.

20 b) *Copies of documents executed on installment transactions.* The
21 seller shall provide the purchaser with a copy of the instruments executed
22 by the parties evidencing sale transactions on installment basis showing the
23 principal amount of goods and services and the interests and charges
24 imposed.

25 c) *Release of Documents Evidencing Ownerships.* Upon full payment
26 of goods and services, the seller shall deliver the document evidencing
27 ownership authenticated by the proper government office/agency if the
28 goods or services purchased by the consumers are under regulatory
29 licenses, approvals, consents or other authorities by government offices or
30 agencies.

31 d) *Repossession of Products Purchased on Installment.* The seller
32 shall comply with the requirement of due process set forth in applicable laws
33 in repossessing any product purchased on installment.

34 e) *Prohibition on Charging of Penalty.* It shall be unlawful to charge
35 any penalty or other fees and charges on the consumer who opts to pre-
36 terminate the installment on sale transaction or fully pay off the remaining

1 balance on the price of the product or service before the agreed installment
2 period ends. In such a case where the consumer becomes incapacitated to
3 pay the remaining principal price in full, the agreement on interest shall be
4 effectively terminated and the seller shall accept the full payment on the
5 remaining balance of the former. Provided, that this provision shall not apply
6 to any existing installment payment agreements entered into by a seller and
7 a buyer prior to the passage of this Act.

8 **Section 7. Posting of Payment Options.** The payment options available shall
9 be posted in a conspicuous place within the premises of the business enterprise
10 and stated in a manner that can easily be understood by consumers. If the seller
11 maintains a website, a mobile app, or any kind of online store/shop, the payment
12 options available shall also be among the information readily accessible therein.

13 **Section 8. Penalty.** Any person who shall violate the provisions of this Act,
14 shall, upon conviction, be subject to a fine of not less than Fifteen Thousand Pesos
15 (P15,000.00) but not more than One Hundred Thousand Pesos (P100,000.00) or
16 imprisonment of not less than three (3) months but not more than six (6) months,
17 or both, upon the discretion of the court.

18 In addition to the penalty provided for in paragraph (1), the court may grant
19 an injunction restraining the conduct constituting the contravention of the
20 provisions of this Act, impose actual damages, and issue such other orders as it
21 thinks fit to redress injury to the person caused by such conduct.

22 **Section 9. Coverage.** This Act shall cover all persons, natural or juridical,
23 registered or unregistered, who are engaged in the sale or offer for sale of products
24 and services.

25 **Section 10. Implementing Rules and Regulations.** The Department of Trade
26 and Industry (DTI) shall, within sixty (60) days from the effectivity of this Act,
27 promulgate the implementing rules and regulations to effectively carry out the
28 provisions of this Act.

29 **Section 11. Separability Clause.** If, for any reason, any part, section or
30 provision of this Act is held invalid or unconstitutional, the remaining provisions not
31 affected thereby shall continue to be in force and effect.

1 **Section 12. *Repealing Clause.*** All laws, decrees, executive orders,
2 proclamations, rules and regulations, and other issuances, or part or parts thereof,
3 which are inconsistent with the provisions of this Act are hereby repealed,
4 amended or modified accordingly.

5 **Section 13. *Effectivity Clause.*** This Act shall take effect fifteen (15) days
6 after its publication in the Official Gazette or at least two (2) newspapers of general
7 circulation, whichever comes earlier.

8 **APPROVED.**