

**Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City**

**FOURTEENTH CONGRESS  
Third Regular Session**

**House Bill No. 7016**

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**Introduced by TUCP Party-List Representative  
Raymond Democrito C. Mendoza**

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**EXPLANATORY NOTE**

There is a need to protect the consuming public using the convenience of credit cards. Credit cardholders suffer from exorbitant rates charged by credit card companies. Monthly rates range from 2.5 to 3.5 percent for cumulative non-compounded interest rates of 30 to 42 percent per year. With the penalty, late payment fees and other charges and compounding, the rate is more than what '5-6' operators charge.

The terms and conditions on the issuance and use of credit cards bind credit cardholders. But the Supreme Court has ruled that stipulated interest rates of 3% per month and higher are excessive, iniquitous, unconscionable and exorbitant and that such stipulations are void for being contrary to morals, if not against the law.

In GR 175490, Ileana Macalinao vs. BPI (Bank of Philippine Islands) promulgated on September 19, 2009, the Supreme Court said, "We are of the opinion that the interest rate and penalty charge xxx should be equitably reduced to 2% per month or 24% per annum."

This bill will put into effect the cap on interest rates and penalty charges as ruled by the Supreme Court.

This bill also prohibits credit card companies from charging fees for exceeding the cardholder's credit limit. Such fees are unconscionable since the credit card companies themselves authorized individual transactions which resulted in cardholders exceeding their credit limits.

**Rep. Raymond Democrito C. Mendoza  
TUCP Party-List**

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**AN ACT**  
**PROVIDING PROTECTION TO CREDIT CARD HOLDERS BY SETTING A**  
**CEILING ON INTEREST RATES AND SURCHARGES AND PROHIBITING**  
**HIDDEN PENALTIES OR COSTS IMPOSED BY CREDIT CARD COMPANIES,**  
**BANKS, AND SIMILAR INSTITUTIONS ON PURCHASES AND CASH**  
**ADVANCES MADE THROUGH SUCH FACILITY**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress so assembled.*

**SECTION 1.** Interest rates imposed by credit card companies on purchases and cash advances made through such facility shall in no case be higher than 1% per month or 12% per annum, without compounding.

**SECTION 2.** Surcharges or penalties shall likewise be limited to a ceiling of 1% per month, without compounding.

**SECTION 3.** Regardless of conditions set by the company issuing credit cards, no credit cardholder shall be charged fees for exceeding the cardholder's credit limit.

**SECTION 4.** No other costs shall be imposed other than the foregoing except for reasonable attorney's fees and expenses of collection completely disclosed to, sufficiently understood by and voluntarily agreed with by an applicant for credit card facility,

**SECTION 5.** The pertinent provisions of the Truth in Lending Act shall apply suppletorily insofar as relevant and complementary to the provisions of this Act.

**SECTION 6.** This Act shall take effect 15 days after its complete publication in at least two (2) newspapers of national circulation.

Approved,