

## **[ REPUBLIC ACT NO. 10870, July 17, 2016 ]**

### **AN ACT REGULATING THE PHILIPPINE CREDIT CARD INDUSTRY**

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

SECTION 1. *Short Title.* - This Act shall be known as the "Philippine Credit Card Industry Regulation Law".

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

SEC. 3. *Scope and Coverage.* - This Act shall govern all credit card issuers, acquirers and all credit card transactions.

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

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

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

(c) Oversight to ascertain that laws and regulations are complied with; and

(d) Determining the reasonableness of fees and charges and the issuance of regulations on the same.

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

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

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

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

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

(e) *Card association* refers to any company that provides credit card network such as, but not limited to, American Express, VISA International, MasterCard International, JCB International, Diners Club, and China Union Pay;

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

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

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

(i) *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;

(j) *Default* or *delinquency* refers to the nonpayment of, or payment of an amount less than, the minimum amount due or minimum payment required, or words of similar import for at least three (3) billing cycles;

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

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

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

(n) *Membership fee* refers to the amount a credit card issuer levies for the right to use its credit card and acquire access to other membership benefits. This may also be referred to as annual membership fee, annual fee, joining fee or application fee;

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

(l) Outstanding balance multiplied by the required payment percentage or a fixed amount, whichever is higher;

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

card;

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

(4) All past due amounts, if any;

(p) *Outstanding balance* refers to the amount to be repaid as of statement cut-off date;

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

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

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

SEC. 6. *Minimum Requirements for Risk Management System of Credit Card Issuers.*

- To effectively deliver services and at the same time safeguard their interests, the credit card issuer and acquirer must establish an appropriate system for managing risk exposures arising from credit card operations. Such risk management system shall be documented in a complete and concise manner, and shall cover the organizational set-up for the institution engaged in or unit handling the credit card business, its information management system, as well as accounting policies and procedures, internal and external functions, and internal control system.

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

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

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

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

SEC. 10. *Imposition of Finance Charges.* - Finance charges and other fees arising

from nonpayment in full or on time of the outstanding balance shall be based on the unpaid amount of the outstanding balance.

SEC. 11. *Information to be Disclosed.* - A credit card issuer shall disclose to all credit cardholders and potential credit cardholders the following information:

- (a) Finance charges for unpaid amounts after payment due date;
- (b) The percentage that the interest bears to the total amount to be financed expressed as a simple monthly or annual rate, as the case may be, on the outstanding balance of the obligation;
- (c) The default, late payment/penalty fees or similar delinquency-related charges payable in the event of late payments: *Provided*, That late payment fee or penalty for late payment shall be based on the unpaid minimum amount due or a prescribed minimum fixed amount whichever is lower: *Provided, further*, That the late payment fees may be based on the total outstanding balance of the credit card obligation, including amounts payable under installment terms or deferred payment schemes, if the contract between the issuer and the cardholder contains an acceleration clause and the total outstanding balance of the credit card is classified and reported as past due;
- (d) The method of determining the balance upon which interest and/or delinquency charges may be imposed;
- (e) The method of determining the amount of interest and/or delinquency charges, including any minimum or fixed amount imposed as interest and/or delinquency charge;
- (f) Other fees, such as membership/renewal fees, processing fees, over-the-limit fees, collection fees, credit investigation fees and attorney's fees;
- (g) For transactions made in foreign currencies, for dual currency accounts (peso and dollar billings), as well as payments made by credit cardholders in any currency other than the billing currency, the manner of conversion from the transaction currency and payment currency to Philippine pesos or billing currency, which may be a definition or general description of conversion rates;
- (h) A reminder to the cardholder in the billing statement, or its equivalent document, that payment of only the minimum amount due or any amount less than the total amount due for the billing cycle/billing period, would mean the imposition of interest and/or other charges. A written statement in the following form must be printed in the billing statement - "Important Reminder: Paying less than the total amount due will increase the amount of interest you pay and the time it takes to repay your balance"; and
- (i) Any other information that may be required by the BSP.

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