

[REPUBLIC ACT NO. 7394, April 13, 1992]

THE CONSUMER ACT OF THE PHILIPPINES

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

TITLE I

GENERAL PROVISIONS

ARTICLE 1. *Short Title.* - This Act shall be known as the "Consumer Act of the Philippines".

ART. 2. *Declaration of Basic Policy.* - 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:

- a. protection against hazards to health and safety;
- 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;
- d. provision of adequate rights and means of redress; and
- e. involvement of consumer representatives in the formulation of social and economic policies.

ART. 3. *Construction.* - The best interest of the consumer shall be considered in the interpretation and implementation of the provisions of this Act, including its implementing rules and regulations.

ART. 4. *Definition of Terms.* - For purposes of this Act, the term:

- a. "Advertisement" means the prepared and through any form of mass medium subsequently applied, disseminated or circulated advertising matter.
- b. "Advertising" means the business of conceptualizing, presenting or making available to the public, through any form of mass media, fact, data or information about the attributes, features, quality or availability of consumer products, services or credit.
- c. "Advertising Agency or Agent" means a service organization or enterprise creating, conducting, producing, implementing or giving counsel on promotional campaigns or programs through any medium for and in behalf of any advertiser.

- d. "Advertiser" means the client of the advertising agency or the sponsor of the advertisement on whose account the advertising is prepared, conceptualized, presented or disseminated.
- e. "Agricultural purpose" means a purpose related to the, production, harvest, processing, manufacture, distribution, storage, transportation, marketing, exhibition, or disposition of agricultural, fishery or marine products.
- f. "Amount financed" in a consumer credit sale constitutes the cash price plus non-financed charges less the amount of any downpayment whether made in cash or in property traded in, or in a consumer loan the amount paid to, receivable by or paid to or payable to the buyer of to another person in his behalf.
- g. "Banned hazardous substance" means (1) any toy or other articles intended for use by children, which are hazardous per se, or which bear or contain substances harmful to human beings; or (2) any hazardous substance intended or packaged in a form suitable for use in the household, which the implementing agency by regulation, classifies as "banned hazardous substance" notwithstanding the existence of cautionary labels, to safeguard public health safety: *Provided*, That, the implementing agency may, by regulation, exempt from this Act, articles which by reason of their functional purpose require the inclusion of the hazardous substance involved and which bear appropriate labels giving adequate directions and warnings for their safe use.

Procedures for the issuance, amendment or repeal of regulations pursuant to clause (2) or paragraph (g) of this Article shall be governed by the rules and regulations promulgated by the Department of Health: *Provided*, That if the Department of Health finds that the distribution for household use of the hazardous substance involved presents an imminent hazard to the public health, it may publish in a newspaper of general circulation a notice of such finding and such substance shall be deemed to be a "banned hazardous substance" pending the issuance of regulation formally banning such substance.

- h. "Batch" means a quantity of any drug or device produced during a given cycle of manufacture.
- i. "Business name, firm name or style" means any name or designation other than the true name of a person, partnership, corporation or association which is used or signed in connection with his/its business or in
 - 1. any written or printed receipt, including receipt for tax on business;
 - 2. any written or printed contract not verified by a notary public;
 - 3. any written or printed evidence of any agreement or business transaction; and
 - 4. any sign or billboard kept conspicuously exhibited in

plain view in or at the place of the business, announcing a firm name or business name or style.

- j. "Cash price or delivered price", in case of trade transaction, means the amount of money which would constitute full payment upon delivery of the property (except money) or service purchased at the creditor's place of business. In the case of financial transactions, cash price represents the amount received by the debtor upon consummation of the credit transaction, net of finance charges collected at the time the credit is extended, if any.
- k. "Chain distribution plans" or "pyramid sales schemes" means sales devices whereby a person, upon condition that he makes an investment, is granted by the manufacturer or his representative a right to recruit for profit one or more additional persons who will also be granted such right to recruit upon condition of making similar investments: *Provided*, That, the profits of the person employing such a plan are derived primarily from the recruitment of other persons into the plan rather than from the sale of consumer products, services and credit: *Provided, further*, That the limitation on the number of participants does not change the nature of the plan.
- l. "Closing out sale" means a consumer sale wherein the seller uses the announcement to create the impression that he is willing to give large discounts or merchandise in order to reduce, dispose or close out his inventory and business.
- m. "Commerce" means the sale, lease, exchange, traffic or distribution of goods, commodities, productions, services or property, tangible or intangible.
- n. "Consumer" means a natural person who is a purchaser, lessee, recipient or prospective purchaser, lessor or recipient of consumer products, services or credit.
- o. "Consumer credit" means any credit extended by a creditor to a consumer for the sale or lease of any consumer product or service under which part or all of the price or payment therefor is payable at some future time, whether in full or in installments.
- p. "Consumer loan" means a loan made by the lender to a person which is payable in installments for which a finance charge is or may be imposed. This term includes credit transactions pursuant to an open-end-credit plan other than a seller credit card.
- q. "Consumer products and services" means goods, services and credits, debts or obligations which are primarily for personal, family, household or agricultural purposes, which shall include but not limited to, food, drugs, cosmetics, and devices.
- r. "Consumer product safety rule" means a consumer product safety standard described in Article 78 or a rule under this Chapter declaring a consumer product banned hazardous product.
- s. "Consumer transaction" means (1) (i) a sale, lease, assignment, award by chance, or other disposition of consumer products, including chattels that are intended to

be affixed to land, or of services, or of any right, title, or interest therein, except securities as defined in the Securities Act and contracts of insurance under the Insurance Code, or (ii) a grant of provision of credit to a consumer for purposes that are primarily personal, family, household or agricultural, or (2) a solicitation or promotion by a supplier with respect to a transaction referred to in clause (1).

- t. "Corrosive" means any substance which on contact with living tissue will cause destruction of tissue by chemical action.
- u. "Cosmetics" means (1) articles intended to be rubbed, poured, sprinkled or sprayed on, introduced into or otherwise applied to the human body or any part thereof for cleansing, beautifying, promoting attractiveness, or altering the appearance, and (2) article intended for use as a component of any such article except that such term shall not include soap.
- v. "Counterfeit product" means any consumer product which, or the container or labeling of which, without authorization, bears the trademark, trade name, or other identifying mark, imprint, or device, or any likeness thereof, of a consumer product manufacturer, processor, packer, distributor, other than the person or persons who in fact manufactured, processed, packed or distributed such product and which thereby falsely purports or is represented to be the product of, or to have been packed or distributed by such consumer product manufacturer, processor, packer, or distributor.
- w. "Credit card" means any card, plate, coupon book or other credit device existing for the purpose of obtaining money, property, labor or services on credit.
- x. "Credit Sale" means a sale of products, services or an interest in land to a person on credit where a debt is payable in installments or a finance charge is imposed and includes any agreement in the form of a bailment of products or lease of products or real property if the bailee or lessee pays or agrees to pay compensation for use a sum substantially equivalent to or in excess of the aggregate value of the products or real property involved and it is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the products or real property upon full compliance with the terms of the agreement.
- y. "Credit transaction" means a transaction between a natural person and a creditor in which real or personal property, services or money acquired on credit and the person's obligation is payable in installment.
- z. "Creditor" means any person engaged in the business of extending credit and shall include any person who as a regular business practice makes loans or sells or rents property or services on a time, credit or installment basis, either as principal or as agent who requires as an incident to the extension of credit, the payment of a finance charge.

- aa. "Default or delinquency charge" means, with respect to a consumer credit transaction, the penalty charge payable by the consumer-debtor for failure to pay an amount or installment in full on the date the same becomes due and demandable, or on or before the period specified for the purpose in the consumer credit sale documents.
- ab. "Device" means an instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including any component, part or accessory which is (1) recognized in the official United States Pharmacopoeia-National Formulary(USP-NF) or any supplement to them, (2) intended for use in the diagnosis of disease or other condition or in the cure, mitigation, treatment or prevention of disease, in man or other animals; or (3) intended to affect the structure or any function of the body of man or other animals, and which does not achieve any of its principal intended purposes through chemical action within or on the body of man or other animals and which is not dependent upon being metabolized for the achievement of any of its principal intended purposes.
- ac. "Distributor" means any person to whom a consumer product is delivered or sold for purposes of distribution in commerce, except that such term does not include a manufacturer or retailer of such product.
- ad. "Drugs" mean (1) articles recognized in the current official United States Pharmacopoeia-National Formulary, official Homeopathic Pharmacopeia of the United States, official National Drug Formulary, or any supplement to any of them; and (2) articles intended for use in the other animals; and (3) articles (other than food) intended to affect the structure or any function of the body of man or animals; and (4) articles intended for use as a component of any articles specified in clauses (1), (2) or (3) but do not include devices or their components, parts or accessories.

The term "drug" when used in this Act shall include herbal and/or traditional drug. They are defined as articles from indigenous plant or animal origin used in folk medicine which are: (1) recognized in the Philippine National Formulary; (2) intended for use in the treatment or cure, mitigation of disease symptoms, injury or bodily defect for use in man; (3) other than food, intended to affect the structure of any function of the body of man; (4) put into finishes, ready to use form by means of formulation, dosage or dosage directions; and (5) intended for use as a component of any of the articles specified in clauses (1), (2), (3) and (4) of this paragraph.

- ae. "Expiry or expiration date" means the date stated on the label of food, drug, cosmetic, device or hazardous substance after which they are not expected to retain their claimed safety, efficacy and quality or potency and after which it is no longer permissible to sell them.
- af. "Extremely flammable" means any substance which has a