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SENATE
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SENATE

RECEIVED BY: 

S.B. No. 370

Introduced by SEN. WIN GATCHALIAN

**AN ACT
REGULATING DEBT COLLECTION PRACTICES TO PROTECT DEBTORS
FROM ABUSES, HARASSMENT, UNFAIR TREATMENT, AND
MISREPRESENTATION**

EXPLANATORY NOTE

With the steady growth of the Philippine economy, the increase in the purchasing power of middle-class Filipinos, and the emerging reliance on technology and the internet, there has been an alarming increase in complaints on widespread use of abusive, deceptive, and unfair debt collection practices by many financing companies, lending companies, and debt collectors in the country.

A number of unscrupulous financing companies, lending companies, and debt collectors have taken advantage of borrowers by using false or misleading advertisements to lure them to borrow at unreasonable interest rates, by continuously harassing them and their phonebook contacts, or by using offensive or threatening tactics in order to collect the debts owed to them or their clients. Such abusive debt collection practices have contributed to a number of unwarranted personal bankruptcies, marital problems, loss of employment, depression, stress, and invasion of individual privacy.

Acting on numerous complaints with regard to unfair debt collection practices, the Securities and Exchange Commission (SEC) issued on 19 August 2019 Memorandum Circular No. 18 on the "Prohibition on Unfair Debt Collection Practices of Financing Companies (FC) and Lending Companies (LC)". However, despite the SEC's issuance of MC No. 18, unfair debt collection practices continue to plague financial consumers in the Philippines, especially with the growing popularity of online lending applications (OLAs).

In response to complaints from financial consumers that OLAs were illegally using personal data of clients and those in their contact lists, causing damage to their reputation and violating their rights as data subjects, the National Privacy Commission (NPC) in turn issued Circular 20-01 in 2020, barring OLAs from harvesting personal information, such as phone and social media contact lists, for purposes of harassing delinquent borrowers.¹

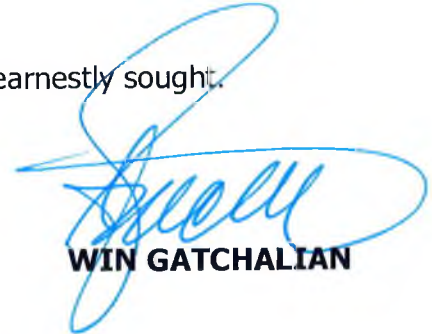
In 2022, Republic Act (RA) No. 11765 or the "Financial Products and Services Consumer Protection Act" was signed into law. RA No. 11765 expressly prohibits financial service providers from employing abusive collection or debt recovery practices against their financial consumers. Notwithstanding this express prohibition against abusive debt collection practices under RA No. 11765, as well as under other existing administrative regulations, many unscrupulous lenders and debt collectors continue to employ unfair and abusive practices in collecting debts, often resorting to harassment, threats, and unauthorized disclosure of personal data of financial consumers, causing anxiety and fear in the borrowing public. Hence, there is an urgent need for a more concrete framework to regulate debt collection practices in the country to put an end to these abusive practices and to adequately protect financial consumers.

Accordingly, this measure aims to minimize, if not eliminate, unfair and abusive debt collection practices by prohibiting acts and conduct amounting to harassment or abuse, or making false or misleading representations, in relation to debt collection. This measure likewise specifies and prohibits acts and conduct considered as unfair debt collection practices. In addition, this bill provides minimum standards for

¹ National Privacy Commission, *Online lenders barred from harvesting borrowers' phone and social-media contact list, says Privacy Commission*, NPC, at <https://privacy.gov.ph/online-lenders-barred-from-harvesting-borrowers-phone-and-social-media-contact-list-says-privacy-commission/> (last visited June 24, 2025).

allowable debt collection practices and sets guidelines to ensure confidentiality of information and transparency in transactions, with the end goal of leveling the playing field between creditors and debt collectors on the one hand, and consumer-debtors on the other.

In view of the foregoing, passage of this bill is earnestly sought.



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

1 **SEC. 1. *Short Title.*** – This Act shall be known as the “Fair Debt
2 Collection Practices Act”.

3 **SEC. 2. *Declaration of Policy.*** – It is hereby declared a State policy to
4 prohibit and eliminate the use of abusive, deceptive, and unfair debt collection
5 practices to protect debtors against abuse and harassment from unscrupulous
6 lenders and debt collectors.

7 **SEC. 3. *Definition of Terms.*** – As used in this Act, the following terms
8 are defined as follows:

9 (a) ***Debt Collector*** refers to any person (i) who uses any
10 instrumentality or any business, the principal purpose of which is
11 the collection of any debts, or (ii) who regularly collects or
12 attempts to collect, directly or indirectly, debts owed or due or
13 asserted to be owed or due another. It also includes any creditor
14 who, in the process of collecting his own debts, uses any name
15 other than his own to give the impression that a third person is

collecting or attempting to collect such debt. It shall also include a debt collection agency or a third-party service provider engaged by a creditor for the purpose of collecting debts owed by another.

This definition shall not include:

- (i) A person who is collecting or attempting to collect a debt of which they are the original creditor or owner;
- (ii) A business that acquires a debt or debts through the seizure of accounts receivable under a security agreement;
- (iii) A corporation that purchases a debt or debts through acquiring or merging with a business in a transaction that includes the transfer of accounts receivables;
- (iv) A person to whom the contract that gave rise to the debt was assigned for the purpose of financing the transaction;
- (v) An officer or employee of the creditor who, in the name of the creditor, collects the debt for the creditor;
- (vi) Any person or entity who acts a debt collector for another person or entity who are related by common ownership or affiliated by corporate control: *Provided*, That the person or entity collects the debt for persons or entities to whom it is related or affiliated, and its principal business is not the collection of debts;
- (vii) Any officer or employee of government, national or local, to the extent that collecting or attempting to collect any debt is in the performance of their official duties;
- (viii) Any person while serving or attempting to serve legal process on any other person in connection with the judicial enforcement of any debt; and
- (ix) Any attorney-at-law collecting a debt as attorney on behalf of and in the name of a client.

- (b) **Contact** refers to communications by telephone, mobile phone, facsimile, e-mail, automated call system, text messaging, or any other electronic modes, or in person, including messages left for

1 a debtor with another person or by voicemail or on an answering
2 machine, or any other form of communication not specifically
3 excluded. This definition shall not include communications that
4 the debtor has expressly consented to or solicits in advance.

5 (c) **Creditor** refers to a person to whom a debtor owes a debt or
6 who has extended credit to a debtor, including but not limited to
7 credit in the form of a sale on credit, a loan of money, or the
8 provision of goods and services. It includes a financing company
9 and a lending company.

10 (d) **Debt** refers to a monetary obligation enforceable at law owed by
11 a debtor, including but not limited to a purchase on credit,
12 accounts receivable, a loan of money, or the provision of goods
13 or services.

14 (e) **Debtor** refers to an individual who has an obligation for a debt,
15 including but not limited to the owner of a sole proprietorship, a
16 member of a partnership, or an individual who has provided a
17 personal guarantee.

18 (f) **Express Consent** refers to consent in a verifiable form, including
19 but not limited to writing and audio recordings.

20 (g) **Financing company** refer to a corporation, except banks,
21 investment houses, savings and loan associations, insurance
22 companies, cooperatives, and other financial institutions
23 organized or operating under other special laws, which is
24 primarily organized for the purpose of extending credit facilities
25 to consumers and to industrial, commercial, or agricultural
26 enterprises, by direct lending or by discounting or factoring
27 commercial papers or accounts receivable, or by buying and
28 selling contracts, leases, chattel mortgages, or other evidences of
29 indebtedness, or by financial leasing of movable as well as
30 immovable property.

31 (h) **Lending company** refers to a corporation engaged in granting
32 loans from its own capital funds or from funds sourced from not

1 more than nineteen (19) persons. It shall not be deemed to
2 include banking institutions, investment houses, savings and loan
3 associations, financing companies, pawnshops, insurance
4 companies, cooperatives and other credit institutions already
5 regulated by law. The term shall be synonymous with lending
6 investors.

- 7 (i) **Representative** means a person, other than the debtor or
8 creditor, that is duly authorized by the debtor or creditor, as
9 applicable, to contact or be contacted in relation to the debt.

10 **SEC. 4. Acquisition of Location Information.** – Any financing
11 company, lending company, or debt collector communicating with any person
12 other than the debtor for the purpose of acquiring location information about
13 the debtor shall:

- 14 (a) Identify themselves, state that they are confirming or correcting
15 location information concerning the debtor, and only if expressly
16 requested, identify themselves or their employer;
17 (b) Not state that such debtor owes any debt;
18 (c) Not communicate with any such person more than once unless
19 requested to do so by such person or unless such creditor or debt
20 collector reasonably believes that the earlier response of such
21 person is erroneous or incomplete and that such person now has
22 correct or complete location information;
23 (d) Not communicate by post card; and
24 (e) Not use any language or symbol on any envelope or in the
25 contents of any communication that indicates that the debt
26 collector is in the debt collection business or that the
27 communication relates to the collection of debt.

28 The foregoing notwithstanding, after a financing company, lending
29 company, or debt collector discovers that the debtor is represented by an
30 attorney with regard to the subject debt and has knowledge, or can readily
31 ascertain, such attorney's name and address, such financing company, lending

1 company, or debt collector shall be prohibited from communicating with any
2 person other than the attorney, unless the attorney fails to respond within a
3 reasonable period of time to the communication from the debt collector.

4 **SEC. 5. Allowable Debt Collection Practices.** – Financing
5 companies, lending companies, and debt collectors may resort to all reasonable
6 and legally permissible means to collect amounts due them under the loan
7 agreement: *Provided*, That in the exercise of their rights and performance of
8 their duties, they must observe good faith and reasonable conduct, and refrain
9 from engaging in abusive, unfair, and untoward conduct prohibited under this
10 Act.

11 **SEC. 6. Prohibition Against Harassment or Abuse.** – Financing
12 companies, lending companies, and debt collectors shall not engage in any
13 conduct the natural consequence of which is to harass, oppress, or abuse any
14 debtor in connection with the collection of a debt. The following acts shall be
15 considered a violation of this section:

- 16 (a) The use or threat of use of violence or other criminal means to
17 harm the physical person, reputation, or property of the debtor
18 or their family;
- 19 (b) The use of obscene or profane language or language the natural
20 consequence of which is to abuse or shame the debtor or their
21 family, or which amounts to a criminal act or offense under
22 applicable laws;
- 23 (c) The disclosure, publication, or posting of the names and other
24 personal information of the debtor who allegedly refuses to pay
25 debts, except as may be allowed under Section 11 of this Act;
- 26 (d) The advertisement for sale of any debt to coerce payment of the
27 debt;
- 28 (e) Causing the telephone or mobile phone of the debtor, their family,
29 or any person other than the debtor in relation to Section 4 of this
30 Act, to ring repeatedly or continuously, or engaging any such

1 person in telephone or mobile phone conversation repeatedly or
2 continuously, with intent to annoy, abuse, or harass;

3 (f) Making telephone or mobile phone calls without meaningful
4 disclosure of the caller's identity, except in instances where such
5 disclosure is specifically prohibited under this Act; and

6 (g) Any analogous circumstances.

7 **SEC. 7. False or Misleading Representations.** – Financing
8 companies, lending companies, and debt collectors shall not use any false,
9 deceptive, or misleading representation or means in connection with the
10 collection of any debt. The following acts shall be considered a violation of this
11 section:

12 (a) The unauthorized use of any badge, uniform, or facsimile thereof;

13 (b) The false representation of the following:

14 (i) The character, amount, or legal status of any debt; or

15 (ii) Any services rendered or compensation which may be
16 lawfully received by any debt collector for the collection of
17 the debt;

18 (c) The false representation or implication that any individual is an
19 attorney or that any communication is from an attorney;

20 (d) The representation or implication that non-payment of any debt
21 will result in arrest or imprisonment of any person, or the seizure,
22 garnishment, attachment, or sale of any property or wages of any
23 person, unless such non-payment is unlawful and the debt
24 collector or creditor intends to take legal action;

25 (e) The use of threat to take any action that cannot be legally taken;

26 (f) The false representation or implication that a sale, referral, or
27 other transfer of any interest in a debt shall cause the debtor to:

28 (i) Lose any claim or defense to payment of the debt; or

29 (ii) Become subject to any practice prohibited by this Act;

30 (g) The false representation or implication that the debtor committed
31 any crime or other similar conduct in order to disgrace the debtor;

- 1 (h) Communication or threatening to communicate to any person
2 credit information of the debtor which is known or which should
3 be known to be false, including the failure to communicate that a
4 disputed debt is disputed;
- 5 (i) The use or distribution of any written communication which
6 simulates, or is falsely represented to be, a document authorized,
7 issued, or approved by any court, official, or agency of the
8 government, national or local, or which creates a false impression
9 as to its source, authorization, or approval;
- 10 (j) The use of any false representation or deceptive means to collect
11 or attempt to collect any debt, or to obtain information concerning
12 a debtor;
- 13 (k) The failure to disclose clearly in all communications made to
14 collect a debt or to obtain information about a debtor that the
15 debt collector is attempting to collect a debt and that any
16 information obtained will be used for that purpose, except in
17 instances where disclosure of such information is specifically
18 prohibited in this Act;
- 19 (l) The false representation or implication that accounts have been
20 turned over to innocent purchasers for value;
- 21 (m) The use of any business, company, or organization name other
22 than the true name of the financing company, lending company,
23 or debt collector's business, company, or organization;
- 24 (n) Giving any person, directly or indirectly, by implication or
25 otherwise, any false or misleading information in relation to the
26 collection of debt, including but not limited to references to the
27 police, a law firm, prison, credit history, court proceedings, or a
28 lien or garnishment; and
- 29 (o) Any analogous circumstances.

30 **SEC. 8. *Unfair Collection Practices.*** – Financing companies, lending
31 companies, and debt collectors shall not use unfair or unconscionable means

- 1 to collect or attempt to collect any debt. The following acts shall be considered
2 a violation of this section:
- 3 (a) The collection of any amount other than the principal obligation,
4 including any interest, fee, charge, or incidental expense, unless
5 such amount is expressly authorized by the agreement creating
6 the debt or permitted by law;
 - 7 (b) The acceptance by a debt collector from any person of a check or
8 other payment instrument postdated by more than five (5) days,
9 unless such person is notified in writing of the debt collector's
10 intent to deposit such check or instrument not less than three (3)
11 business days prior to such deposit;
 - 12 (c) The solicitation by a debt collector of any postdated check or
13 other postdated payment instrument for the purpose of
14 threatening or instituting criminal prosecution;
 - 15 (d) Depositing or threatening to deposit any postdated check or other
16 postdated instrument prior to the date on such check or
17 instrument;
 - 18 (e) Causing charges to be made to any person for communications
19 by concealment of the true purpose of the communication,
20 including but not limited to collect telephone calls and telegram
21 fees;
 - 22 (f) Taking or threatening to take any non-judicial action to effect
23 dispossession or disablement of property if —
 - 24 (i) There is no present right to possession of the property
25 claimed as collateral through an enforceable security
26 interest;
 - 27 (ii) There is no present right to take possession of the
28 property; or
 - 29 (iii) The property is exempt by law from such dispossession or
30 disablement; and

- 1 (g) Using any language or symbol, other than the debt collector's
2 address, on any envelope when communicating with a debtor by
3 mail or by telegram.

4 **SEC. 9. *Other Prohibited Acts and Practices.*** – No debt collector
5 shall commit any of the following prohibited acts and practices:

- 6 (a) Collecting or attempting to collect money for a creditor except on
7 the belief in good faith that the money is due and owing by the
8 debtor to the creditor;
- 9 (b) Failure to provide a contact number for the debtor to call when
10 the debt collector uses an automated call system to contact the
11 debtor;
- 12 (c) Collecting or attempting to collect a debt without providing the
13 real name of the agent or representative of the debt collector, the
14 contact number, the registered name, and address of the debt
15 collector;
- 16 (d) Making any arrangement with a debtor to accept a sum of money
17 that is less than the amount of the balance due and owing to a
18 creditor as final settlement without the prior express consent of
19 the creditor;
- 20 (e) Failure to provide a written report on the status of the account of
21 any person with whom the debt collector transacts with;
- 22 (f) Making any call to the debtor or any other person other than the
23 debtor for the purpose of collecting or attempting to collect a debt
24 on any day outside the window of 8 AM to 9 PM;
- 25 (g) Directly or indirectly threatening or stating an intention to proceed
26 with any action for which the debt collector does not have the
27 prior express consent of the creditor or for which there is no
28 lawful authority;
- 29 (h) Continuing to collect or attempting to collect money from, or
30 continuing to communicate with:

- 1 (i) A person who has informed the debt collector that they are
2 not the debtor, unless the debt collector has taken all
3 reasonable precautions to ensure that the person is in fact
4 the debtor; or
- 5 (ii) The debtor, after they have informed the debt collector,
6 through any verifiable means, that the debt is in dispute
7 and that the debtor wishes the creditor to take the matter
8 to court;
- 9 (i) Contacting the debtor's spouse, relative, neighbor, friend, or
10 acquaintance unless the contact is limited to the purpose of
11 confirming or correcting the debtor's residential address or
12 contact details;
- 13 (j) Contacting the debtor's employer for any purpose other than to
14 confirm the debtor's employment status, business title, and the
15 address of the business, in preparation for legal proceedings;
- 16 (k) Contacting the debtor after the debtor has notified the debt
17 collector in writing to communicate only with the debtor's
18 representative, providing therein the current address and
19 telephone number of such representative for the purpose of:
- 20 (i) Making reasonable arrangements to discuss the debt with
21 the debt collector; and
- 22 (ii) Discussing the debt with the debt collector in accordance
23 with the arrangements;
- 24 (l) Contacting a debtor at their place of employment after the debtor
25 has requested the debt collector to not to contact the debtor in
26 their place of employment: *Provided*, That the debtor makes
27 reasonable arrangements to discuss the debt with the debt
28 collector and discusses the debt with the debt collector in
29 accordance with such arrangements;
- 30 (m) Communicating information about the debt or the existence of
31 the debt with any person other than the debtor, a guarantor of
32 the debt, the debtor's representative, or the creditor of the debt,

- 1 unless the debtor has expressly consented to communicating
2 such information to persons other than those enumerated herein;
3 (n) Refusing to provide sufficient information on the identity of the
4 original and current creditor, as well as the details of the debt,
5 upon request of the debtor;
6 (o) Entering into or arranging automatic wage or salary assignments
7 with a debtor or the employer of a debtor; or
8 (p) Canceling or altering a payment agreement with a debtor when
9 the debtor has complied with the terms of the agreement and the
10 debtor's financial circumstances have not changed materially,
11 unless the debtor has misrepresented the debtor's financial
12 circumstances.

13 **SEC. 10. *Prohibited Agreements.*** – Any agreement entered into by
14 the debtor and the debt collector shall be deemed void if that agreement:

- 15 (a) Misrepresents the rights and powers of a person collecting or
16 attempting to collect a debt;
17 (b) Misrepresents the obligations or legal liabilities of a debtor; or
18 (c) Is misleading as to its true nature and purpose.

19 **SEC. 11. *Confidentiality of Information.*** – Creditors shall keep
20 strictly confidential the data on the debtor, except under the following
21 circumstances:

- 22 (a) Disclosure of information with the written consent of the debtor;
23 (b) Release, submission, or exchange of customer information with
24 other financial institutions, credit information bureaus, lenders,
25 their subsidiaries and affiliates;
26 (c) Upon orders of a court of competent jurisdiction or any
27 government office or agency authorized by law;
28 (d) Disclosure by creditors to debt collectors, counsels, and other
29 agents to enforce their rights against the debtor; and
30 (e) Disclosure to third parties, such as insurance companies, solely
31 for the purpose of insuring the creditor from default of the debtor

1 or other credit loss, or insuring the debtor from fraud or
2 unauthorized charges.

3 **SEC. 12. *Issuance of Receipts.*** – Every debt collector shall issue an
4 acknowledgment receipt for all cash transactions, payments made in person,
5 or payments made by the debtor. Such acknowledgment receipt shall contain
6 the following information:

- 7 (a) The date the amount is collected or received;
- 8 (b) The name of the debtor;
- 9 (c) The name of the person for whom the debt collector acts on
10 behalf of; and
- 11 (d) The amount received from the debtor.

12 **SEC. 13. *Settlement Agreement.*** – Once a debt collector reaches a
13 settlement agreement with a debtor and the amount set in the settlement
14 agreement has been paid in full, the debt collector shall issue to the debtor a
15 receipt containing the following information:

- 16 (a) The amount paid;
- 17 (b) The name of the creditor or creditors; and
- 18 (c) A statement that the amount received is in final settlement of the
19 debt or debts owing.

20 **SEC. 14. *Request for Accounting.*** – A debt collector must provide
21 the debtor, upon request, with a complete accounting of all the details of the
22 debt: *Provided*, That if such accounting is not in the possession of the debt
23 collector, the debt collector must request the creditor to provide the same.
24 *Provided, further*, That if within thirty (30) days after receiving a request for an
25 accounting from the debt collector, the creditor has not provided a complete
26 accounting of the debt, the debt collector must:

- 27 (a) Inform the debtor in writing that it cannot provide the accounting
28 and the reasons for the same; and
- 29 (b) Cease all collection activity for that account and not resume
30 collection activity until the accounting is provided.

1 A debtor may request a complete accounting only once every six (6)
2 months, unless the debt collector fails to provide the complete accounting as
3 requested.

4 **SEC. 15. *Administrative Penalties.*** – The Securities and Exchange
5 Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP) shall issue their
6 respective rules and regulations for the implementation of the provisions of this
7 Act and for the imposition of reasonable administrative penalties for violations
8 thereof.

9 **SEC. 16. *Civil Liability.*** – (a) *Amount of Damages.* – Any financing
10 company, lending company, or debt collector who violates any of the provisions
11 in this Act with respect to any person shall be liable to such person in an amount
12 equal to the sum of:

- 13 (i) Any actual damage sustained by such person as a result of the
14 violation;
- 15 (ii) In the case of any action by an individual, such additional
16 damages as the court may allow, but not exceeding Thirty
17 Thousand Pesos (Php. 30,000.00); or
- 18 (iii) In the case of a class action, such amount for each named plaintiff
19 as could be recovered under paragraphs (i) and (ii), as well as
20 such amount as the Court may allow for all other class members:
21 *Provided, That such additional fine shall not exceed Sixty*
22 *Thousand Pesos (Php. 60,000.00) or one (1) percent of the net*
23 *worth of the financing company, lending company, or debt*
24 *collector, whichever is lower.*

25 (b) *Factors to be Considered by the Court.* – In determining the amount
26 of liability in any action under paragraph (a) of this section, the court shall
27 consider, along with other relevant factors, the following:

- 28 (i) In any individual action under paragraph (a)(ii) of this section,
29 the frequency and persistence of non-compliance by the financing
30 company, lending company, or debt collector, the nature of such

1 non-compliance, and the extent to which such noncompliance
2 was intentional; and

3 (ii) In any class action under paragraph (a)(iii) of this section, the
4 frequency and persistence of non-compliance by the financing
5 company, lending company, or debt collector, the nature of such
6 non-compliance, the resources of the financing company, lending
7 company or debt collector, the number of persons adversely
8 affected, and the extent to which the financing company, lending
9 company, or debt collector's non-compliance was intentional.

10 (c) *Intent.* – A financing company, lending company, or debt collector
11 may not be held liable in any action brought under this section if the financing
12 company, lending company, or debt collector shows by a preponderance of
13 evidence that the violation was not intentional and resulted from a bona fide
14 error in good faith.

15 (d) *Jurisdiction.* – An action to enforce any liability under this Act may
16 be brought in any court of appropriate jurisdiction based on the amount of debt
17 involved.

18 **SEC. 17. *Separability Clause.*** – If any provision of this Act is declared
19 invalid or unconstitutional, the provisions not affected thereby shall remain in
20 full force and effect.

21 **SEC. 18. *Repealing Clause.*** – All laws, presidential decrees, executive
22 orders, presidential proclamations, rules and regulations, or parts thereof
23 contrary to or inconsistent with this Act are hereby repealed or modified
24 accordingly.

25 **SEC. 19. *Effectivity.*** – This Act shall take effect fifteen (15) days after
26 its publication in the Official Gazette or at least two (2) national papers of
27 general circulation.

28 *Approved,*