

Enhanced Implementation of the Truth in Lending Act (Republic Act 3765)

The State protects its citizens from a lack of awareness of the true cost of credit to the customer by assuring a full disclosure of such cost and other terms and conditions with a view of preventing the uninformed use of credit.

As such, a disclosure statement is a required attachment to the loan contract.

It shall include, at a minimum, the following information:

- 1) Total amount to be financed
- 2) Finance Charges and all other charges incident to the loan
- 3) Net proceeds of the loan
- 4) Schedule of Payments
- 5) The percentage that the finance charge bears to the total amount to be financed expressed as an Effective Interest Rate (EIR)

IMPORTANT NOTICE:

The borrower has a right to demand a copy of the disclosure statement.

REPUBLIC ACT No. 3765

AN ACT TO REQUIRE THE DISCLOSURE OF FINANCE CHARGES IN CONNECTION WITH EXTENSIONS OF CREDIT.

Section 1. This Act shall be known as the "Truth in Lending Act."

Section 2. Declaration of Policy. It is hereby declared to be the policy of the State to protect its citizens from a lack of awareness of the true cost of credit to the user by assuring a full disclosure of such cost with a view of preventing the uninformed use of credit to the detriment of the national economy.

Section 3. As used in this Act, the term

- (1) "Board" means the Monetary Board of the Central Bank of the Philippines.
- (2) "Credit" means any loan, mortgage, deed of trust, advance, or discount; any conditional sales contract; any contract to sell, or sale or contract of sale of property or services, either for present or future delivery, under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract; any contract or arrangement for the hire, bailment, or leasing of property; any option, demand, lien, pledge, or other claim against, or for the delivery of, property or money; any purchase, or other acquisition of, or any credit upon the security of, any obligation of claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.
- (3) "Finance charge" includes interest, fees, service charges, discounts, and such other charges incident to the extension of credit as the Board may be regulation prescribe.
- (4) "Creditor" means any person engaged in the business of extending credit (including any person who as a regular business practice make 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.
- (5) "Person" means any individual, corporation, partnership, association, or other organized group of persons, or the legal successor or representative of the foregoing, and includes the Philippine Government or any agency thereof, or any other government, or of any of its political subdivisions, or any agency of the foregoing.

Section 4. Any creditor shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear statement in writing setting forth, to the extent applicable and in accordance with rules and regulations prescribed by the Board, the following information:

- (1) the cash price or delivered price of the property or service to be acquired;
- (2) the amounts, if any, to be credited as down payment and/or trade-in;
- (3) the difference between the amounts set forth under clauses (1) and (2);
- (4) the charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;
- (5) the total amount to be financed;
- (6) the finance charge expressed in terms of pesos and centavos; and
- (7) the percentage that the finance bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation.

Section 5. The Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the provisions of this Act. Any rule or regulation prescribed hereunder may contain such classifications and differentiations as in the judgment of the Board are necessary or proper to effectuate the purposes of this Act or to prevent circumvention or evasion, or to facilitate the enforcement of this Act, or any rule or regulation issued thereunder.

Section 6. (a) Any creditor who in connection with any credit transaction fails to disclose to any person any information in violation of this Act or any regulation issued thereunder shall be liable to such person in the amount of P100 or in an amount equal to twice the finance charged required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed P2,000 on any credit transaction. Action to recover such penalty may be brought by such person within one year from the date of the occurrence of the violation, in any court of competent jurisdiction. In any action under this subsection in which any person is entitled to a recovery, the creditor shall be liable for reasonable attorney's fees and court costs as determined by the court.

(b) Except as specified in subsection (a) of this section, nothing contained in this Act or any regulation contained in this Act or any regulation thereunder shall affect the validity or enforceability of any contract or transactions.

(c) Any person who willfully violates any provision of this Act or any regulation issued thereunder shall be fined by not less than P1,00 or more than P5,000 or imprisonment for not less than 6 months, nor more than one year or both.

(d) No punishment or penalty provided by this Act shall apply to the Philippine Government or any agency or any political subdivision thereof.

(e) A final judgment hereafter rendered in any criminal proceeding under this Act to the effect that a defendant has willfully violated this Act shall be prima facie evidence against such defendant in an action or proceeding brought by any other party against such defendant under this Act as to all matters respecting which said judgment would be an estoppel as between the parties thereto.

Section 7. This Act shall become effective upon approval.

Approved: June 22, 1963