



HOUSE OF REPRESENTATIVES

H. No. 4841

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AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES AND FOR OTHER PURPOSES

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

1 SECTION 1. *Short Title.* – This Act shall be known as the “Lemon
2 Law of 2011”.

3 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of
4 the State to promote full protection to the rights of the consumers in the sale of

1 motor vehicles against sales and trade practices which are deceptive, unfair or
2 otherwise inimical to the consumers and the public interest.

3 The State recognizes that a motor vehicle is a major consumer purchase
4 or investment. The consumer rights should thus be clearly defined including
5 the means for redress for violations thereof.

6 SEC. 3. *Definition of Terms.* — For purposes of this Act, the following
7 terms shall mean:

8 (a) *Brand New Motor Vehicle* refers to a vehicle constructed entirely
9 from new parts that has never been sold or registered with the Department of
10 Transportation and Communications (DOTC) or an appropriate agency or
11 authority and operated on the highway of the Philippines, or in a foreign state
12 or country.

13 (b) *Collateral Charges* refer to the fees paid to the Land Transportation
14 Office (LTO) for the registration of a brand new motor vehicle and other
15 incidental expenses, including the cost of insurance pertaining to the said
16 vehicle.

17 (c) *Comparable Motor Vehicle* refers to a motor vehicle that is
18 identical or reasonably equivalent to the motor vehicle to be replaced, in terms
19 of specifications and values, subject to availability, as the motor vehicle
20 existed at the time of purchase: *Provided*, That there shall be an offset from
21 this value for reasonable allowance for its use.

22 (d) *Consumer* refers to any person, natural or juridical, who is a
23 purchaser, either by cash or credit, of a brand new motor vehicle.

24 (e) *Dealer or Seller* refers to any person other than a manufacturer who
25 sells motor vehicles to the public.

26 (f) *Distributor* refers to any person or entity other than a manufacturer
27 who sells brand new motor vehicles to their duly authorized dealers or
28 retailers.

1 (g) *Implementing Agency* refers to the Department of Trade and
2 Industry (DTI).

3 (h) *Lemon Law Rights Period* refers to the period ending twelve (12)
4 months after the date of the original delivery of a brand new motor vehicle to a
5 consumer or the first twenty thousand (20,000) kilometers of operation after
6 such delivery, whichever comes first. This shall be the period during which the
7 consumer can report any nonconformity, as defined in paragraph (k) herein, to
8 the standards and specifications of the manufacturer, distributor, authorized
9 dealer or retailer, and pursue any right provided for under this Act.

10 (i) *Manufacturer* refers to a person, partnership, association,
11 corporation or entity engaged in the business of manufacturing or assembling
12 motor vehicles, or distributing motor vehicles to motor vehicle dealers.

13 (j) *Motor Vehicle* refers to any self-propelled four-wheeled road
14 vehicle designed to carry passengers including, but not limited to, sedans,
15 coupes, station wagons, convertibles, pick-ups, vans, sports utility vehicles
16 (SUVs) and Asian Utility Vehicles (AUVs) but excepting motorcycles,
17 delivery trucks, dump trucks, buses, road rollers, trolley cars, street sweepers,
18 sprinkles, lawn mowers and heavy equipment such as, but not limited to,
19 bulldozers, payloaders, graders, forklifts, amphibian trucks, cranes, and
20 vehicles which run only on rails or tracks, and tractors, trailers and traction
21 engines of all kinds used exclusively for agricultural purposes. Trailers having
22 any number of wheels, when propelled or intended by attachment to a motor
23 vehicle, shall be classified as separate motor vehicle with no power rating.

24 (k) *Nonconformity* refers to any defect or condition that substantially
25 impairs the use, value or safety of a brand new motor vehicle which prevents it
26 from conforming to the manufacturer's or distributor's standards or
27 specifications which cannot be repaired, but excluding conditions resulting
28 from noncompliance by the consumer of his or her obligations under the

1 warranty, modifications not authorized by the manufacturer or distributor,
2 abuse or neglect, and damage due to accident or *force majeure*.

3 (l) *Purchase Price* refers to the invoice price or the amount of money
4 which the dealer or retailer actually received for the brand new motor vehicle
5 in consideration of the sale of such brand new motor vehicle.

6 (m) *Warranty* refers to the written assurance, so labeled, of the
7 manufacturer of a brand new motor vehicle including any term or condition
8 precedent to the enforcement of obligations under the warranty.

9 (n) *Warranty Rights Period* refers to the period provided for under the
10 contract of sale when the manufacturer would guarantee the materials used, the
11 workmanship and the roadworthiness of a brand new motor vehicle for
12 ordinary use or reasonable intended purposes.

13 SEC. 4. *Coverage*. – This Act shall cover brand new motor vehicles
14 with nonconformity reported by the consumer within twelve (12) months from
15 the date of original delivery to the consumer or twenty thousand (20,000)
16 kilometers of operation after such delivery, whichever comes first. The
17 following causes of nonconformity shall be excluded:

18 (a) *Noncompliance* by the consumer of his or her obligations under the
19 warranty;

20 (b) *Modifications* not authorized by the manufacturer or distributor;

21 (c) *Abuse or neglect* of the brand new motor vehicle; and

22 (d) *Damage* to the vehicle due to accident or *force majeure*.

23 SEC. 5. *Repair Attempts*. – At any time within the *Lemon Law* rights
24 period, and after at least four (4) separate repair attempts by the same dealer-
25 manufacturer for the same complaint, the consumer, if still unsatisfied with the
26 results of the said repairs, may invoke his or her rights under this Act.

27 SEC. 6. *Notice of Availment of Lemon Law Rights*. – Before availing
28 of any remedy under this Act and subject to compliance with the provisions of

1 Section 5 hereof, the consumer shall, in writing, notify the manufacturer,
2 distributor, authorized dealer or retailer of the unresolved complaint, and the
3 consumer's intention to invoke his or her rights under this Act within the
4 Lemon Law rights period.

5 The warranty booklet issued by the manufacturer, distributor, authorized
6 dealer or retailer shall clearly state the manner and form of such notice to
7 constitute a valid and legal notice to the manufacturer, distributor, authorized
8 dealer or retailer.

9 *SEC. 7. Availment of Lemon Law Rights.* -- Subsequent to filing the
10 notice of availment referred to in the preceding section, the consumer shall
11 bring the vehicle to the dealer from where the vehicle was purchased for a final
12 attempt to address the complaint of the consumer to his or her satisfaction.

13 It shall be the duty of the manufacturer, distributor, authorized dealer or
14 retailer, upon receipt of the motor vehicle and the notice nonconformity
15 required under Section 6 hereof, to attend to the complaints of the consumer
16 including, as may be necessary, making the repairs and undertaking such
17 actions to make the vehicle conform to the standards or specifications of the
18 manufacturer or distributor for such vehicle.

19 In case the consumer remains unsatisfied with the dealer-manufacturer's
20 efforts to repair the vehicle, pursuant to the consumer's availment of his or her
21 Lemon Law rights, the consumer may file a complaint before the DTI as
22 provided for under this Act: *Provided, however,* That if the vehicle is not
23 returned for repair, based on the same complaint, within thirty (30) calendar
24 days from the date of notice of release of the motor vehicle to the consumer
25 following this repair attempt within the Lemon Law rights period, the repair is
26 deemed successful: *Provided, finally,* That, in the event the consumer still
27 remains unsatisfied after the thirty (30)-day period but still within the Lemon

1 Law rights period, the consumer may be allowed to avail of the same remedies
2 under Sections 5 and 6 hereof.

3 To compensate for the non-usage of the vehicle while under repair and
4 during the period of availment of the Lemon Law rights, the consumer shall be
5 provided a reasonable daily transportation allowance equivalent to first class
6 taxi fare as evidenced by actual receipts, or a service vehicle at the option of
7 the manufacturer, distributor, authorized dealer or retailer. Any disagreement
8 on this matter shall be resolved by the DTI.

9 Nothing herein shall be construed to limit or impair the rights and
10 remedies of a consumer under any other law.

11 SEC. 8. *Remedies for Dispute Resolution.* – The DTI shall exercise
12 exclusive and original jurisdiction over disputes arising from the provisions of
13 this Act. All disputes arising from the provisions of this Act shall be settled
14 by the DTI in accordance with the following dispute resolution mechanisms:

15 (a) Mediation:

16 (1) The principle of negotiation, conciliation and mediation towards
17 amicable settlement between the manufacturer or distributor and consumer
18 shall be strictly observed;

19 (2) In the course of its dispute resolution efforts, the DTI shall
20 endeavor to independently establish the validity of the consumer's outstanding
21 complaint. The DTI shall likewise retain the services of other government
22 agencies or independent private entities in the ascertainment of the validity of
23 the consumer's complaint. Any cost incurred in establishing the validity of the
24 consumer's complaint shall be borne jointly by the consumer and the
25 dealer-manufacturer;

26 (3) The complaint shall be deemed valid if it is independently
27 established that the vehicle does not conform to the standards or specifications
28 set by the manufacturer;

1 (4) Upon failure of the negotiation or mediation between the
2 manufacturer or distributor and the consumer, the parties shall execute a
3 certificate attesting to such failure; and

4 (5) At any time during the *dispute resolution period*, the manufacturer
5 or distributor shall not be precluded from offering easier remedial terms to the
6 consumer to reach amicable settlement at any stage of the dispute mechanism.

7 All disputes that have been submitted for amicable settlement shall be
8 settled not later than forty-five (45) working days from the date of filing of the
9 complaint with the DTI.

10 (b) Arbitration:

11 (1) In the event there is a failure to settle the complaint during the
12 mediation proceedings, the parties may voluntarily enter into arbitration
13 proceedings, likewise to be supervised by the DTI. The DTI shall rely on the
14 independent findings as to conformity to standards and specifications
15 established herein.

16 (2) In case a nonconformity of the vehicle is found by the DTI, it shall
17 rule in favor of the consumer and direct the dealer or manufacturer to grant
18 either of the following remedies to the consumer:

19 (i) Replace the motor vehicle with a similar or comparable motor
20 vehicle in terms of specifications and values, subject to availability; or

21 (ii) Accept the return of the motor vehicle and pay the consumer the
22 purchase price plus the collateral charges.

23 In case the consumer decides to purchase another vehicle with a higher
24 value and specifications from the same dealer or manufacturer, the consumer
25 shall pay the difference in cost.

26 In both cases of replacement and repurchase, the reasonable allowance
27 for use, as provided for in this Act, shall be deducted in determining the value
28 of the nonconforming vehicle.

1 (3) In case a nonconformity of the vehicle is not found by the DTI, it
2 shall rule in favor of the dealer or manufacturer, and direct the consumer to
3 reimburse the dealer or manufacturer the costs incurred by the latter in
4 validating the consumer's complaints.

5 SEC. 9. *Determination of Reasonable Allowance for Use.* – For
6 purposes of this Act, "reasonable allowance for use" shall mean twenty percent
7 (20%) *per annum* deduction from the purchase price, or the product of the
8 distance traveled in kilometers and the purchase price divided by one hundred
9 thousand (100,000) kilometers, whichever is higher.

10 SEC. 10. *Disclosure on Resale.* – Should the returned vehicle be
11 made available for resale, the manufacturer or distributor shall, prior to sale, or
12 transfer, disclose to the dealer in writing that:

13 (a) The motor vehicle was returned to the manufacturer, distributor,
14 factory or branch;

15 (b) The nature of the nonconformity which caused the return; and

16 (c) The condition of the motor vehicle at the time of the transfer to the
17 dealer.

18 It shall be the responsibility of the dealer to make the same disclosure in
19 writing, in turn, to the next purchaser prior to the sale. The responsibility of
20 the dealer under this section shall cease upon the sale of the affected motor
21 vehicle to the first purchaser.

22 SEC. 11. *Penalty.* – The manufacturer, distributor or dealer adjudged
23 to have violated the provisions requiring disclosure as mentioned in the
24 preceding section shall be liable to pay a minimum amount of One hundred
25 thousand pesos (P100,000.00) as damages to the aggrieved party without
26 prejudice to any civil or criminal liability they and/or the responsible officer
27 may incur under existing laws.

1 SEC. 12. *Assistance by Other Agencies.* – The DOTC and other
2 agencies, political subdivisions, local government units, including government-
3 owned and -controlled corporations shall render such assistance as required by
4 the DTI in order to effectively implement the provisions of this Act.

5 SEC. 13. *Implementing Rules and Regulations.* – The DTI shall
6 promulgate the necessary implementing rules and regulations within ninety
7 (90) days from the effectivity of this Act.

8 SEC. 14. *Separability Clause.* – If, for any reason, any part or
9 provision of this Act is declared invalid, such declaration shall not affect the
10 other provisions of this Act.

11 SEC. 15. *Repealing Clause.* – All laws, decrees, executive orders,
12 issuances, rules and regulations or parts thereof which are inconsistent with the
13 provisions of this Act are hereby deemed repealed, amended or modified
14 accordingly.

15 SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days
16 after its publication in the *Official Gazette* or in two (2) national newspapers of
17 general circulation.

Approved,

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