



HOUSE OF REPRESENTATIVES

H. No. 4082

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AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES

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 "Philippine
2 Lemon Law".

3 SEC. 2. *Declaration of Policy.* -- It is hereby declared the policy of the
4 State to promote full protection to the rights of consumers in the sale of motor
5 vehicles against business and trade practices which are deceptive, unfair or
6 otherwise inimical to consumers and the public interest.

1 The State recognizes that a motor vehicle is a major consumer purchase
2 or investment. Hence, the rights of consumers should be clearly defined,
3 including the means for redress for violations thereof.

4 SEC. 3. *Definition of Terms.* – As used in this Act:

5 (a) *Brand new motor vehicle* refers to a vehicle constructed entirely
6 from new parts and covered by a manufacturer's express warranty at the time
7 of purchase that has never been sold or registered with the Department of
8 Transportation and Communications (DOTC) or an appropriate agency or
9 authority, and has never been operated on any highway of the Philippines, or in
10 any foreign state or country;

11 (b) *Collateral charges* refer to the fees paid to the Land Transportation
12 Office (LTO) for the registration of a brand new motor vehicle and other
13 incidental expenses such as, but not limited to, the cost of insurance pertaining
14 to the vehicle;

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

20 (d) *Consumer* refers to any person, natural or juridical, who purchases
21 a brand new motor vehicle either by cash or credit from an authorized
22 distributor, dealer or retailer;

23 (e) *Dealer or retailer* refers to any person, natural or juridical,
24 authorized by the manufacturer or distributor to sell brand new motor vehicles
25 directly to the retail buyers and the public;

26 (f) *Distributor* refers to any person, natural or juridical, authorized
27 by the manufacturer to sell brand new motor vehicles to duly authorized
28 dealers or retailers;

1 (g) *Implementing agency* refers to the Department of Trade and
2 Industry (DTI), reorganized under Title X, Book IV of Executive Order
3 No. 292, series of 1987, otherwise known as the “Administrative Code of
4 1987”;

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

13 (i) *Manufacturer* refers to any person, natural or juridical, engaged in
14 the business of manufacturing or assembling motor vehicles;

15 (j) *Motor vehicle* refers to any self-propelled, four (4)-wheeled road
16 vehicle designed to carry passengers including, but not limited to, sedans,
17 coupes, station wagons, convertibles, pick-ups, vans, sports utility vehicles
18 (SUVs) and Asian Utility Vehicles (AUVs) but excluding motorcycles,
19 delivery trucks, dump trucks, buses, road rollers, trolley cars, street sweepers,
20 sprinklers, lawn mowers and heavy equipment such as, but not limited to,
21 bulldozers, payloaders, graders, forklifts, amphibian trucks, cranes, and
22 vehicles which run only on rails or tracks, and tractors, trailers and traction
23 engines of all kinds used exclusively for agricultural purposes. Trailers having
24 any number of wheels, when propelled or intended by attachment to a motor
25 vehicle, shall be classified as separate motor vehicle with no power rating;

26 (k) *Nonconformity* refers to any defect or condition that substantially
27 impairs the use, value or safety of a brand new motor vehicle which
28 prevents it from conforming to the manufacturer’s or distributor’s standards or

1 specifications, which cannot be repaired, but excluding conditions resulting
2 from noncompliance by the consumer of his or her obligations under the
3 warranty, modifications not authorized by the manufacturer or distributor,
4 abuse or neglect, and damage due to accident or *force majeure*;

5 (l) *Purchase price* refers to the invoice price or the amount of money
6 which the dealer or retailer actually received for the brand new motor vehicle,
7 in consideration of the sale of such brand new motor vehicle;

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

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

15 SEC. 4. *Coverage*. — This Act shall cover brand new motor vehicles
16 reported by a consumer to be in nonconformity with the vehicle's manufacturer
17 or distributor's standards or specifications within twelve (12) months from
18 the date of original delivery to the consumer, or up to twenty thousand
19 (20,000) kilometers of operation after such delivery, whichever comes first.
20 The following causes of nonconformity shall be excluded:

21 (a) Noncompliance by the consumer of the obligations under the
22 warranty;

23 (b) Modifications not authorized by the manufacturer, distributor,
24 authorized dealer or retailer;

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

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

27 SEC. 5. *Repair Attempts*. — At any time within the Lemon Law rights
28 period, and after at least four (4) separate repair attempts by the same

1 manufacturer, distributor, authorized dealer or retailer for the same complaint,
2 the consumer, if still unsatisfied with the results of the said repairs, may invoke
3 his or her rights under this Act.

4 SEC. 6. *Notice of Availment of Lemon Law Rights.* – Before availing
5 of any remedy under this Act and subject to compliance with the provisions of
6 Section 5 hereof, the consumer shall, in writing, notify the manufacturer,
7 distributor, authorized dealer or retailer of the unresolved complaint, and the
8 consumer's intention to invoke his or her rights under this Act within the
9 Lemon Law rights period.

10 The warranty booklet issued by the manufacturer, distributor,
11 authorized dealer or retailer shall clearly state the manner and form of such
12 notice to constitute a valid and legal notice to the manufacturer, distributor,
13 authorized dealer or retailer. It shall also clearly state the responsibility of the
14 consumer under this section.

15 SEC. 7. *Availment of Lemon Law Rights.* – Subsequent to filing the
16 notice of availment referred to in the preceding section, the consumer shall
17 bring the vehicle to the manufacturer, distributor, authorized dealer or retailer
18 from where the vehicle was purchased for a final attempt to address the
19 complaint of the consumer to his or her satisfaction.

20 It shall be the duty of the manufacturer, distributor, authorized dealer or
21 retailer, upon receipt of the motor vehicle and the notice of nonconformity
22 required under Section 6 hereof, to attend to the complaints of the consumer
23 including, as may be necessary, making the repairs and undertaking such
24 actions to make the vehicle conform to the standards or specifications of the
25 manufacturer, distributor, authorized dealer or retailer for such vehicle.

26 In case the consumer remains unsatisfied with the manufacturer,
27 distributor, authorized dealer or retailer's efforts to repair the vehicle,
28 pursuant to the consumer's availment of his or her Lemon Law rights, the

1 consumer may file a complaint before the DTI as provided for under this Act:
2 *Provided, however,* That if the vehicle is not returned for repair, based on the
3 same complaint, within thirty (30) calendar days from the date of notice of
4 release of the motor vehicle to the consumer following this repair attempt
5 within the Lemon Law rights period, the repair is deemed successful:
6 *Provided, finally,* That, in the event the consumer still remains unsatisfied after
7 the thirty (30)-day period but still within the Lemon Law rights period, the
8 consumer may be allowed to avail of the same remedies under Sections 5 and 6
9 hereof.

10 To compensate for the non-usage of the vehicle while under repair and
11 during the period of availment of the Lemon Law rights, the consumer shall be
12 provided a reasonable daily transportation allowance, an amount which
13 covers the transportation of the consumer from his or her residence to
14 his or her regular workplace or destination and vice versa, equivalent to
15 air-conditioned taxi fare, as evidenced by official receipt, or in such amount to
16 be agreed upon by the parties, or a service vehicle at the option of the
17 manufacturer, distributor, authorized dealer or retailer. Any disagreement on
18 this matter shall be resolved by the DTI.

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

21 *SEC. 8. Remedies for Dispute Resolution.* — The DTI shall
22 exercise exclusive and original jurisdiction over disputes arising from the
23 provisions of this Act. All disputes arising from the provisions of this Act shall
24 be settled by the DTI in accordance with the following dispute resolution
25 mechanisms:

26 (a) Mediation

1 (1) The principles of negotiation, conciliation and mediation towards
2 amicable settlement between the manufacturer, distributor, authorized
3 dealer or retailer and the consumer shall be strictly observed;

4 (2) In the course of its dispute resolution efforts, the DTI shall
5 endeavor to independently establish the validity of the consumer's
6 outstanding complaint. The DTI shall likewise retain the services of other
7 government agencies or qualified independent private entities in the
8 ascertainment of the validity of the consumer's complaint. Any cost incurred
9 in establishing the validity of the consumer's complaint shall be borne
10 jointly by the consumer and the manufacturer, distributor, authorized dealer or
11 retailer;

12 (3) The complaint shall be deemed valid if it is independently
13 established that the motor vehicle does not conform to the standards or
14 specifications set by the manufacturer, distributor, authorized dealer or retailer;

15 (4) Upon failure of the negotiation or mediation between the
16 manufacturer, distributor, authorized dealer or retailer and the consumer, the
17 parties shall execute a certificate attesting to such failure; and

18 (5) At any time during the dispute resolution period, the
19 manufacturer, distributor, authorized dealer or retailer and the consumer
20 shall be encouraged to settle amicably. All disputes that have been submitted
21 for mediation shall be settled not later than forty-five (45) working days from
22 the date of filing of the complaint with the DTI.

23 (b) Arbitration

24 (1) In the event there is a failure to settle the complaint during the
25 mediation proceedings, the parties may voluntarily enter into arbitration
26 proceedings, likewise to be supervised by the DTI. The DTI shall rely on
27 qualified independent findings as to conformity to standards and specifications
28 established herein;

1 (2) In case a finding of nonconformity is arrived at, the DTI shall rule
2 in favor of the consumer and direct the manufacturer, distributor, authorized
3 dealer or retailer to grant either of the following remedies to the consumer:

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

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

8 In case the consumer decides to purchase another vehicle with a higher
9 value and specifications from the same manufacturer, distributor,
10 authorized dealer or retailer, the consumer shall pay the difference in cost.

11 In both cases of replacement and repurchase, the reasonable
12 allowance for use, as defined in this Act, shall be deducted in determining the
13 value of the nonconforming motor vehicle.

14 (3) In case a nonconformity of the motor vehicle is not found by the
15 DTI, it shall rule in favor of the manufacturer, distributor, authorized dealer or
16 retailer, and direct the consumer to reimburse the manufacturer, distributor,
17 authorized dealer or retailer the costs incurred by the latter in validating
18 the consumer's complaints.

19 An appeal may be taken from a final judgment or order of the
20 Adjudication Officer which completely disposes of the case within fifteen (15)
21 days from receipt thereof. The appeal shall be taken by filing a Memorandum
22 of Appeal with the Secretary of the DTI, with Notice of Appeal to the
23 Adjudication Officer, and with a copy duly furnished the adverse party or
24 parties on any of the following grounds:

25 (i) Grave abuse of discretion;

26 (ii) The decision/order is in excess of jurisdiction or authority of
27 the Adjudication Officer; and

1 (iii) The decision/order is not supported by the evidence or there is
2 serious error in the findings of facts.

3 The Secretary of the DTI shall decide on the appeal within thirty (30)
4 days from receipt thereof. A party seeking further appeal from the decision of
5 the Secretary of the DTI may file a case for *certiorari* to the Court of Appeals
6 under Section 4, Rule 65 of the Revised Rules of Court.

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

12 SEC. 10. *Disclosure on Resale.* – Should the returned motor vehicle
13 be made available for resale, the manufacturer, distributor, authorized dealer
14 or retailer shall, prior to sale or transfer, disclose in writing to the next
15 purchaser of the same vehicle the following information:

16 (a) The motor vehicle was returned to the manufacturer,
17 distributor, authorized dealer or retailer;

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

19 (c) The condition of the motor vehicle at the time of the transfer
20 to the manufacturer, distributor, authorized dealer or retailer.

21 The responsibility of the manufacturer, distributor, authorized dealer or
22 retailer under this section shall cease upon the sale of the affected motor
23 vehicle to the first purchaser.

24 SEC. 11. *Penalty.* – The manufacturer, distributor, authorized dealer
25 or retailer adjudged to have violated the provisions requiring disclosure as
26 mentioned in the preceding section shall be liable to pay a minimum amount of
27 One hundred thousand pesos (Php100,000.00) as damages to the aggrieved

1 party without prejudice to any civil or criminal liability they and/or the
2 responsible officer may incur under existing laws.

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

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

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

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

18 SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after
19 its publication in the *Official Gazette* or in any newspaper of general
20 circulation.

Approved,

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