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[REPUBLIC ACT No. 10642]

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:

SECTION 1. *Short Title.* — This Act shall be known as the "Philippine Lemon Law".

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

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

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

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

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

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

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

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

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

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

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

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

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

(k) *Nonconformity* refers to any defect or condition that substantially impairs the use, value or safety of a brand new motor vehicle which prevents it from conforming to the manufacturer's or distributor's standards or specifications, which cannot be repaired, but excluding conditions resulting from noncompliance by the consumer of his or her obligations under the warranty, modifications not authorized by the manufacturer or distributor, abuse or neglect, and damage due to accident or *force majeure*;

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

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

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

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

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

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

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

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

SEC. 5. *Repair Attempts.* - At any time within the Lemon Law rights period, and after at least four (4) separate repair attempts by the same manufacturer, distributor, authorized dealer or retailer for the same complaint, and the nonconformity issue remains unresolved, the consumer may invoke his or her rights under this Act.

The repair may include replacement of parts, components, or assemblies.

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

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

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

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

In case the nonconformity issue remains unresolved despite the manufacturer, distributor, authorized dealer or retailer's efforts to repair the vehicle, pursuant to the consumer's availment of his or her Lemon Law rights, the consumer may file a complaint before the DTI as provided for under this Act: *Provided, however,* That if the vehicle is not returned for repair, based on the same complaint, within thirty (30) calendar days from the date of notice of release of the motor vehicle to the consumer following this repair attempt within the Lemon Law rights period, the repair is deemed

jointly by the consumer and the manufacturer, distributor, authorized dealer or retailer;

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

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

(5) At any time during the dispute resolution period, the manufacturer, distributor, authorized dealer or retailer and the consumer shall be encouraged to settle amicably. All disputes that have been submitted for mediation shall be settled not later than ten (10) working days from the date of filing of the complaint with the DTI.

(b) Arbitration

In the event there is a failure to settle the complaint during the mediation proceedings, both parties may voluntarily decide to undertake arbitration proceedings.

(c) Adjudication

(1) In the event that both parties do not undertake arbitration proceedings, at least one of the parties may commence adjudication proceedings, administered by the DTI. The DTI shall rely on the qualified independent findings as to conformity to standards and specifications established herein. In no case shall adjudication proceedings exceed twenty (20) working days;

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

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