

**TRUTH IN LENDING ACT**  
**(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".

SEC. 2. *Declaration of Policy.* - It is hereby declared 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.

SEC. 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 or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purposes 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 by regulation prescribe.
- (4) "Creditor" means any person engaged in the business of extending credit (including any person who as a regular business practice makes 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 Philippine Government or any agency thereof, or any agency of the foregoing.

SEC. 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 charge bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation.

SEC. 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 purposes of this Act or to prevent circumvention or evasion, or to facilitate the enforcement of this Act, or any rule or regulation thereunder.

SEC. 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 charge 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.
- (b) Except as specified in subsection (a) of this section, nothing contained in this Act or any regulation thereunder shall affect the validity or enforceability of any contract or transaction.
- (c) Any person who willfully violates any provision of this Act or any regulation issued thereunder shall be fined by not less than P1,000 nor 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 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.

SEC. 7. This Act shall take effect upon its approval.

Approved, June 22, 1963.