

**MGA ALITUNTUNIN KAGAWARAN, KAWANIHAN AT
TANGAPAN AT MGA KAUTUSANG PAMPANGASIWAAN
(DEPARTMENT, BUREAU AND OFFICE ADMINISTRATIVE ORDERS
AND REGULATIONS)**

REPUBLIKA NG PILIPINAS
KAGAWARAN NG KALAKALAN AT INDUSTRIYA
(Department of Trade and Industry)
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**DEPARTMENT ADMINISTRATIVE ORDER NO. 2
Series of 1993**

**Subject: RULES AND REGULATIONS IMPLEMENTING
REPUBLIC ACT NO. 7394, OTHERWISE KNOWN
AS THE CONSUMER ACT OF THE PHILIPPINES**

Pursuant to Title X, Book IV of the Administrative Code of 1987 and to more effectively implement Title III — Chapters I, III, IV, V and VI of Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines, the following rules and regulations are hereby promulgated.

Title I — GENERAL PROVISIONS

Rule I. Title

Section 1. Title — These Rules shall be referred to as the Implementing Rules and Regulations for the Consumer Act of the Philippines

Rule II. Scope and Coverage

Section 1. Scope and Coverage — Except as may otherwise be provided, the following Rules shall apply to all consumer

products and services, except food, drugs, devices, cosmetics and hazardous substances and agricultural products which shall be under the jurisdiction of the concerned departments or agencies.

Rule III. Construction

Section 1. Construction — The best interest of the consumer shall be considered in the interpretation and implementation of these Rules.

Rule IV. Definition of Terms

Section 1. Definition of Terms — For purposes of these Rules, the term:

1.1. *Advertisement* — means the prepared and through any form of mass medium, subsequently applied, disseminated or circulated advertising matter.

1.2. *Advertiser* — means the client of the advertising agency or the sponsor of the advertisement on whose account the advertising is prepared, conceptualized, presented or disseminated. It may also be referred to as the "sponsor."

1.3. *Advertising* — means the business of conceptualizing, presenting or making available to the public, through any form of mass media, fact, data or information about the attributes, features, quality or availability of consumer products, services or credit.

1.4. *Advertising Agency or Agent* — means a service organization or enterprise creating, conducting, producing, implementing or giving counsel on promotional campaigns or programs through any medium for and in behalf of any advertiser.

1.5. *Advertising Matter/Message* — means any fact, data or information about the features, quality or availability of any consumer product, service or credit presented or disseminated to the general public or to a target market or audience through mass media and other forms of communication in order to induce sales, use or patronage thereof. Any information or dissemination of information regarding a sales promotion campaign of a consumer product, service or credit shall be considered advertising matter or message of that product, service or credit, as well

as of the sales promotion campaign and shall be subject to the rules and regulations governing both.

1.6. *Agricultural Purpose* — means a purpose related to the production, harvest, processing, manufacture, distribution, storage, transportation, marketing, exhibition, or disposition of agricultural fishery or marine products.

1.7. *Artistic Presentation* — means the use of any of the visual arts therefor in the labeling of a consumer product.

1.8. *Basic Necessities* — means rice, corn, bread, fresh, dried and canned fish and other marine products, fresh pork, beef and poultry meats, fresh eggs, fresh and processed milk, fresh vegetables, root crops, coffee, sugar, charcoal, candles, and drugs classified as essential by the Department of Health.

1.9. *Brand-new Product* — means a consumer product which has never been used.

1.10. *Business Name, Firm Name, or Style* — means any name or designation other than the true name of a person, partnership, corporation or association which is used or signed in connection with his/its business or in:

1.10.1 Any written or printed receipt for tax on business;

1.10.2 Any written or printed contract not verified by a notary public;

1.10.3 Any written or printed evidence of any agreement or business transaction; and

1.10.4 Any sign or billboard kept conspicuously exhibited in plain view in or the place of business, announcing a firm name or business name or style.

1.11. *Chain Distribution Plans or Pyramid Sales Schemes* — means sales devices whereby a person, upon condition that he makes an investment, is granted by the manufacturer, producer or importer or his representative, a right to recruit for profit one or more additional persons who will also be granted such right upon making a similar investment: *Provided, That* the profits of the person employing such a plan are derived primarily from the recruitment of other persons into the plan rather than from the sale of consumer products, services or credit: *Provided, further, That* the limitation on the number of participants does not change the nature of the plan.

1.12. *Claim Period* — means the first day up to the last day that a winner may claim his prize.

1.13. *Closing-out Sale* — means a consumer sale wherein the seller uses the announcement to create the impression that he is willing to give large discount on merchandise in order to reduce, dispose or close-out his inventory and business. As a form of sales promotion through price reduction, whether or not combined with other forms of sales promotion campaign, a closing-out sale may be undertaken.

1.13.1. By the manufacturer or producer of a consumer product by reducing the price/s of his products for sale to the public on account of its intention to dispose of its inventory or minimize losses as it closes or terminates operation of its business;

1.13.2. By the owner or operator of a consumer service firm by reducing the price/s of the service he offers to the public; or

1.13.3. By a store or a similar establishment by reducing the prices of the totality or of a certain class or number of its merchandise.

1.14. *Commerce* — means the sale, lease, exchange, traffic or distribution of goods, commodities, productions, services or property, tangible or intangible.

1.15. *Competition* — means a sales promotion scheme such as, but not limited to quizzes, contests, and tournaments, whereby participants compete in their or their entry's skill or physical or mental attributes to win the promised prize or reward.

1.16. *Consignee* — the agent who sells a consumer product to the general public in a consignment transaction.

1.17. *Consignor* — the owner of a consumer product in a consignment transaction.

1.18. *Consignment* — a commercial transaction whereby the owner of a consumer product sells the same to the general public through an agent who may be a retailer or a wholesaler with the conditions that ownership of the goods remains with the owner, whether or not a security deposit has been made by the seller and that goods not sold may be returned by the agent to the owner thereof.

1.19. *Consumer* — means a natural person who is a purchaser, lessee, recipient or prospective purchaser, lessor or recipient of consumer products, services or credit.

1.20. *Consumer participation* — means the act, in addition to or other than the act of purchase, lease or acquisition or availment of a consumer product or service, by which a consumer, knowingly or otherwise, takes part in a sales promotion campaign which promises gain or benefit, such as through prizes or rewards for purchase or through winning in a contest, game, tournament or other similar competition.

1.21. *Consumer products and services* — means goods, services and credits, debts or obligations which are primarily for personal, family, household or agricultural purposes.

1.22. *Consumer transaction* — means (1) (i) a sale, lease, assignment, award by chance or other disposition of consumer products, including chattels that are intended to be affixed to land, or of services, or of any right, title or interest therein, except securities as defined in the Securities Act and contracts of insurance under the Insurance Code or (ii) a grant or provision of credit to a consumer for purposes that are primarily personal, family, household or agricultural, or (2) a solicitation or promotion by a supplier with respect to a transaction referred to in clause (1).

1.23. *Corrosive* — means any substance which on contact with living tissue shall cause the destruction of tissue by chemical action.

1.24. *Cosmetics* — means (1) articles intended to be rubbed, poured, sprinkled or sprayed on, introduced into or otherwise applied to the human body or any part thereof for cleansing, beautifying, promoting attractiveness, or altering the appearance, and (2) article intended for use as a component of any such article except that such term shall not include soap.

1.25. *Counterfeit product* — means any consumer product which or the container or labeling of which, without authorization, bears the trademark, trade name or other identifying mark, imprint, or device, or any likeness thereof, of a consumer product manufacturer, processor, packer, distributor, other than the person or persons who, in fact manufactured, processed, packed or distributed such product and which thereby falsely purports or is represented to be product or to have been packed or

distributed by such consumer product manufacturer, processor, packer, or distributor.

1.26. *Deceptive sales act or practice* — concerning a consumer product or service, means an act or practice of the producer, manufacturer, supplier or seller, or owner or operator of a consumer service or repair firm of inducing or enticing a consumer to enter into a sales or lease transaction of any consumer product or to avail of its services through concealment, false representation or fraudulent manipulation.

1.27. *Department* — refers to the Department of Trade and Industry.

1.28. *Demonstration* — means an exhibition of the performance of a consumer product on sale or how a consumer service is to be undertaken, whether before, during or after the perfection of the sales agreement.

1.29. *Deteriorated Product or Scrap Product* — means a consumer product can no longer be used for the purpose for which it was made, produced or manufactured.

1.30. *Direct Marketing* — means the sale of consumer products or services by mail, telephone, any form of telecommunications, message delivery service or like facilities or through any form of mass media but shall not include general advertising.

1.31. *Director* — refers to the director of any regional office or provincial office of the Department of Trade and Industry.

1.32. *Duration of Promotion or Promotion Period* — means the period covering the first to the last day that a participant may join or send or present entries to a sales promotion campaign.

1.33. *Entry Form* — means an instrument by which a participant gains entry, qualifies, prequalifies or participates in certain sales promotion campaigns. Entry forms may be any proof of purchase, use or patronage of a consumer product, service or credit such as receipts, coupons, tickets, wrappers, labels, packaging, caps, crowns or any other instrument whether or not accompanied by any proof of purchase; identifying the participant and conforming to the specifications or requirements as laid down in the mechanics.

1.34. *Express Warranty* — means any affirmation of fact or any promise by the seller relating to the thing if the natural tendency of such affirmation or promise is to induce the buyer to

purchase the same, and if the buyer purchases the same relying thereon.

1.35. *False, Deceptive and Misleading Advertisement* — An advertisement shall be false, deceptive or misleading if it is not in conformity with the provisions of this Act or if it is misleading in a material respect. In determining whether an advertisement is false, deceptive or misleading, there shall be taken into account, among other things, not only representations made or any combination thereof, but also the extent to which the advertisement fails to reveal material facts in the light of such representations, or materials with respect to consequences which may result from the use or application of consumer products or services to which the advertisement relates under the conditions prescribed in said advertisement, or under such conditions as are customary or usual.

1.36. *Flammable* — means any substance or material that is highly combustible and self-igniting by chemical reaction.

1.37. *Full warranty* — means a written warranty which includes all the minimum requirements set forth in these Rules.

1.38. *General Make* — means a common style, characteristic or set of characteristics, manner of construction or production or manufacturing process shared by a number of consumer products distinguishing them as a class or belonging to a collectivity.

1.39. *Graphic Presentation* — means the use of graphic art or printing in the labeling of a consumer product.

1.40. *Home Solicitation Sales* — means consumer sales or leases which are personally solicited by any person, organization through person-to-person contact at the buyer's residence, place of work, at the seller's transient quarters or at any appointed place, except the seller or lessor's usual place of business.

1.41. *Immediate Container* — means the container or package which is immediately after or near the substance but does not include package liners.

1.42. *Implied Warranty* — means rights and obligations of the parties in a contract or sale proceeding from the nature of the contract or from law.

1.43. *Instant Sales Promotion* — means a kind of promotion where the promise of a price, reward or benefit is not a consideration for the purchase or patronage of a product or service.

A short sales promo as in 1 hour or 30 minutes would not qualify as instant sales promotion, if the sponsor had been advertising the same a day or even a few minutes before the purchase or patronage is made;

1.44. *Interest or time-priced differential* — means the difference in the cash price and the credit price of the product or service subject of a consumer credit transaction.

1.45. *Label, labeling* — means the display of written, printed, or graphic matter on any consumer product, its immediate container, tag, literature or other suitable material affixed thereto for the purpose of giving information as to the identity, components, ingredients, attributes, directions for use, specifications and such other information as may be required by law or regulation.

1.46. *Lay-away plan* — means a consumer credit transaction whereby the buyer of a consumer product is allowed to pay by installment or at a future day, whether or not a reservation fee is required, provided that the possession and ownership of the product remains with the seller until full payment at the time agreed upon.

1.47. *Limited warranty* — means a written warranty which does not meet the minimum requirements set forth in these Rules.

1.48. *Literature* — means any printed material accompanying a consumer product or provided in relation to a consumer service or credit, stating specifications and details concerning the use of such product, service or credit. Under these rules and regulations, such literature shall be a form of labeling.

1.49. *Manual* — with reference to a consumer product, means a form of literature containing specific instructions as to the product's use, assembly, or operation.

1.50. *Manufacturer* — means any person who manufactures, assembles or processes consumer products, except that if the goods are manufactured, assembled or processed for another person who attaches his own brand name to the consumer products, the latter shall be deemed the manufacturer. In case of imported products, the manufacturer's representative or, in his absence, the importer, shall be deemed the manufacturer.

1.51. *Market* — means the consuming public, or a class, group or portion thereof to whom an advertisement or sales promotion campaign is directed, for the purpose of inducing the use or purchase of a product or service or participation in a sales promotion campaign, as the case may be.

1.52. *Mass media* — refers to any means or method used to convey advertising messages to the public such as television, radio, magazines, cinema, billboards, posters, streamers, handbills, leaflets, mails and the like.

1.53. *Mechanics* — means the rules, procedure and criteria by which one may participate and win and by which the winner may claim his prize in a sales promotion campaign.

1.54. *Nationwide, national in scope* — when used in connection with sales promotion including beauty contests, covers the islands of Luzon, Visayas and Mindanao.

1.55. *Negative Options Plan* — refers to a sales scheme whereby a consumer product or a description thereof is sent to a consumer and considered sold to him unless the consumer notifies the seller of his intention not to buy the product or to buy another product offered as alternative thereto.

1.56. *New product* — means a consumer product which incorporates a design, material or form of energy exchange which has not previously been used substantially in consumer products and as to which there exists a lack of adequate information to determine the quality and safety of such product if used by the consumers.

1.57. *Non-functional slack fill* — the packaging of a consumer product shall be deemed to be non-functionally slack filled if it is filled to substantially less than its capacity for reason other than (1) protection of the contents of such package, (2) the requirement of the machines used for enclosing the contents in such package, or (3) inherent characteristics of package materials or construction being used.

1.58. *Open-end credit plan* — means a consumer credit extended on an account pursuant to a plan under which:

1.58.1. The creditor may permit the person to make purchases or obtain loans, from time to time, directly from the creditor or indirectly by use of credit card, check or other device;

1.58.2. The person has the privilege of paying the balance; or

1.58.3. Finance charge may be computed by the creditor from time to time on an understanding unpaid balance.

1.59. *Package or packaging* — means any container or wrapping in which any consumer product is enclosed for use in the delivery or display of that consumer product to retail purchasers, but does not include:

1.59.1. Shipping containers or wrappings used solely for the transportation of any consumer product in bulk or in big quantities by manufacturers, packers or processors to wholesale and retail distributors thereof;

1.59.2. Shipping containers or outer wrappings used by retailers to ship or deliver any product to retail customers if such containers or wrappings bear no printed matter pertaining to any particular product; and

1.59.3. Wrappers or containers of consumer products sold in small quantities by small retail stores to the consumer which by tradition are wrapped with ordinary paper.

1.60. *Penalty clause* — means a stipulation in a contract for repair or servicing wherein the price of the service is to be reduced by a specific percentage or amount if the time schedule agreed on when it will be finished is not met.

1.61. *Philippine Standard Mark or Philippine Standard Certification Mark or P. S. Mark* — means the certification of compliance to product standards issued by the Bureau of Product Standards of the Department.

1.62. *Poisonous substance* — means any substance capable of destroying life or seriously endangering health when applied externally to the body or introduced internally in moderate doses.

1.63. *Premium-in-pack* — means a sales promotion scheme wherein the usual benefit derived from purchase of a product or availment of a service is increased by:

1.63.1. The addition in weight or quantity of the same product;

1.63.2. The grant to the purchaser on his beneficiary of an exclusive right to purchase or avail of gifts, another product or service or benefit for free, at a reduced price or at

the usual price, which right would not have been available without such purchase.

1.64. *Price reduction* — means a sales promotion scheme, such as, but not limited to seasonal sales, reduced-revenue sales, discount sales, closing-out sales, and inventory sales, whereby purchase of a product or service being promoted is encouraged by a reduction in its usual price, without a corresponding reduction in quality, quantity or benefit.

1.65. *Price Tag* — means any device, written, printed, affixed or attached to a consumer product or displayed in a consumer repair or service establishment for the purpose of indicating the retail price per unit or service.

1.66. *Principal Display Panel* — means that part of the label that is most likely to be displayed, presented or shown or examined under normal and customary conditions. Contrasted with secondary display panels, the principal display panel is the label which contains the identification of the product and given the most visibility by the seller.

1.67. *Private Labeler* — means an owner of a brand or trademark on the label of customer product other than the manufacturer of a product.

A consumer product bears a private label if (1) the product or its container is labeled with a brand or trademark of a person other than its manufacturer; or (2) the brand or trademark of the manufacturer of such product does not appear on such label.

1.68. *Product-bonding* — means a kind of sales promotion campaign whereby two or more products are bonded, pasted, tied, put or sold together as a combination at the usual price of the product being promoted or at a price lower than the sum of the bonded products thereby increasing the benefit for their purchase. Product bonding is a kind of premium-in-pack sales promotion.

1.69. *Provincial Office* — means the office of the Department of Trade and Industry in a province.

1.70. *Radioactive Substance* — means any substance which emits iodizing radiation.

1.71. *Raffle Claim Stub, Claim Stub in a Sales Promotion Campaign Involving a Raffle* — means that part of the raffle ticket to be kept by the participant for the purpose of claiming his

prize should he win in the promotion.

1.71.a. *Raffle Promotion* — means a sales promotion scheme whereby the consumer participates by securing a raffle ticket from the sponsor or promoter whether a purchase is made or not and accomplishes the same according to the rules, mechanics or procedures provided by the sponsor or promoter as approved by the Department. A consumer-participant may win by drawing the raffle entry form or raffle stub from all the entries received from all participating consumers.

1.72. *Raffle entry form, raffle stub in a sales promotion campaign involving a raffle* — means that part of the raffle ticket to be used as entry form therefore and which contains the required information by the sponsor from a participant.

1.73. *Raffle ticket in a sales promotion campaign involving raffles* — means the raffle entry form or stub and the corresponding raffle claim stub.

1.74. *Redemption* — means a sales promotion scheme whereby the sponsor promises to award prizes or rewards to holders of winning entry forms or proof of purchase of the product being promoted.

1.75. *Referral sale* — means the sale or lease of a consumer product or service to a buyer referred by another buyer for a consideration, whether for a fee or some other benefit.

1.76. *Refiller or repacker* — means a person who, with authority from the maker, producer or manufacturer of a consumer product, subdivides, and/or repackages and relabels the same, affixing his brand name, trade name or business name thereto, and sells the consumer product, whether in wholesale or retail, whether or not the maker, producer or manufacturer is acknowledged in the label or in the sale thereof.

1.77. *Regional office* — refers to any of the regional offices of the Department of Trade and Industry.

1.78. *Retailer* — means a person engaged in the business of selling consumer products directly to consumers.

1.79. *Sale by description* — means the sale or lease of a consumer product or service whereby the only inducement is through a description of the product or service either verbally or through any form of literature.

1.80. *Sale by sample* — means the sale or lease of consumer products whereby the prospective buyer or lessor is only able to inspect or examine a consumer product for sale through an example, model, prototype of the consumer product or a specimen from among several units being sold in sets or bulk.

1.81. *Sales promotion* — means techniques intended for broad consumer participation which contain promises of gain such as prizes, in cash or in kind, as reward for the purchase of a product, security, service or winning in contest, game, tournament and other similar competitions which involve determination of winners and which utilize mass media or other forms of communication to disseminate information on the same. It also means techniques purely intended to increase the sales, patronage and/or goodwill of a product. As contrasted with advertisement, a sales promotion campaign is conducted within a short period of time with the principal objective of radically increasing the sale or patronage of the product, service or credit under promotion or improving its goodwill or image within the period of the promotion. The fact that a sales promotions campaign is addressed to a particular class or sector of the public shall not remove it from the ambit of the term "broad consumer participation."

1.82. *Sampling* — means a sales promotion campaign whereby the sponsor/promoter gives away for free products or services to consumers.

1.83. *Scrap consumer product or deteriorated consumer product* — means a consumer product which can no longer be used for the purpose for which it was made, manufactured or produced.

1.84. *Secondary display panel* — means any label on the outside of the packaging, container, or wrapper of a consumer product, other than the principal display panel, visible to the buyer by ordinary inspection of the product upon purchase.

1.85. *Second-hand product* — means a consumer product which has already been used but could still be used for the purpose for which it was made, manufactured or produced.

1.86. *Secretary* — refers to the Secretary of Trade and Industry

1.87. *Seeding* — means the process of putting winning entry forms into the regular circulation in the market.

1.88. *Seller* — means a person engaged in the business of selling consumer products directly to consumers. It shall include a supplier or distributor if:

1.88.1. The seller is a subsidiary or affiliate of the supplier or distributor;

1.88.2. The seller interchanges personnel or maintains common or overlapping officers or directors with the supplier or distributor;

1.88.3. The supplier or distributor provides or exercises supervision, direction or control over the selling practices of the seller.

1.89. *Services* — means services that are the subject of a consumer transaction, either together with, or separate from any kind of personal property, whether tangible or intangible.

1.90. *Solicitation* — means the act of actively and through a person to person interaction, whether personally, in writing or by telephone, or such other means, inducing or convincing a consumer to buy or lease a consumer product to avail of a consumer service.

1.91. *Sponsor* — means the person, organization, firm or corporation wholly or partly paying for or financing the advertisement or sales promotion campaign.

1.92. *Standard* — means a set of conditions to be fulfilled to ensure the quality and safety of a product.

1.93. *Strong Sensitizer* — means any substance which will cause on normal living tissue, allergy or photo dynamic quality of hypersensitivity which becomes evident on reapplication of the same substance to be designated as such by the implementing agency. Before designating any substance as a strong sensitizer, the implementing agency, upon consideration of the frequency of occurrence and severity of the reaction, shall find that the substance has a significant capacity to cause hypersensitivity.

1.94. *Standard Product* — means a product which fails to comply with an applicable consumer product safety rule which creates a substantial risk of injury to the public.

1.95. *Supplier* — means a person, other than a consumer, who, in the course of his business, solicits, offers, advertises or

promotes the disposition or supply of a consumer product or who other than the consumer, engages in, enforces, or otherwise participates in a consumer transaction, whether or not any privity of contract actually exists between that person and the consumer and includes the successor to, or assignee of, any right or obligation of the supplier.

1.96. *Toxic or Poisonous Substance* — means any substance other than a radioactive substance which can cause injury, illness or death to man through ingestion, inhalation or absorption through any body surface.

1.97. *Trademark or Trade-mark* — means any distinctive word, name symbol, emblem, sign or device, or any combination thereof adopted and used by a manufacturer or merchant on his goods to identify and distinguish them from those manufactured, sold or dealt in by others. Trademark shall also be known as brand name.

1.98. *Trade name or Trade-name* — means any individual name or surname, firm name, trade-name, device or word used by manufacturers, industrialist, merchants and other, to identify their businesses, vocations or occupations.

1.99. *Unfair or Unconscionable Sales Act or Practice* — means an act or practice of the producer, manufacturer, seller or supplier of a consumer product or the owner or operator of a consumer service or repair firm of inducing or enticing a consumer to enter into a sales or lease transaction of a consumer product or to avail of its services grossly inimical to his interests or grossly one-sided in favor of the producer, manufacturer, distributor, supplier or seller, owner or operator, by taking advantage of the consumer's physical or mental infirmity, ignorance, illiteracy, lack of time or the general conditions of the environment or surroundings:

1.99.1. *Warranty or Guarantee* — means a contract, whether express or implied, between the buyer and the seller, manufacturer, producer or distributor of a consumer product or the owner or operator of a consumer service firm concerning the rights and obligations of both parties in a consumer sale or lease transaction;

1.99.2. *Express Warranty* — means an affirmation or promise by the seller, manufacturer, producer or distributor

of a consumer product or service or owner or operator of a consumer service firm in a consumer sale transaction. *Provided, That*, such warranty shall not include a statement as to the value of or an expression of an opinion on the product or service;

1.99.3. *Implied Warranty* — means rights and obligations of the parties in a contract or sale proceeding from the nature of the contract or from law;

1.99.4. *Full Warranty* — means a written warranty which includes all the minimum requirements set forth in these Rules;

1.99.5. *Limited Warranty* — means a written warranty which does not meet the minimum requirements set forth in these Rules.

1.100. *Warranty Certificate* — with reference to a consumer product or service, means a form of literature provided the purchaser or lessee of such product or service evidencing his entitlement to such warranty.

Title III

PROTECTION AGAINST DECEPTIVE, UNFAIR AND UNCONSCIONABLE SALES ACTS AND PRACTICES

Chapter I

DECEPTIVE, UNFAIR AND UNCONSCIONABLE SALES ACTS AND PRACTICES

Rule I. Coverage

Section 1. *Coverage* — These rules shall apply to acts and practices in the sale or lease of any consumer product and in the availment of any consumer service.

Rule II. Prohibition Against Deceptive Sales Act and Practices

Section 1. When a Deceptive Act Violates these Rules — A Deceptive act or practice by a seller or supplier in connection with a consumer transaction violates these Rules whether it occurs before, during or after the transaction.

Section 2. Some Deceptive Sales Acts and Practices — The following sales acts and practices shall be considered deceptive when it is represented that:

2.1. A consumer product or service has the sponsorship or approval of a body or a person which it does not have. Where any such claims are made, the following documents shall be made accessible for the inspection of the Department and upon reasonable request by a consumer:

2.1.1. *Approval of a Government Agency* — a valid and current document containing such approval issued by the government agency authorized by law to issue such approval;

2.1.2. *Approval or Sponsorship of a Professional Organization, Corporation, Foundation or a Non-profit Corporation* — a valid and current document containing such approval or sponsorship issued by the authorized officer in accordance with a resolution of the Board of Directors or Trustees of said corporation or organization in accordance to its by-laws;

2.1.3. *Approval or Sponsorship of a Church, Sect or Religious Organization* — a valid and current document containing such approval or sponsorship issued by the authorized officer of such church, sect or religious organization, issued in accordance with its beliefs, practices, rules and procedures;

2.1.4. *Approval or Sponsorship of a Person or Group of Persons Whether Individually or Informally Associated Among Themselves* — a signed and unrevoked document containing such approval or sponsorship issued by said person or group; Provided, That this rule shall not apply in cases where the person or persons are used as models or actors in the labeling or in advertisement of such product or service.

2.2. A consumer product or service has the performance, characteristics, ingredients, accessories, uses or benefits it does not have.

2.3. A consumer product or service is of a particular standard, quality, grade, style or model when in fact it is not. Where any such claim is made, the following documents shall be made accessible for the inspection of the Department and upon reasonable request by a consumer:

2.3.1. *Claim of Compliance to the Philippine Quality Standard, (PS Mark) Other Government-set Standards* — a valid and current certificate of such compliance from the appropriate agency of the government. Whenever it is claimed that the product has been issued a Philippine Quality Standard certification, the same shall be indicated in the label;

2.3.2. *Claim of Compliance to Standard of Foreign Country or Entity* — a valid and current document evidencing such compliance from the appropriate agency of the foreign government or officer of the foreign entity authorized to issue such document.

2.4. A consumer product is new, original or unused, when in fact, it is in a deteriorated, altered, reconditioned, reclaimed or second-hand state:

2.4.1. Where a product being sold or offered for sale has already been used but could still be used for the purpose for which it was made, manufactured or produced, it shall be designated as "second-hand." Qualifications that a product has only been "slightly-used" or has been "altered" "reconditioned" or "reclaimed" may be added to the words "second-hand" if such be the case;

2.4.2. Where the product can no longer be used for the purpose for which it was made, it shall be designated as "scrap" or "deteriorated."

2.4.3. Where no designation as to the state of use of a product has been made, the seller shall be deemed to have declared that the same is brand new or has never been used.

2.5. A consumer product or service is available to the consumer for a reason that is different from the fact.

2.6. A consumer product or service has been supplied in accordance with the previous representation when in fact it is not.

2.7. A consumer product or service can be supplied in a quantity greater than the supplier intends.

2.8. A service or repair of a consumer product is needed when in fact it is not.

2.9. A specific price advantage of a consumer product exists when in fact it does not.

2.10. The sales act or practice involves or does not involve a warranty, a disclaimer of warranties, particular warranty terms or other rights, remedies or obligations if the indication is false.

2.11. The seller or supplier has a sponsorship, approval, or affiliation he does not have.

Section 3. Deceptive Presentation of Consumer Products — The appearance of consumer products shall not be unreasonably enhanced as to deceive consumers on their true characteristics or condition.

Section 4. Deceptive Demonstration of Performance of Consumer Products, Services — Fraudulent tricks or machinations shall not be employed in the demonstration of the performance of a consumer product or service.

Section 5. Change in the Supply of Products Sold — Should there be a change in the supply of a certain product such that it can no longer be supplied to the extent promised, information of the same shall immediately be made to the buyer. In such a case, the rights and remedies of both parties shall be governed by the pertinent provisions of the Civil Code.

Section 6. Stipulation of Waiver of Rights or Remedies by Buyer — No seller, supplier, producer, manufacturer or importer of a consumer product or owner or operator of a consumer service firm shall provide for waiver by the buyer of any of his rights and remedies under the law without first informing him that such rights and/or remedies are available to him.

Section 7. Prohibition on the Use of the Words "No Return, No Exchange" — The words "No return, no exchange," or words to such effect shall not be written into the contract of sale, receipt

in a sales transaction, in any document evidencing such sale or anywhere in a store or business establishment.

Section 8. Chain Distribution Plans or Pyramid Schemes — Chain distribution plans or pyramid sales schemes shall not be employed in the sale of consumer products.

Rule III. Unfair and Unconscionable Sales Acts or Practices

Section 1. Unfair or Unconscionable Sales Act or Practice — An unfair or unconscionable sales act by a seller or supplier in connection with a consumer transaction violates these Rules whether it occurs before, during or after the consumer transaction.

Section 2. Circumstances to be Considered in Determining Unfair and Unconscionable Sales Acts and Practices — In determining whether an act or practice is unfair and unconscionable, the following circumstances shall be considered:

2.1. That the producer, manufacturer, distributor, supplier or seller took advantage of the inability of the consumer to reasonably protect his interest because of his inability to understand the language of an agreement, or similar factors;

2.2. That when the consumer transaction was entered into, the price grossly exceeded the price at which similar products or services were readily obtainable in similar transaction by like consumers;

2.3. That when the consumer transaction was entered into, the consumer was unable to receive a substantial benefit from the subject of the transaction.

2.4. That when the consumer transaction was entered into, the seller or supplier was aware that there was no reasonable probability of payment of the obligation in full by the consumer, and

2.5. That the transaction that the seller or supplier induced the consumer to enter into was excessively one-sided in favor of the seller or supplier.

Rule IV. Rules on Certain Sales Acts and Practices

Section 1. *Sale by Sample* — The sample used in the selling of any consumer product or service shall be essentially the same as the consumer product or service being sold.

Section 2. *Sale by Description* — The description of any consumer product or service for sale shall be accurate and shall indicate all the essential features of such product or service.

Section 3. *Direct Marketing* — Where the sale or lease of a consumer product or service is conducted through direct marketing, the seller or lessor of the said consumer product or operator of the service firm shall indicate in its solicitations or communications sent or made to the prospective buyer the following information:

3.1. The business name and address of the seller, lessor or operator. Where purchases or orders are to be made to a post office box address, the name and address of the seller, lessor, or operator shall nevertheless be indicated.

3.2. If it is a consumer product that is offered for sale or lease, all the mandatory requirements of product labeling under these Rules:

3.3. A photograph, picture, illustration or detailed description of the product or service;

3.4. The terms and conditions of sale or lease of the product or availment of the service;

3.5. A statement that order may be cancelled before or upon delivery in the event that the product is not in conformity with representation in the solicitation or communication;

3.6. The manner and schedule of payment.

Section 4. *Negative Option Plans* — Negative option plans shall not be used in the sale or lease of consumer products. The consumer shall be under no obligation to pay or return products sent to him under a negative option plan or any similar scheme.

4.1. *Exceptions* — Negative option plans may be allowed in the following instances:

4.1.1. Where a prior written agreement for the purpose had been entered by the seller or lessor and the buyer or lessee;

4.1.2. Where such agreement is part of a prior subscription agreement between the seller or lessor and the buyer or lessee; and

4.1.3. In the case of clubs or organizations where such plan is an accepted ordinary practice and a member thereof has signified agreement to it in writing.

4.2. Any agreement or offer or solicitation to enter into agreement to engage into a negative option plan under the exceptions provided shall contain stipulations as to the following:

4.2.1. The nature of the plan;

4.2.2. The duration of the plan;

4.2.3. The intervals at which the products will be sent to the buyer;

4.2.4. The manner by which a buyer may inform the seller that he does not wish to buy or lease a selection or offer made;

4.2.5. How the buyer may be billed or how the selection may be paid;

4.2.6. Whether billing charges include shipping and handling;

4.2.7. A statement that the buyer may decide within a specific time which shall not be less than thirty (30) days from the date of receipt of the selection or offer;

Section 5. *Referral Sales* — Referral selling plans shall not be used in the sale of consumer products unless the seller executes in favor of the buyer a written undertaking that will grant a specified compensation or other benefit to said buyer in return for each and every transaction consummated by the said seller with the persons referred by said buyer or for subsequent sales that said buyer has helped the seller enter into.

Section 6. *Sale by Vending Machines* — Where consumer products are sold through vending machines or like machines which the buyer himself has to operate, the name and business address of the owner or operator of such vending machine shall be posted in a conspicuous place therein.

Section 7. Lay-away Plans — Where consumer products are sold through a lay-away plan, the seller shall provide the buyer with a written and signed document describing in detail the consumer product, price and terms of payment subject of the transaction. Failure of the buyer to pay the full amount of the product or where the seller fails to deliver the same upon full payment as when it is lost, altered, changed, or substituted while in the custody of the seller, the rights and remedies of the parties shall be governed by the Civil Code of the Philippines.

Rule V. Home Solicitation Sales

Section 1. Home Solicitation Sales — No business entity shall conduct any home solicitation sales of any consumer product or service without first obtaining a permit from the Department. Provided, That any business entity applying for a permit may also apply for a general permit in behalf of all other business entities acting as its agents conducting home solicitation sale for the applicant whether or not such agents are independent business entities or are also conducting home solicitation sales for other consumer products.

Section 2. When to Apply for a Permit — The permit to conduct home solicitation sales shall be applied for upon effectivity of these Rules or upon opening of a home solicitation sales business and every two years thereafter.

Section 3. Where to File Application — The venue for Applications to conduct home solicitation sales shall be in accordance with the following Rules:

3.1. If the home solicitation sale is to be conducted within a single province, the application shall be filed with the Department's provincial office, or in the absence of such an office, with the Department's regional office which has jurisdiction over such provinces;

3.2. If the home solicitation sale is to be conducted within several provinces within a single region, the application shall be filed with the Department's regional office which has jurisdiction over said provinces;

3.3. If the home solicitation sale is to be conducted nationwide, only within the National Capital Region, or in several regions including Metro Manila, the application shall be filed with the Department's regional office in the National Capital Region (NCR);

3.4. For home solicitation sales covering more than one region but excluding Metro Manila, the application shall be filed with the Department's regional office where the main office of the business entity is located.

Section 4. Form and Contents of the Application — The application for home solicitation sales shall be in the form prescribed by the Department and shall contain the following information and documents:

4.1. Business name and address of the applicant;

4.2. The product to be sold through home solicitations or a general description thereof;

4.3. The manner by which such home solicitation shall be conducted;

4.4. The business name and address of its agents, where registration of the same is being applied for;

4.5. The scope and duration of authority granted to such agents;

4.6. A specimen of the authorization given to such agents; and

4.7. A specimen of the identification given to such agents.

Section 5. Updating of Information on Registered Agents for Home Solicitation Sale — The applicant who has applied for the registration of its agents shall update the information provided to the Department whenever:

5.1. The authority of any of its agent had been revoked; and

5.2. Any new agent has been authorized by the applicant to conduct home solicitation sales in its behalf.

Section 6. Denial of Application for Permit to Conduct Home Solicitation Sale — Any application for a permit to conduct a home solicitation sale by the principal or for its agent may be denied by the Department, after due notice and hearing, on any of the following grounds;

6.1. Failure to provide all the information required; or
 6.2. Repeated violation of any of the Rules on home solicitation sales.

Section 7. Home Solicitation Sales: When Conducted—Home solicitation sales may be conducted only between the hours of nine o'clock in the morning and seven o'clock in the evening of each working day. Provided, That solicitation sales may be made at a time other than the prescribed hours where the person solicited has previously agreed to the same.

Section 8. Home Solicitation Sales: By Whom Conducted—Home solicitation sales may be conducted by a person who has the proper identification and authority from his principal to make such solicitations.

Section 9. Receipts for Home Solicitation Sales—Sales generated from home solicitation sales shall be properly receipted as per existing laws, rules and regulations on sale transactions.

Section 10. Prohibited representations—Except where such is actually the case, it shall not be represented in a home solicitation sale that:

- 10.1. The buyer has been especially selected;
- 10.2. A survey, test or research is being conducted; or
- 10.3. The seller is making a special offer to a few persons only for a limited period of time.

Section 11. Disclosure of Criteria Employed in Selection of Prospective Buyer in a Home Solicitation Sale—Where it is claimed by the seller or supplier of a consumer product or service that a specific consumer has been chosen from among a number of other consumers, and such selection had actually been made, the criteria used in the selection shall be disclosed to the chosen consumer.

Rule VI. Rules on Consumer Service Firms

Section 1. Representation as to Availability of Certain Facilities or Amenities—Any service firm engaged in the provision of consumer services shall not represent that it has a certain facility and/or amenity unless the same is actually available to the consumer and in good working condition. If any of the facilities and amenities usually advertised are out-of-order, the consumers availing of the services of the service firm shall be informed of such facts before any consumer transaction is entered into. If within the duration of a consumer transaction, such facility or amenity falls into disrepair, the same shall, if practicable, be repaired or serviced at once. *Provided*, That the consumer shall also have the option to terminate the contract of service and receive a corresponding refund of payments already made.

Section 2. Display of License to Operate Consumer Service Firm—Consumer service firms required by any law or regulation to acquire a license to operate shall secure the same and shall exhibit such license in its place of business. Provided, that where a firm has several branches, the license need be exhibited only in its principal place of business and the branches need only exhibit a photocopy of the same, except where a license is required for every branch, in which case, each branch shall exhibit the license corresponding to such branch.

Section 3. Damage or Injury Caused by Service Firm—Any repair for damage or injury caused by the service firm shall be paid for by the service firm whether or not the repair is undertaken by it or another firm. The buyer availing of the services of the service firm shall also be reimbursed of the fees paid for the services of the service firm responsible for the damage or injury. In case of loss of any property of the buyer due to the fault of the service firm, the buyer shall be reimbursed of its fair market value at the time of the injury or damage. This section shall be without prejudice to other remedies of the buyer under these Rules or under other existing laws and regulations.

Section 4. Consumer service firms required by any law or regulation to acquire an insurance for damages, injuries or loss due to its operations shall acquire the same and make the insurance policy accessible to the Department and to any buyer upon reasonable request.

Rule VII. Additional Rules on Consumer Repair and Service Firms for Electrical Appliances, Electronic Equipment, Machines and Other Mechanical Equipment and Motor Vehicles

Section 1. Before undertaking any repair or servicing of a consumer product, the owner shall be informed by the repair or service firm of the following:

1.1. The results of the examination, assessment or evaluation of the nature and extent of the damage of the consumer product.

When the consumer product has been dismantled to assess the extent of the damage and the consumer decides to forego the repair of the consumer product, the repair or service firm shall restore the product to the same condition as it was when brought to the firm. Provided, that where the examination or assessment of the damage of a consumer product itself entails a major service or repair by the service firm, a preliminary agreement as to the cost, the manner and condition for such examination, assessment or evaluation may be entered into by the consumer and the service firm;

1.2. The nature and extent of repair or servicing necessitated by the damage;

1.3. Whether a part of the product need be replaced or a new one installed;

1.4. The inclusive dates within which the repair or servicing will be done and where applicable, the existence of a penalty clause;

1.5. An estimate of how long the repair or service work done will hold under normal use of the product;

1.6. Any warranty as to the repair or service work done and the specific aspects of work guaranteed such as parts, labor, the job as a whole, its extent and duration;

1.7. The itemized and total amount to be paid for the repair or servicing of the product, separating labor charges from charges for parts or accessories used;

1.8. Form and schedule of payments for the work to be done. In cases of electrical, mechanical and electronic consumer products, the foregoing disclosures shall be in writing.

Section 2. Consumer repair services shall not be required to be fully paid in advance nor any down payment to exceed fifty percent (50%) of the total cost of such services except where spare parts or materials have to be procured before any repair service can be done and such materials are identified and are for the account of the consumer.

Section 3. The repair or servicing of a consumer product shall be confined to the results of the examination or assessment. Should other damages be discovered in the course of the repair or service, the owner shall be informed of the same and no repair or servicing thereof shall be made without first informing the owner of such damage and the repair or servicing required, including the price of such additional work.

Section 4. No replacement or change in any of the parts of a consumer product under repair shall be made without the knowledge and prior consent of the owner.

Section 5. In prescribing the part to serve as replacement of a damaged part or new installations on the consumer product, parts which are available in the market, shall, as much as possible be prescribed. Where the part to be installed or to serve as replacement is obtainable only in the repair and service firm, the name, brand and price of the same shall be made known to the consumer prior to the actual repair or servicing.

Section 6. The repair or service firm shall shoulder the cost of repair of the consumer product for damages caused by it whether or not the repair is to be undertaken by another firm. This shall be without prejudice to all other rights and remedies available to the owner under other laws.

Section 7. The receipt for the services of a repair or service firm shall contain an itemized statement of account showing the amount for the service or repair and for the parts installed. The nature and extent of the repair or service shall also be indicated in the receipt or any accompanying document.

Chapter III

CONSUMER PRODUCT AND SERVICE WARRANTIES

Rule I. Coverage

Section 1. *Coverage* — The following rules shall apply to all consumer sales transactions in consumer products and services.

Section 2. *Exceptions* — These rules shall not apply to professional services of certified public accountants, architects, engineers, lawyers, veterinarians, optometrists, pharmacists, nurses, nutritionists, dietitians, physical therapists, salesmen, medical and dental practitioners and other professionals engaged in their respective professional endeavors.

Rule II. Laws Governing Warranties on Consumer Products and Services

Section 1. *Applicable Laws on Warranty* — In addition to the provisions of the Civil Code on conditions and warranties, the following Rules shall govern all contracts of sale with warranties.

Rule III. Terms of Express Warranties

Section 1. *Clear and Understandable Language* — Express warranties on consumer products and services shall be written in clear and readily understandable language.

Section 2. *Contents of Express Warranties* — Express warranties shall, among others, contain the following information:

- 2.1. The business name and address of the warrantor;
- 2.2. The name and address of the person to whom the

warranty is extended, if the warranty is not transferrable;

2.3. The consumer products or parts thereof or consumer service covered by the warranty;

2.4. What the warrantor will do in the event of a defect, malfunction or failure to conform to the written warranty and at whose expense;

2.5. What the consumer must do to avail of the rights which accrue to the warranty;

2.6. Designation of warranties, whether full warranty or limited warranty.

2.7. *Duration of Warranty* — The seller and the consumer shall stipulate the period within which the express warranty shall be enforceable. If the implied warranty on merchantability accompanies an express warranty, both will be of equal duration. Any other implied warranty shall not be less than sixty (60) days nor more than one (1) year following the sale of new consumer products.

Section 3. *Express Warranties Operative from Moment of Sale* — Express warranties issued by a manufacturer, producer or importer shall be operative from the moment of sale.

Rule III. Minimum Standards for Warranties

Section 1. *Minimum Standards for Warranties* — For the warrantor of a consumer product to meet the minimum standards for warranty, he shall:

1.1. Remedy such consumer product within a reasonable time and without charge in case of a defect, malfunction or failure to conform to such written warranty;

1.2. Permit the consumer to elect whether to ask for a refund or replacement without charge of such product or part, as the case may be, where after reasonable number of attempts to remedy the defect or malfunction, the product continues to have the defect or malfunction.

Section 2. The warrantor shall not be required to perform the above duties if he can show that the defect, malfunction or failure to conform to a written warranty was caused by damage due to unreasonable use of the consumer product.

Rule IV. Recording and Reporting of Sales of Products with Express Warranties

Section 1. Sales Report — Unless otherwise agreed upon, all sales made by distributors of consumer products with express warranties shall be reported to the manufacturer, producer or importer of the product sold within thirty (30) days from date of purchase. The report shall contain among others, the following information:

- 1.1. The date of purchase;
- 1.2. The model of the product and its serial number;
- 1.3. The name and address of the buyer.

Section 2. Sales Report Equivalent to Warranty Registration with Manufacturer — The report made in accordance with the preceding section shall be equivalent to a warranty registration with the manufacturer, producer or importer which shall be sufficient to hold the manufacturer, producer, or importer liable, in an appropriate case, under its warranty.

Section 3. Failure to Make or Send Report — Failure of the distributor to make the report or send the form required by the manufacturer, producer or importer shall relieve the latter of its liability under the warranty. In such a case, the distributor shall assume liability under the warranty. However, upon claim of the buyer of his warranty rights from the manufacturer, the manufacturer shall be obligated to make good the warranty at the expense of the distributor.

Section 4. Record of Purchases — Distributors and retailers of consumer products shall keep a record of all purchases covered by a warranty or guarantee for such period of time corresponding to the lifetime of the product's respective warranties or guarantees.

Rule V. Enforcement of Warranty Rights

Section 1. The Warranty Rights can be enforced by presentation of a claim. To this end, the purchaser needs only to present to the immediate seller either the warranty card or the official receipt along with the product to be serviced or returned to the immediate seller. No other documentary requirement shall be demanded from the purchaser.

Section 2. If the immediate seller is the manufacturer's factory or showroom, the warranty shall immediately be honored. If the product was purchased from a distributor, the distributor shall likewise immediately honor the warranty. In the case of a retailer other than the distributor, the former shall take responsibility without cost to the buyer of presenting the warranty to the distributor in the consumer's behalf.

Section 3. Failure to Send Warranty Card/Registration to Manufacturer — The failure of the buyer to send the warranty card or to register his purchase with the manufacturer shall not be construed as a waiver of his rights under the preceding sections nor the extinction of the liability of the manufacturer on the warranty.

Rule VI. Breach of Express Warranties

Section 1. Breach, Non-conformance or Failure to Honor the Express Warranty — In case of any breach, non-conformance or failure to honor express warranties by the warrantor, the buyer may elect to have the goods repaired or its purchase price refunded by the warrantor. *Provided, however,* that in case the repair of the product in whole or in part is elected, the warranty work must be made to conform to the express warranty within thirty (30) days be either the warrantor or his representative. The thirty-day period, however, may be extended by conditions which are beyond the control of the warrantor or his representative or by agreement of the parties.

Section 2. Proportionate Reduction in Refund of Purchase Price — In case refund of the purchase price is elected by the buyer, the amount directly attributable to the use of the consumer prior to the discovery of the non-conformity shall be deducted.

Rule VII. Consumer Service Warranties

Section 1. Implied Warranty in Supply of Consumer Services — In every contract for the supply of services to a consumer made by a seller in the course of a business, there is an implied warranty that the services will be rendered with due care and skill and that any material supplied in connection with such services will be reasonably fit for the purpose for which it is supplied.

Section 2. Where a seller supplies consumer services in the course of a business and the consumer, expressly or by implication, makes known to the seller the particular purpose for which the services are required, there is an implied warranty that the services supplied under the contract and any materials supplied in connection therewith will be reasonably fit for that purpose or are of such a nature or quality that they might reasonably be expected to achieve that result, unless the circumstances show that the consumer did not rely or that it is unreasonable for him to rely, on the seller's skill or judgment.

Section 3. Guarantee of Service Firms — Service firms shall guarantee workmanship and replacement of spare parts for a period not less than ninety (90) days which shall be indicated in the pertinent invoices unless otherwise agreed upon or unless by the nature or the state of use of the product serviced, it shall prove unreasonable to expect the service guarantee to last ninety (90) days.

Rule VIII. Prohibited Acts

Section 1. The following acts are prohibited:

- 1.1. Refusal without any valid legal cause by the local manufacturer or any person obligated under the warranty or guarantee to honor a warranty or guarantee issued;
- 1.2. Unreasonable delay by the local manufacturer or any person obligated under the warranty or guarantee in honoring the warranty;
- 1.3. Removal by any person of a product's warranty card for the purpose of evading said warranty obligation;
- 1.4. Any false representation in an advertisement as to the existence of a warranty or guarantee.

Chapter IV

LABELLING AND FAIR PACKING

Rule I. Coverage

Section 1. Coverage — The following Rules shall apply to all consumer products sold in the Philippines whether locally manufactured or imported.

Section 2. Exceptions — The following Rules shall not apply to food, cosmetics, drugs, devices, hazardous substances and agricultural products which shall be promulgated and enforced by the concerned agency.

Rule II. Minimum Labeling Requirements

Section 1. Minimum Labeling Requirements for Consumer Products — All products domestically sold whether manufactured locally or imported shall indicate the following in their respective labels or packaging:

- 1.1. Its correct and registered trade name or brand name. If no trade name or brand name is registered for the product, the ordinary name by which it is commonly known may be used;

1.2. Its duly registered trademark;

1.3. The registered business name of the manufacturer, importer, distributor, repacker, or consignee in the Philippines. The business name registered with the Department shall be used. If the business is not registered with the Department, the business name appearing in the business permit may be used;

1.4. The present and complete business address, including the number, street, city or municipality, province, of the manufacturer, importer, repacker or consignee of the consumer product in the Philippines;

1.5. The general make or active ingredients of the product. The following rules shall govern compliance with this requirement:

1.5.1. Where the ordinary name of the product is indicated in the label and the same is also indicative of its general make or active ingredient, the ordinary name so indicated shall suffice to comply with this requirement;

1.5.2. Where the product is of an ordinarily known ingredient or make and the same is visible and may be known upon inspection during the purchase thereof, the same shall be deemed sufficient compliance with this requirement; *Provided, That*, in case where the type, kind or classification of such product is material in the purchase of the product, such type, kind or classification shall also appear in the label; and

1.5.3. Where a chemical comprise the main ingredient of a product, such chemical shall always be indicated in the label.

1.6. The net quantity of contents, in terms of weight or measure rounded off to at least the nearest tenths in the metric system or the numerical count of the product.

1.6.1. In cases where the product is packaged and sold in sets, the total number of the individual products in the set shall be indicated in the label. Where the product comes with accessories, the accessories and their numerical count shall be indicated in the label;

1.6.2. The following shall be deemed sufficient compliance with this requirement:

1.6.2.1. Where a product is sold in single units, without any accessory and such product may be inspected upon purchase thereof, this requirement is deemed complied with;

1.6.2.2. Approximations of the numerical count of a product sold in sets shall be allowed in cases where such is composed of very numerous and very small units that exactitude in their numerical count can not reasonably be expected;

1.6.2.3. Jewelry shall be designated in weight, size or quality as may be required by the concerned agency or, in the absence thereof, as is usual in the industry or business practice; and

1.6.2.4. Wearables may be designated in sizes as prescribed by regulation or, in the absence thereof, as is acceptable practice in the business.

1.7. The country of manufacture, if imported. Where none is indicated, the product shall be deemed locally made.

1.8. If a product is manufactured, distributed, refilled, repacked under license or consignment from a principal, the label shall so state the fact. The business name and address of the principal shall also be indicated.

Rule III. Additional Labeling Requirements for Certain Products

Section 1. The following information shall also be contained in the labeling of the consumer products:

1.1. Where a product is flammable, the same shall be indicated in the label. For flammable products, the following information shall also be contained in the label:

1.1.1. The temperature of heat that can trigger the burning of the product;

1.1.2. Precautions against accidental burning.

1.2. Where the product is toxic or poisonous, the label shall contain the word: "Warning: Poisonous" or "Warning: Toxic" or the accepted or required graphic representation of the same. In cases of toxic or poisonous products, the label shall also contain the following information:

- 1.2.1. The manner by which said toxicity may affect a person, whether by ingestion, inhalation, bodily contact, etc.;
- 1.2.2. The possible symptoms of poisoning that may be felt or experienced by the victim such as vomiting, fever, pain, dizziness, etc.;
- 1.2.3. The first-aid treatment that may be administered on the person affected;
- 1.2.4. Contraindications, acts, food or drugs which shall not be taken by the victim as they might aggravate his condition; and
- 1.2.5. When it is crucial to have the victim be attended by a physician.
- 1.3. Where a product is corrosive, the same shall be indicated in the label including the following information:
- 1.3.1. The first-aid treatment that may be administered on the person affected;
- 1.3.2. Acts, food or drugs which shall not be taken by the victim as they might aggravate his condition;
- 1.3.3. When it is crucial to have the victim be attended by a physician;
- 1.4. Where the product is a strong sensitizer or may cause allergy, the same shall be indicated in the label. The following information shall also be indicated:
- 1.4.1. The manner by which the product may sensitize or cause allergic reaction to a person, whether by ingestion, inhalation, bodily contact, etc. shall be indicated in the label;
- 1.4.2. The possible sensitization or allergic symptoms that may be felt or experienced by the victim such as vomiting, fever, pain, etc.;
- 1.4.3. The first-aid treatment that may be administered on the person affected;
- 1.4.4. Acts or drugs which shall not be taken by the victim as it will aggravate his condition; and
- 1.4.5. When it is crucial to have the victim be attended by a physician.
- 1.5. Complicated mechanical, electrical or electronic appliances, equipment, or products to be assembled and those needing further assembly shall contain the following information:

- 1.5.1. Direction for use or assembly, which shall be in clear and understandable words. Artistic, graphical representations or illustrations may be used in addition to the words in the directions;
- 1.5.2. Whether the product is for use only by technical people or the technical knowledge that is necessary in order to use or assemble the product;
- 1.5.3. The necessary accessories to use the product or if the product is an accessory, the necessary principal product with which the same may be used;
- 1.5.4. Whether a technical person or an expert is needed to assemble the product.
- 1.6. Where an electrical or electronic appliance or accessory may be used only with a specific wattage, voltage or amperes, such wattage, voltage or amperage shall be embossed, painted, pasted or otherwise printed on the product without danger of getting easily erased or removed by ordinary usage.
- 1.7. In case of mechanical and electrically powered toys, its label shall contain information as to the age of the child for which the toy is intended.
- 1.8. Where a product is prone to cause an accident if not handled or used in the proper way, the label shall contain the following warning: "Caution/Warning: Dangerous if not handled properly" or words to such effect.
- 1.9. Where damage is likely to result from non-compliance to the limited use of a product, a statement such as "Warning: for limited use only" or words to such effect shall appear in the label.
- 1.10. Where express warranties are provided with the product, the mandatory contents of express warranties as required by these Rules in the preceding Chapter shall appear on the label of the product.
- Sec. 2. *Exceptions.* — The following shall be deemed exempted from the requirements of labeling:
- 2.1. Where a consumer product is further retailed in very small quantities by small stores or in public markets, which by tradition are wrapped in ordinary paper, plastic or used containers;

2.2. Where the buyer himself provides the container for his purchase of a consumer product retailed in small quantities.

Rule V. Information as to Compliance to Standards

Section 1. *Philippine Product Standard Mark.* — The label shall contain the Philippine Product Standard Mark if it is certified to have passed the consumer product standard prescribed by the concerned agency.

Sec. 2. *Approval/Compliance to Standards Of other Government Agencies.* — The label shall indicate the approval by or compliance to standards of other agencies of the government concerning safety, quality, fill, weight or measurement.

Sec. 3. *Approval/Compliance to Standards of Organizations, Foreign Governments, Foreign Agencies.* — The label may also indicate the approval by or compliance to standards of a private organization or institution, whether in the Philippines or abroad or by any foreign government or an agency thereof.

Rule VI. Manner of Placing Labels

Section 1. *Conspicuous, Easily Understandable Under Customary Conditions of Purchase, Use.* — Any word, statement or information required by or under authority of these Rules shall appear on the label or labeling with such conspicuousness as compared with other words, statements, designs, or devices, therein and in such terms as to render them likely to be read and understood by the ordinary individual under customary conditions of purchase or use.

Sec. 2. *Label Should Not be Easily Detached, Erased.* — The Labeling of a product shall be made in such a way that the information required by these Rules and those issued by authorized agencies are not likely to be removed, detached or erased under ordinary handling of the product.

Sec. 3. Labeling Requirements in the Principal Display Panel.

— The following shall appear on the principal display panel of the labeling of the product:

- 3.1. Tradename or brand name;
- 3.2. General make or active ingredients;
- 3.3. Weight, net quantity or size;

Sec. 4. *Labeling Requirements in the Principal or Secondary Display Panels.* — The following information shall appear in the principal display panel or in any secondary display panel:

- 4.1. Registered trademark;
 - 4.2. The duly registered business name;
 - 4.3. The address of the manufacturer, importer, repacker, refiller or consignee;
 - 4.4. The fact that the product is manufactured, refilled or repacked under license from a principal;
 - 4.5. The name and address of consignor or the principal for whom the product is manufactured, refilled or repacked;
 - 4.6. The country of manufacture, in case of imported products;
 - 4.7. Whether technical or expert knowledge is needed to operate or assemble the product;
 - 4.8. Warning of flammability, toxicity or poisonous character, corrosiveness when required;
 - 4.9. Information as to allergic reaction, when required;
 - 4.10. In case of mechanical and electrically powered toys, the age of the child for which the toy is intended;
 - 4.11. Warning required in case of a product prone to cause an accident if not handled or used in the proper way;
 - 4.12. Warning required where damage is likely to result in non-compliance to the limited use of a product.
 - 4.13. The Philippine Product Standard Mark; and
 - 4.14. Other certification of compliance to standards set by other agencies of the government concerning safety, quality, fill, weight or measurement.
- In case where warnings are required to be placed in the label, the same shall be made in such a way that they shall appear more conspicuous than all the other words in the label.

Sec. 5. Labeling Requirements in the Principal or Secondary Display Panels or in the Literature. — The following information shall be contained in the principal display panel, secondary display panel or in the literature of the consumer product:

- 5.1. Warning and all the required information on flammability, toxicity, corrosiveness, strong sensitizer or allergy;
- 5.2. Directions for use or assembly where the same is required;
- 5.3. All the required information on express warranties; and
- 5.4. Certification of compliance to standards set by a private organization or institution, whether in the Philippines or abroad or by an agency of a foreign government.

Sec. 6. Availability of Literature for Perusal by Buyer. — Where the literature for a product is placed inside its packaging, the seller shall provide the buyer with a copy thereof for his perusal or examination at the time of purchase.

Sec. 7. Newspapers, Magazines, Periodicals and Other Reading Matter. — The requirement as to the placement of labeling shall not apply to newspapers, magazines, periodicals and other reading matter if the contents of the same or a sample thereof may be inspected by the buyer upon purchase thereof.

Rule VI. Prohibited Acts on Labeling of Consumer Products

Section 1. Prohibited Acts on Labeling. — It shall be unlawful for any person, either as principal or agent, engaged in the labeling or packaging of any consumer product to display or distribute or cause to be displayed or distributed in commerce for purpose of selling or offering for sale any consumer product whose label does not conform to these rules and regulations.

The prohibition in this section shall not apply to persons engaged in the business of wholesale or retail distributors of consumer products except to the extent that such persons:

- 1.1. Are engaged in the packaging or labeling of such products;
- 1.2. Prescribe or specify by any means the manner in which such product are packaged or labeled; or

1.3. Having knowledge, refuse to disclose the source of the mislabeled or mispackaged products.

Sec. 2. Prohibition of the Words: "No return, No exchange." — The words: "No return, No exchange," or any other words to such effect shall not appear on any label or literature of a consumer product or on any receipt for the purchase of such product.

PACKAGING

Rule VII. Size and Characterization of Packaging for Consumer Products

Section 1. Fair Packaging. — The packaging of consumer products shall not be made in such a way as to cause the purchaser to be deceived as to the contents, size, quantity, measurement or fill of the product.

Sec. 2. Artistic or Aesthetic Considerations in the Packaging. — Artistic or aesthetic consideration in the packaging of consumer products shall be allowed provided steps are taken to avoid possible misconception by consumers as to product contents, size, quantity, measurement or fill.

Sec. 3. Packaging of Consumer Products Under Sales Promotion. — The packaging of consumer products which are under sales promotion may vary from that of products for regular distribution, provided that the contents, size, quantity, measurement or fill thereof are not affected to the prejudice of the purchaser.

Sec. 4. Non-functionally Slack-filled Packaging. — Consumer products which are non-functionally slack-filled shall clearly and conspicuously indicate in its labeling the correct quantity of its contents, its size, measurement or fill. A package filled to less than its capacity due to the inherent characteristics of its contents shall not be considered non-functionally slack-filled, provided that its label indicates the correct quantity, size, and measurement of its contents.

Sec. 5. Packaging of Basic Necessities. — Basic necessities shall not use non-functionally slack-filled packaging.

Sec. 6. Where Contents of Packaged Products Cannot be Inspected Upon Purchase. — For consumer products which are packaged in such a way that the contents cannot be seen or inspected upon purchase, samples or labeling describing the product inside the package, in words, in pictorial or graphical representation or by similar means, shall be provided for the inspection of the purchaser. Such sample or description shall accurately represent the product in the package.

Rule VIII. Protection of Packaged Consumer Products

Section 1. Protection of Product through Packaging. — The packaging of consumer products shall reasonably serve to protect the product under ordinary handling until the same is to be used by the buyer within a reasonable time.

Sec. 2. Handling Instructions in Package. — Packaged consumer products which may be endangered even by ordinary handling shall indicate in their labeling appropriate handling procedures in order to protect the product. Where accessories of a consumer product are packaged separately, the packaging of such accessories shall also be provided with appropriate care and/or appropriate handling instructions.

Sec. 3. Packaging of Dangerous Products. — Whenever practicable, consumer products or accessories therefor which are likely to cause injury to persons or damage to property shall be packaged in such a way as to prevent accidents in handling such products. Where precautions or warnings are necessary, they shall be provided in the package labeling in clear, conspicuous and unmistakable terms.

Sec. 4. Dangerous Packaging. — Where the packaging of a consumer product itself poses danger to persons or property upon improper use, handling or disposal, a warning or indication as to what improper use, handling or disposal should be avoided,

shall be provided on the packaging itself. Whenever possible, first-aid treatments and information when it is necessary to take the victim to a physician shall also be provided in the package labeling.

Rule IX. Special Packaging for Children

Section 1. Warnings to Adults and to Children. — Where consumer products which pose danger to health and safety due to improper use or handling or use is also likely to attract children, appropriate warnings, such as: "Warning: Keep out of reach of children," or words to such effect shall be provided in its outermost packaging. Such warnings shall be directed to adults; however, whenever possible, warnings directed to or understandable by children shall also be provided.

Sec. 2. Packaging of Dangerous or Accident-prone Products. — Whenever practicable, the packaging of dangerous or accident-prone consumer products or those likely to cause injury to persons shall be made difficult for children to open.

PRICE TAG

Rule X. Price Tag Requirement on Consumer Products & Services

Section 1. Price Tag Requirement for all Consumer Products Sold in Retail. — All consumer products sold in retail to the public shall bear an appropriate price tag, label or marking indicating the price of the article. Such consumer products shall not be sold at a price higher than that stated therein.

Sec. 2. Price Tag Requirement for Samples or Dummies on Display. — Samples or dummies of products offered for sale on retail when displayed within the retail outlets shall also bear the prices of products which they represent.

Sec. 3. Price Tag Requirement for Lumber. — In the case of lumber sold, displayed or offered for sale to the public, the same shall be tagged or labeled indicating thereon the price and the corresponding official name of the wood.

Sec. 4. When Price List May be Allowed. — Prices of consumer products which are too small or the nature of which makes it impractical to place a price tag thereon, shall be listed.

In the case of consumer services, price lists may also be used in lieu of price tags.

Sec. 5. Price lists shall be posted/placed in conspicuous places in the establishment.

Rule XI. Manner of Place the Price Tag/Price List

Section 1. Clear Indication of Prices in Price Tags, Lists. — Price tags, labels or markings and price lists shall be written clearly, indicating the price of the consumer product per unit in pesos and centavos.

Sec. 2. Use of Codes. — Prices of consumer products and services shall not be written in code except in addition to price tags, labels, markings or price lists as provided for in these Rules.

Sec. 3. Consumer Products Sold in Foreign Currency. — All products sold in the Philippines shall bear price tags and/or price lists in pesos except when a law or regulation allows consumer products to be sold in foreign currency as in the case of duty-free shops.

Sec. 4. Prohibition on Erasures, Alterations in Price Tags. — Except as allowed or required in price reduction sales promotions campaigns, there shall be no erasures or alterations in price tags, labels or markings or in price lists.

Chapter V

LIABILITY FOR PRODUCTS AND SERVICES

Rule I. Coverage

Section 1. Coverage. — The following Rules shall apply to all manufacturers, producers, builders or importers of consumer products and suppliers of consumer services.

Sec. 2. Regulation of Consumer Services by Existing Laws. — Consumer services which regulation are provided by other existing laws such as those covered by the Public Service Act, Professional Regulation Commission, the Supreme Court for Legal services and the like shall not be included within the coverage of foregoing Rules and all the other pertinent rules.

Rule II. Liability for Defective Products

Section 1. Liability of Manufacturers for Defective product. — Manufacturers, builders, producers and importers of consumer products shall be liable for redress, independently of fault, for damages caused to consumers by defects resulting from:

- 1.1. The design, manufacture, construction, assembly and erection, formulas and handling and making up, presentation or packing of their products; or
- 1.2. The insufficiency or inadequacy of the information on the use and hazards they provide therefor.

Sec. 2. Exception — The manufacturer, builder, producer or importer shall not be held liable under the preceding Section in the following instances:

- 2.1. When it was not responsible for placing the product in the market or when the product was placed in the market without its authorization;
- 2.2. When, although it placed the product in the market, such product has no defect; or

2.3. When the consumer or a third party is solely at fault for the defect.

Sec. 3. *When is Product Defective.* — A product shall be considered defective when it does not offer the safety that may rightfully be expected of it. The following considerations shall be taken into account in determining whether a product is defective:

- 3.1. The presentation of the product in terms of packaging, labelling, or advertising; or
- 3.2. The nature of the use and hazards that may be reasonably expected of the product; or
- 3.3. The time the product was put into circulation; or
- 3.4. The level of research and technology obtainable by the manufacturer, builder, producer or importer when it placed the product in the market.

Sec. 4. *Availability of Higher Quality Product Does not Constitute Defect in Lower Quality Product.* — A product shall not be considered defective because another better quality product has been placed in the market.

Sec. 5. *Liability of Seller for Defects in the Product.* — The tradesman or seller shall be liable pursuant to the preceding Sections of this Rule under the following instances:

- 5.1. When it is not possible to identify the manufacturer, builder, producer or importer;
- 5.2. When the product is supplied, without clear identification of the manufacturer, producer, builder or importer in the following cases:
 - 5.2.1. The product does not contain a label or labelling;
 - 5.2.2. Even if there is a label or labelling, it does not contain a clear identification of the manufacturer, producer, builder or importer;
 - 5.2.3. When the manufacturer, producer, builder or importer indicated in the label cannot be located due to lack or insufficient information on its whereabouts.
- 5.3. When the seller does not adequately preserve perishable consumer products including those products that are prone to deterioration.

Rule III. Liability for Product Quality Imperfection

Section 1. *Liability of Suppliers.* — Suppliers shall be jointly liable for imperfections in quality of consumer products.

Sec. 2. *When is There Product Imperfection.* — With due regard to variations resulting from their nature, the following shall constitute product imperfection:

- 2.1. Those that render the products unfit or inadequate for the purpose, use or consumption for which they are designed or intended;
- 2.2. Those that shall jeopardize the quality and characteristics of the product resulting to a decrease in its value;
- 2.3. Those that shall result from inconsistent or insufficient information provided on the container, labels or labelling, package or packaging or in advertisements or publicity messages for the product.

Sec. 3. *Remedies of the Consumers.* — Should the supplier fail to correct the imperfection of a consumer product within the period or time provided in these Rules, the consumer may alternatively demand for any of the following remedies:

- 3.1. The replacement of the product by another of the same kind and which shall be in a similar state of use. Such "similar state of use" shall be deemed to mean the status of use of the product, when the same was first purchased by the consumer, whether brand-new, second-hand or deteriorated or scrap;
- 3.2. The immediate reimbursement of the amount paid, with monetary updating and without prejudice to any losses and damages;
- 3.2.1. the consumer shall allege and prove the actual loss and damage caused to him by the failure of the supplier to comply with his obligation as stated under this Rule;
- 3.2.2. The supplier may deduct any amount reflective of the depreciation value of the product as has been used from the amount paid by the consumer. The depreciation value of the product shall be reasonable and with the agreement of the consumer.

3.3. A proportionate reduction in the price of the product in which case, the consumer shall retain ownership and possession of the product.

Sec. 4. *When Replacement is not Possible.* — If the consumer opts for the remedy provided under Sec. 3.1 and the same is not possible, the product may be replaced by another of a different kind, mark or model: *Provided, That*, in case there is a difference in price that may result from the replacement of the product with another kind, make or model, the difference in price shall be supplemented or reimbursed by the party which caused the damage, without prejudice to the provisions of Rule V.

Rule IV. Liability for Product Quantity Imperfection

Section 1. *Suppliers Jointly Liable.* — Where there are more than one supplier of consumer product, they shall be jointly liable for imperfections or inconsistency in the quantity of the product or when the net content is less than that indicated or provided on the container, packaging, labeling or advertisement.

Sec. 2. *Allowable Quantity Variations.* — The actual quantity of contents of certain consumer products, whether expressed in weight or volume, may be allowed variations in the following cases:

2.1. When such quantity variations are inherent or results from the nature of the product and is not non-functionally slack-filled;

2.2. If the quantity of contents provided is in approximations of very numerous and very small units, the allowance for quantity variations shall not exceed those that may be issued by the Bureau of Product Standards or any authorized agency, or in the absence thereof, shall not exceed 1% of the stated quantity in the label;

2.3. In case of jewelry, the allowable quantity variation shall not be more than that allowed by the Bureau of Product Standards or any authorized agency, or in the absence thereof, shall not exceed that which is usual in the industry.

Sec. 3. No quantity shall be allowed in products packaged in sets and those products which are sold in components or with accessories.

Sec. 4. *Remedies of Consumers in Cases of Product Quantity Imperfections.* — In cases of unallowed product quantity imperfections, consumers shall have the right to demand at his own option from the supplier any of the following remedies:

4.1. A proportionate reduction in price;

4.2. The supplementing or correction of the weight or measure differential;

4.3. The replacement of the product by another of the same kind, brand or model, without the quantity imperfection: *Provided, That:*

4.3.1. Where a difference in price results in such replacement and such difference is favorable to the supplier, such difference shall be reimbursed to the buyer; and

4.3.2. Where such difference in price is favorable to the buyer, the difference need not be paid to the supplier unless the buyer, despite the offer of the supplier of a replacement of comparable price chooses a replacement of a higher price.

4.4. Immediate reimbursement of the amount paid, with monetary updating without prejudice to losses and damages, if any.

Sec. 5. *When Replacement is Not Possible.* — The provisions of Section 4 Rule III of this Chapter shall also apply to product quantity imperfection.

Sec. 6. For products packaged in sets and those products which are sold in components or with accessories, the remedies under the preceding section shall be applicable in case of quantity imperfection in any of its component or accessory.

Sec. 7. *Violation of Official Weighing or Measuring Standard.* — The immediate supplier shall be liable if the instrument used for weighing or measuring is not gauged in accordance with official standards. Under this section, the immediate supplier shall refer to that supplier who has direct control in the packaging of the product.

Rule V. Notification Requirement for Product Quality and Quantity Imperfections

Section 1. Notification. — The consumer shall notify the supplier of the imperfection in the quality and/or quantity of the product or service immediately upon discovery which shall be within a reasonable period that the product is expected to have been used and the imperfect nature thereof known by the consumer.

Such notice shall not be considered complied with unless the supplier or its representative has been given the opportunity to actually inspect and verify the imperfection. However, in case where the supplier unreasonably delays such inspection, the mere notification by the consumer shall be deemed sufficient compliance with this Rule.

However, the consumer may make immediate use of the remedies under the immediately preceding section without need of notice to the supplier, when, by virtue of the extent or nature of the imperfection, the replacement of the imperfect parts may jeopardize the product quality or characteristics which shall result to a decrease in the value of the product.

Sec. 2 Time Within which to Correct Imperfection. — Suppliers to whom notification have been given pursuant to the immediately preceding section shall have thirty (30) days from notification within which to correct a product imperfection. However, if the nature of the product imperfection cannot be corrected within the thirty (30) day period allowed by this Section, it may be extended for a reasonable length of time subject to the written consent of the consumer.

Sec. 3 Reduction or Increase of Time to Correct Imperfection. — The parties in the sale agreement of a consumer product may agree to reduce or increase the term specified in the immediately preceding section but such term shall not be less than seven (7) days nor more than one hundred eighty (180) days.

Rule VI. Liability for Defective Services

Section 1. Liability of Service Supplier. — The supplier of any consumer service shall be liable for redress, independently of fault, for damages caused to consumers resulting from:

- 1.1. Defects relating to the rendering of the services; or
- 1.2. The insufficient or inadequate information on the fruition and hazards of the service.

Sec. 2. Exception. — The supplier of the services shall not be liable when it is proven:

- 2.1. That there is no defect in the service rendered; or
- 2.2. That the consumer or third party is solely at fault.

Sec. 3. When is Service Defective. — The service is defective when it does not provide the safety the consumer may rightfully expect of it. The following circumstances shall be taken into consideration in determining whether a service is defective:

- 3.1. The manner in which the service was provided;
- 3.2. The results of hazards which may reasonably be expected from the service;
- 3.3. The time the service was provided; and
- 3.4. The level of research and technology obtainable by the service supplier when such service was availed of by the consumer.

Sec. 4. Availability of Better Quality Service by Other Suppliers does not Constitute Defective Service by Supplier of Lower Quality Service. — A service is not considered defective in spite of the presence or introduction of better quality services by other suppliers of consumer services.

Rule VII. Liability for Service Quality Imperfection

Section 1. Liability of a Service Supplier. — the supplier of a consumer service shall be liable for any imperfection in the quality of its service where such imperfection:

- 1.1. Renders a consumer product improper for consumption;
- 1.2. Decreases the value of a consumer product;
- 1.3. Results from inconsistent or incorrect information provided in the offer or advertisement.

Sec. 2. Liability for Improper Services. — The service supplier shall likewise be liable for any quality imperfection that shall render services improper. Under this section, improper services shall be those which prove to be inadequate for purposes reasonably expected upon availment of the service or those that fail to meet the pertinent provisions of these Rules.

Sec. 3. Remedies of Consumers in Cases of Service Quality Imperfections and Improper Services. — The consumer shall have the right to demand alternatively at his option the following from the supplier:

- 3.1. Proper performance of the service, where applicable, without additional cost to the consumer;
- 3.2. Immediate reimbursement of the amount paid, with monetary updating, without prejudice to losses and damages, if any; or
- 3.3. Proportionate reduction in price.

Sec. 4. Performance of the Service by a Third Party. — The performance of services may be entrusted to duly qualified third parties at the supplier's risk and cost. *Provided, That* the same shall be with knowledge and consent of the consumer and *Provided, further,* That such knowledge or consent on the part of the consumer shall not, be a waiver of any of the remedies available to him.

Sec. 5. Notification Requirement for Service Quality Imperfection. — The provision of Rule V Chapter V shall be applicable to the notification requirement for service quality imperfection.

Rule VIII. Obligations of Repair Service Firms

Section 1. The service repair supplier shall be considered implicitly bound to use adequate, new, original parts or those that maintain the manufacturer's technical specifications. However, the consumer may authorize or allow the repair service supplier to use another part of a different mark, kind or model as provided in the manufacturer's technical specifications.

Rule IX. Proof Required to Avail of Remedies

Section 1. In order to avail of the remedies provided under this Chapter, the consumer shall be able to show proof that the product or service was supplied by the manufacturer, builder, producer, importer or supplier, as the case may be.

Rule X. Ignorance of Quality Imperfection

Section 1. The supplier's ignorance of the quality imperfections due to inadequacy of the products and services does not exempt him from any liability.

Rule XI. Prohibition in Contractual Stipulation

Section 1. Except as otherwise provided in these Rules, any stipulation in a contract of a clause preventing, exonerating or reducing the obligation to indemnify for damages for product and service defects is hereby prohibited.

Rule XII. Legal Guarantee of Adequacy

Section 1. The absence of a stipulation on the legal guarantee of product and service adequacy or the prohibition on the contractual exonerating of the supplier does not negate such guarantee.

Rule XIII. Liability If There is More Than One Supplier

Section 1. If there is more than one person responsible for the cause of the damage, they shall be jointly liable for redress established in the pertinent provisions of this Act.

Rule XIV. Right to Reimbursement of Supplier or Seller

Section 1. The party who shall make the necessary payment to the damaged party may exercise the right to recover a part or the whole of the payment made against the other responsible parties, in accordance with their share of responsibility for the damage caused.

Rule XV. Liability of Manufacturer and Service Supplier of a Component Part

Section 1. If the damage is caused by a defect or imperfection in a component or part incorporated in the product or service, its manufacturer, builder or importer and the person who incorporated the component or part may be held liable for the defect. Such liability shall be governed by the Civil Code's provisions on joint and solidary obligations.

Sec. 2. *Nature of the Component or Part.* — The component or part incorporated in a product or service may either be an accessory necessary in the performance of the product or in the service to be rendered without which the intended use of the product cannot be met. It may also be an accessory that serves as an additional feature or to enhance the principal product but which is not necessary in the performance or use of the product or service.

Rule XVI. Limitation on the Liability of the Manufacturer, Importer, Producer or Builder or Supplier

Section 1. The manufacturer, builder, producer or importer of a consumer product or the supplier of a consumer service shall not be liable for the imperfections in the product or service which had been disclosed to the consumer prior to the transaction, *Provided that:*

- 1.1. Said disclosure shall have specified clearly the nature and extent of the imperfection; and/or
- 1.2. A proportionate reduction in the price of the product or service was given to the consumer.

Chapter VI

ADVERTISING AND SALES PROMOTION

Rule I. Coverage

Section 1. *Coverage* — The following Rules shall apply to the advertising and sales promotion of all consumer products and services. *Provided, That* with respect to food, drugs, devices, cosmetics and hazardous substances and agricultural products, the same shall be under the jurisdiction of the concerned departments.

Sec. 2. *Exemptions* — Announcements of sponsorships of programs, concerts, games, shows, and similar activities, political religious and institutional advertisements presented solely or purely for purposes of public service, education or information, health, environment, the development of desirable values and the like shall be exempted from the coverage of these rules.

Rule II. False, Deceptive and Misleading Advertisements

Section 1. *Prohibition on False, Deceptive and Misleading Advertisements.* — It shall be unlawful for any person to disseminate or to cause the dissemination of any false, deceptive or misleading advertisement by Philippine mail or in commerce by print, radio, television, outdoor advertisement or other medium for the purpose of inducing or which is likely to induce directly or indirectly the purchase of consumer products or services.

Sec. 2. *When Advertisement is False, Deceptive and Misleading.* — An advertisement shall be false, deceptive or misleading if it is not in conformity with the provisions of the Consumer Act of the Philippines or if it is misleading in a material respect.

Sec. 3. Determination of False, Deceptive and Misleading Advertisements.—In determining whether an advertisement is false, deceptive or misleading, there shall be taken into account, among other things, not only representations made or any combination thereof, but also the extent to which the advertisement fails to reveal material facts in the light of such representations, or materials with respect to consequences which may result from the use or application of consumer products or services to which the advertisement relates under the conditions prescribed in said advertisement, or under such conditions as are customary or usual.

Rule III. Truth and Accuracy in Advertising

Section 1. Truth and Accuracy in Advertising.—Any advertisement expounding on the characteristics, materials used, ingredients, value, price, added or accompanying services, guarantees and warranties of a consumer product or service, shall be clear, accurate and truthful in its claims. Artistic or aesthetic considerations shall not be an excuse to false, deceptive or misleading advertisements.

Sec. 2. Advertisements Depicting Product Performance Demonstration.—Demonstration of product performance in an advertisement, including, but not limited to laboratory or scientific tests, shall be factual and accurate and shall also be directly relevant as proof of the product benefit to which it purports to relate.

Sec. 3. Special Claims.—Any advertisement which makes special claims shall substantiate such claims and properly use research results, scientific terms, statistics or quotations.

Sec. 4. Use of Research, Scientific or Survey Findings, Discovery or Results—No research, scientific or survey findings, discovery, or result may be used in the advertisement of a consumer product or service unless the same has, in fact, a bearing or relation to the product or service being advertised and is supported by current, actual tests, experiments or

surveys conducted using scientifically acceptable methods. Such research, scientific or survey finding, discovery or result shall be presented in its proper context containing all its other material aspects, findings, conclusions or recommendations accompanying the scientific finding or discovery or survey result, such as, but not limited to, its temporary nature, the need for the presence or absence of any element or condition to bring about its result or, its possible adverse effect on certain individuals and/or under certain conditions or the need for further tests or surveys for verification of such findings, discovery or result.

Sec. 5. Source of Scientific or Statistical Claims.—Advertisements making scientific or statistical claims shall, indicate in same advertisement the source of the same and, as much as possible, use local sources and those of independent and competent stature. Where the cited scientific or statistical data used is from foreign sources, the advertiser or the sponsor shall make available official copies of such scientific or statistical findings and the manner in which they can be verified.

Sec. 6. Use of Research Papers or Articles from Journal, Book, Newspaper or Magazines or Excerpts.—Advertisements using articles from journals, books, newspapers or magazines or findings from research, tests or surveys or excerpts thereof, shall accurately present the same and shall not mislead the public into believing in the existence or absence therein of facts or findings beyond that contained in the article or finding cited or of the endorsement of the advertised product or service where the same is not contained in the article and provided that the use of the said article or excerpt is not otherwise prohibited by law.

Sec. 7. Testimonials by Professionals or Professional Organizations.—Professionals or professional organizations giving testimonials as such in any advertisement to promote a product or service shall be properly licensed, registered or accredited, if law, ordinance or government rules or regulations require them or their members to be so, to practice their profession, whether they actually practice or not and provided

that such product or service is not prohibited by any law, ordinance or regulation.

Sec. 8. Testimonials by Officers, Members, Representatives or Employees of Organizations, Firms or Corporations. — Officers, members, representatives or employees of organizations, firms or corporations giving testimonials endorsing a product or service as such and identifying their affiliation to such organization, firm or corporation shall be properly authorized to speak in behalf of the said organization or corporation.

Sec. 9. Use of News, Telecasts, Editorials or Official Announcements. — Advertisements presented as news, telecasts, editorials, official announcements and the like shall clearly indicate their simulated or fictional character.

Sec. 10. Advertisement of Labeled and/or Packaged Products. — No consumer product may be advertised as containing a label and/or in a packaging other than that label and/or packaging in which it is customarily sold to the general public or to its intended market.

Sec. 11. Advertisement for complicated or highly sophisticated electrical or electronic appliances, equipment, machines or accessories thereof shall indicate the technical knowhow or technical assistance necessary to use or operate such product. No such product shall be advertised in such a way as to make it appear that use or operation of the same can be easily accomplished by the ordinary consumer, without such knowhow or technical assistance.

Rule IV. Price Advertising

Section 1. Price Advertising. — Comparative price advertising by sellers of consumer products or services shall conform to the following conditions:

1.1. Where the comparison relates to a former price of the seller, the item compared shall either have been sold at that price within the ninety (90) days immediately preceding the date of the advertisement, or it shall have been offered for sale for at

least four (4) weeks during such ninety-day period. If the comparison does not relate to an item sold or offered for sale during the ninety-day period, the date, time or seasonal period of such sale or offer shall be disclosed in the advertisement.

1.2. Where the comparison relates to a seller's future price, the future price shall take effect on the date disclosed in the advertisement or within ninety (90) days after the price comparison is stated in the advertisement. The stated future price shall be maintained by the seller for a period of at least four (4) weeks after the effective date: *Provided, That* compliance thereof may be dispensed with in case of circumstances beyond the seller's control.

1.3. Where the comparison relates to a competitor's price, the competitor's price shall relate to the consumer-products or services advertised or sold in the ninety-day period and shall be representative of the prices of similar consumer products or services sold or advertised in the locality where the price comparison was made.

Rule V. Promotion of Safe and Proper Use of Products and Services in Advertisement

Section 1. Depiction of Improper/Dangerous Use of Product or Services. — Advertisements shall not depict nor encourage unsafe or dangerous use of any product or service. In case the improper use of a product or service is likely to result to accident, injury or any dangerous situation, both its proper use and the danger of improper use shall be clearly presented in the advertisement.

Sec. 2. Claim to Compliance to Consumer Product Safety Standard. — No product may be advertised to have complied with a Consumer Product Safety Standard or to any standard on safety of any government agency unless a Certification of Conformity to Product Standards or otherwise, has been issued therefor and provided that it has not been found by the appropriate department to be injurious, unsafe or dangerous or declared to be imminently such.

Sec. 3. Depiction of Limited or Cautious Use of Product or Service. — Where a product or service is of a limited or special use or where caution is to be applied in its use, the same shall be explicitly presented in the advertisement.

Sec. 4. Advertisements Depicting Disregard for Safety. — Advertisements shall not encourage disregard for safety, nor depict dangerous practices unless adequately qualified in the advertisements or balanced with positive presentation in the advertisement.

Sec. 5. Advertisements Creating Undue Panic or Fear. — Advertisements shall not be presented in such a way as to create undue fear or panic nor shall it exploit the credulity of children, the ignorant, the gullible and the superstitious.

Sec. 6. Scenes depicting disregard for safety, self-infliction of injury, suicides, rapes, and cruel or violent maiming or killing of man, woman, child or animal shall not be shown or used in any advertisement of any consumer product, including films, in radio, television, print and theaters and video cassette tapes concurrently showing films rated "General Patronage."

Rule VI. Credit Advertising

Section 1. Requirements for Advertising Consumer Credit Services. — No advertisement to aid, promote or assist, directly or indirectly, any extension of consumer credit may:

- 1.1 State that a specific periodic consumer credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payment or installments for that period and in that amount; and
- 1.2. State that a specified down payment is required in any extension of consumer credit, unless the creditor usually or customarily arranges down payment in that amount.

Sec. 2. Advertising of Open-end Credit Plan. — In case of an open-end credit plan, the rate of interest and other material features of the plan shall be disclosed in the advertisement. Such

material features shall include the product and accompanying accessories and/or services, if any, covered by the credit plan, the length of time the payments must be made, and the percentage of downpayment, if required.

Rule VII. Rules on Certain Advertisements

Section 1. Advertisements of sales promotion campaigns. — Advertisements of sales promotion campaigns shall be in accordance with the rules and regulations concerning Promotion of Sales of Consumer Products and Services.

Services 2. Standard messages. — Standard messages required by law or regulation to be included in the advertisement of a consumer product, service or credit shall always be complied with.

SALES PROMOTION OF CONSUMER PRODUCTS AND SERVICES

Rule VIII. Additional Rules on Coverage for Sales Promotion of Consumer Products and Services

Section 1. Coverage. — The following rules and regulations shall apply to all sales promotion campaigns conducted within the Philippines for any consumer product, service, or credit facility, as well as beauty contests, nationwide in character, sponsored by manufacturing agencies.

Sec. 2. Exemptions. — The following Rules on sales promotion campaigns shall not cover the following:

- 2.1. Sales promotion campaigns sponsored by the government or by any of these agencies or instrumentalities, when the same is conducted in the exercise of their governmental functions.
- 2.2. Imported products under promotion in their country of origin, not covering the Philippines, whether or not, benefit redounds accidentally to local buyers.

2.3. Social, civic, political, religious, educational and other similar organizations which extend promotional activity among their members. *Provided*, that the promotional activity is not considered sales promotion campaign as defined under these Rules.

Rule IX. Permit Requirement

Section 1. Application for Permit to Conduct sales Promotion Campaign. — Any person intending to conduct any form or scheme for a sales promotion campaign of a consumer product, service or credit shall first secure a permit from the Department at least thirty (30) days before the commencement of the promotion period.

Sec. 2. Recurring Sales Promotion Campaigns. — For recurring sales promotion campaigns involving the same scheme and mechanics but with different or undetermined promotion periods, a single application for a permit covering a period of one (1) year is deemed sufficient compliance with these rules.

Sec. 3. Several Sponsors. — Where there are several sponsors to the sales promotion campaign, a single application for permit may be filed; *Provided*, That all the sponsors shall sign the application or submit therewith a true copy of any written agreement between and among themselves stating that they are the sponsors of the sales promotion campaign. The degree or extent of a sponsor's participation and responsibility may be stated in the application or the agreement. Where no limitation as to the extent of the liability or responsibility is indicated, each sponsor shall be deemed fully responsible for the sales promotion campaign.

Sec. 4. Application by a Promotions Agent/Agency. — Where the sales promotion campaign is applied for and to be conducted by a sales promotions agent or agency, the signature of the sponsor or its authorized officer shall be deemed sufficient proof of such agency.

Sec. 5. Venue for Filing Applications. — Applications for the issuance of permits to conduct a sales promotion campaign shall be made at the following offices of the Department:

5.1. If the sales promotion is to be conducted within a single province, the application shall be filed at the Department's provincial office in that province, or, in the absence thereof, at the Department's regional office which has jurisdiction over said province.

5.2. If the sales promotion campaign is to be conducted in several provinces within a single region, in the Department's regional office which has jurisdiction over said provinces.

5.3. If the sales promotion campaign is to be conducted only within the National Capital Region, or in several regions including Metro Manila, the application shall be filed with the Department's regional office in the National Capital Region (NCR).

5.4. For sales promotion campaigns covering more than one region but excluding Metro Manila, the application shall be filed with the regional office where the main office or the coordinating office of the sponsors is located, whichever is nearest to the areas to be covered by the sales promotion campaign.

Sec. 6. Approval/Disapproval of Application. — The application for a sales promotion campaign shall be acted upon immediately by the Department. Such action shall be communicated to the applicant within fifteen (15) days from date of filing of the application, otherwise, the same is deemed approved; *Provided, however*, that all the required information and documents have been submitted by the applicant and all the fees paid. Prohibited forms of sales promotion campaigns shall be denied outright. In case of disapproval due to failure to comply with any one of the requirements of these rules, the applicant may be given the chance to comply therewith and action on the application shall be communicated to the applicant within fifteen (15) days from the end of the period given for full compliance, otherwise, the application is deemed approved.

Sec. 7. Form and Contents of the Application. — The application for permit to conduct a sales promotion campaign shall be in the form required by the Department which shall contain the following information and documents:

- 7.1. The complete name, address and telephone number, if any, of the sponsor(s) of the sales promotions campaign;
- 7.2. The complete name, address and telephone number, if any, of the sales promotions agent or agency, if any;
- 7.3. The complete name, address and telephone number, if any, of the persons who may be contacted by the participants of the promotion for inquiries, complaints and similar purposes;
- 7.4. The consumer product, its brand, classification and/or size or the kind and extent of the consumer service or credit to be promoted;
- 7.5. Proof of registration of the product or business being promoted if the same is required by any government agency;
- 7.6. The geographical area to be covered;
- 7.7. The type or nature of the sales promotion campaign to be undertaken;
- 7.8. The sales promotion period;
- 7.9. The target participants and the required qualifications, if any;
- 7.10. The type of announcement and/or information dissemination that will be used for the sales campaign or promotion including the text or substance of the text of such announcements or information to be disseminated to the public;
- 7.11. The mechanics and the criteria, if any, for participating and winning in the sales promotion campaign;
- 7.12. The procedure for predetermination of winning entry forms, and, if applicable, the computer program to be used;
- 7.13. The type of entry forms and/or paraphernalia to be used in the promotion;
- 7.14. The plan for the seeding of qualifying entry forms, paraphernalia or predetermined winning entries forms;
- 7.15. The date, time and place for auditions, try-outs, prequalification and/or qualification of participants to the promotion, if the same is required;
- 7.16. The security marks, if any, or the nature thereof in the entry forms and/or paraphernalia to be used in the promotion, their purpose, the method of their verification and a sample specimen of such entry form or paraphernalia containing such security mark;
- 7.17. The deadline of submission of entries;

- 7.18. The specificity, municipality, and province and number of drop boxes or the person and address where entry forms may be sent;
- 7.19. The amount of prizes for each category of winners. If there are or if the prizes are in kind, the description, brand, size, model, or make and their market value at the time of the application;
- 7.20. Whether a prize in kind is transferable, convertible to cash or both;
- 7.21. Whether the required taxes for the winnings shall be shouldered by the sponsor/s or by the winners, and in case of the latter, whether the same shall be withheld by the sponsor/s;
- 7.22. Time and dates within which the prize is demandable after the termination of the sales campaign or promotion, which shall not be less than sixty (60) days from notification or publication whichever comes last;
- 7.23. The requirements and/or the type of identification which will be required to claim the prizes;
- 7.24. The locations of redemption or exchange centers, or where prizes may be claimed, and
- 7.25. Such other information, documents or evidences as may be required by the Department in order to protect the interest of the public.
- Sec. 8. Permit Fees.** — A reasonable schedule of permit fees to be determined by the Secretary to cover processing and administrative costs for the issuance of permits shall be charged by the Department to the sponsor/s of the promotion. Transportation and other necessary expenses of the Department representative who shall witness, verify, and/or certify as to certain aspects of the sales promotion, as required by law and these Rules shall also be borne by the sponsor/s of the promotion.
- Sec. 9. Notices and Communications.** — Notices and communications shall be made to whoever actually filed the application. Such notice or communication shall constitute sufficient notice to all the sponsors of the sales promotion campaign.
- Sec. 10. Exemptions from Permit Requirement.** — Permits for the following sales promotion activities need not be applied for:

10.1. Competitions, except beauty contest conducted nationwide, which do not require the purchase, lease or payment for any consumer product or service or availment of consumer credit;

10.2. Parlor games, whether held live during stage shows, parties, special occasions, and/or utilizing any form of mass media where the qualification to be a participant and/or a home partner of the winner does not require the purchase or lease of any consumer product or service or the availment of a consumer credit facility and/or the sending or presentation of any proof thereof;

10.3. Door prizes given to patrons of concerts, stage shows, stage plays, film showing and similar activities; and

10.4. Instant sales promotion campaigns;

10.5. In store promotions, such as, but not limited to price reduction promotions, discount sales and premium-in-pack in which no advertisements are made on such sales promotion campaign.

Provided, however, that sales promotion campaigns exempted from the permit requirement shall be subject to all the other pertinent rules and regulations on sales promotion campaigns.

Rule X. Sales Promotion and Other Prohibited Acts

Section 1. *Gambling and Wagering Schemes, Prohibited.* — No gambling or wagering scheme, as prohibited under existing laws shall be allowed in the conduct of any sales promotion campaign.

Sec. 2. *Use of Medical Prescriptions, Prohibited.* — No sales promotion campaign using medical prescriptions or any part thereof or attachment thereto shall be allowed nor a permit be issued therefore.

Sec. 3. Other prohibited activities.

3.1 No act, product, scheme, or activity prohibited or declared illegal under the law shall be allowed in the conduct of any sales promotion campaign. Where an imported product is under international sales promotion, and such promotion is prohibited

in the Philippines, the local distributor of the same shall indicate by a notice on or accompanying the product that such sales promotion campaign is not applicable in the Philippines.

3.2. No person shall directly or indirectly tamper with the entries and/or paraphernalia in a sales promotion campaign nor unduly influence the results thereof or perform any act to the prejudice of legitimate participants and/or winners.

Rule XI. Voluntary Cancellation of Approved Sales Promotion Campaign

Section 1. *Voluntary Cancellation Before Publication.* — An approved sales promotion campaign may be discontinued or cancelled by the sponsor/s motu proprio provided that no information dissemination and advertising of the same has been made yet. In such a case, a written notice shall be sent to the Department prior to such voluntary cancellation.

Sec. 2. *Voluntary Cancellation After Publication but Before Commencement of the Promotion Period.* — If any announcement, information dissemination or advertising of the sales promotion campaign has already been made, but the promotion period has not yet commenced, the discontinuance or cancellation of the promotion may be made only upon prior written notification to the Department and the discontinuance or cancellation of the sales promotion shall immediately be disseminated in the same manner, frequency and medium as the promotion had been announced, published or advertised before the originally intended commencement of the promotion.

Sec. 3. *Voluntary Cancellation of Ongoing Promotion.* — Voluntary cancellation or discontinuance or suspension of any ongoing sales promotion campaign shall not be allowed except upon approval from the Department. The Department may allow such cancellation on any of the following grounds:

3.1 A final judgment of insolvency of the sponsor/s from a court of proper jurisdiction;

3.2. The occurrence of any fortuitous event that will make it impossible for all the sponsors to continue to deliver the products

or services which has to be purchased or leased or paid for in order for one to participate in the promotion; Provided, however, that those who had already won in the promotion before approval of its cancellation is granted shall be paid their prizes.

Rule XII. General Rules on Mechanics

Section 1. Application of the General Rules on Mechanics. — Unless otherwise provided for in these rules, all sales promotion campaigns shall abide by the following rules on the mechanics of the promotion.

Sec. 2. Sponsorship by Several Sponsors. — Where the promotion is sponsored by several sponsors, they shall adopt a single set of qualifications, mechanics, rules, prizes and criteria for the selection of winners.

Sec. 3. Consistency with the Approved Mechanics, Complete and Understandable. — The mechanics of sales promotion campaigns shall be consistent with that disclosed in the application and approved by the Department. Such mechanics shall be communicated to its targeted participants in a simple, clear, but complete, and understandable manner, which would not necessitate further clarification through inquiries or supplemental announcements, information or advertisement.

Sec. 4. Definite Time, Dates and Places. — The time, dates, and places of the following events in the sales promotion campaign shall be made definite in the announcement, publication or advertisement of the mechanics of the sales promotion campaign:

- 4.1. The promotion period;
- 4.2. The deadline for submission of entry forms or entering as a participant in the promotion;
- 4.3. The location of drop boxes for entry forms and/or the address where entry forms may be sent, or where one may inform the sponsor of one's intention to participate in the promotion;
- 4.4. The time, date and place of pre-draws, pre-qualifications, try-outs, or auditions to qualify as participant to the sales

promotion;

4.5. The time, date, and place of preliminary draws, preliminary selection or pre-determination of winners of the promotion;

4.6. The time, date and place of final draws or final determination of the winners of the promotion;

4.7. The time, duration and place where prizes may be claimed by the winners.

Sec. 5. Availability of Entry Forms to Participants. — Where entry forms are to be obtained at specific places, the same shall be made available to qualified participants during office or store hours, unless other ways of obtaining them are specified in the mechanics of the promotions.

Sec. 6. Deadline for Submission of Entries. — The deadline for submission of entries shall be at least one (1) day before the date of the draw or selection of winners unless, otherwise, the scheme utilized makes the one (1) day period impracticable.

Sec. 7. Draw Dates, Date for Selection of Winners. — Draw dates or date for the selection or determination of participants or winners to a sales promotion campaign shall not be more than two (2) weeks after the deadline of the submission of entries, the pre-qualification, audition or try-out.

Sec. 8. List of Winners. — Except in the case of sales promotion campaigns involving redemption where the prizes are negligible or those exempted from applying for a permit, a list of the names of winners, their addresses and corresponding prizes, shall be furnished the Department immediately after they were drawn or selected.

Sec. 9. Requirement of Presence of Participant in Selection of Winners. — The presence of participants shall not be required in the determination of winners of any sales promotion campaign except in the following cases:

- 9.1. Instant sales promotion;
- 9.2. In the case of competitions, games or parlor games

where the presence of the participants is essential to determine the winner; and

9.3. Such other forms of sales promotion campaigns the nature of which demand the presence of the participants.

Sec. 10. Use of Sophisticated or Uncommon Techniques in Determination of Winners or Winning Entry Forms. — Where other techniques are used in determining winners, such as the use of computers, pingpong balls, darts, roulettes and other similar devices, a list of the complete names and addresses of the participants shall be made available for inspection to the Department before such determination.

Sec. 11. Announcement of Winners or Winning Entries. — The names of winners of sales promotion campaign national in scope shall be announced at least once in a newspaper of general circulation as well as in the same manner that the sales promotion campaign was announced or published. For sales promotion campaigns which are not national in scope the winners need to be announced or published in the same manner the sales promotion campaign was announced or published. The announcement and publication required in this section shall be done at least once within a period of two weeks from time of determination or selection of winners.

Where winning entry forms are pre-determined, except in sales promotion campaigns involving redemption, only said winning entries and their prizes need be announced.

Sec. 12. Notification, When Required. — In cases where the amount of the prize is Five Hundred Pesos (P500.00) or more, the winner shall be notified in writing by registered mail or by any other form of communication wherein proof of notice or service can be verified. For prizes below P500.00, winners shall either be notified or announced or published in the manner provided for in the immediately preceding section.

Sec. 13. Duration and Extension of Promotion Period

13.1. General Rule on Duration. — Sales Promotion Campaign shall have duration of not more than a year, extendible to

a maximum of six (6) months upon approval by the Department.

13.2. Exceptions to Rule on duration.

13.2.1. Price reductions which shall not exceed three (3) months;

13.2.2. Closing out sale which shall not exceed six (6) months;

13.2.3. Sales promotion campaign involving the privilege to participate or be a member¹ in clubs or organizations whether or not purchase or lease of the consumer product or service is required shall be exempt from any restriction on duration.

13.2.3.1. Sales promotion campaign conducted within the club or organizations or among its members shall be subject to the rules on duration and all other pertinent rules on sales promotion campaigns.

Sec. 14. Seeding. — The seeding of entry forms shall be randomly made without prejudice to consideration of the size of the area to be seeded and/or the population of targeted participants.

Sec. 15. General Rule. — The following changes in the conduct of sales promotion campaign shall not be made without the knowledge and approval of the Department.

15.1. Any extension or delay in the dates of the starting, termination and determination or selection of winners.

15.2. The venue of preliminary and final draws, auditions and try-outs.

15.3. Duration, mechanics, procedures or terms and conditions of the sales promotion campaigns.

15.4. Qualifications required of the participants, criteria in the determination and selection of winners.

Sec. 16. The sponsor or promoter shall inform the Department of the reasons for the changes in the preceding section.

Sec. 17. Announcement Required on the Changes. — The changes in the sales promotion campaign as well as the fact of the approval shall be published, announced or advertised at

least twice before such change is effected and in the same manner and medium that the sales promotion campaign was announced, published or advertised by the promoter or sponsor.

Sec. 18. Postponement or Extensions of Grand Draws or Final Selection of Winners. — Grand draws or final selection of winners may only be postponed once, upon the approval of the Department. In case a postponement is granted, the grand draw shall be held within the next two (2) weeks after the date of the previously scheduled grand draw, unless an extension of the promotion with a deferred grand draw had been previously granted by the Department.

Sec. 19. Number of Times A Participant May Win. — A participant may win more than one prize, unless expressly disallowed in the mechanics of the promotion. In case he is disallowed to win more than one prize, he shall be allowed to choose any of the prizes won by him. In case the winner is not present to elect the prize of his choice, he shall automatically be assigned the higher prize. If the mechanics of the promotion as advertised to the public or to its targeted audience had expressly disallowed the dropping or sending in of more than one entry, a participant who sends or drops more than one entry shall be disqualified from claiming any prize. The prize not chosen by the winning participant and the prizes which the disqualified winner failed to win shall be re-drawn or other winners selected.

Sec. 20. List of Pre-determined Winning Entries. — The winning entries and their corresponding prizes, as the case may be, shall be furnished the Department immediately after they were drawn or selected. In case where winning entries are pre-determined, the Department shall be provided with a list thereof before the commencement of the sales promotion campaign.

Sec. 21. Computerized Selection of Winning Entries. — Computerized selection of winning entries/number shall not be used unless the program therefore is approved by the Department upon determination of its fairness and randomness.

Sec. 22. Claiming of Prizes. — Winners shall have at least sixty (60) days from the date of the publication or announcement or notification of winners, whichever comes last, within which to claim their prizes unless a shorter period is allowed by the department taking into account the nature of the sales promotion, mechanics and the prizes involved.

After the claim period has lapsed without a claimant, the Department shall be immediately informed. Prizes may be forfeited in favor of the sponsor only upon written approval of the Department.

Sec. 23. Disqualification of the sponsor, promoter, advertiser, their employees and relatives.

23.1. The sponsor, promoter, advertiser, and their employees, and their relatives up to the second civil degree of consanguinity or affinity are disqualified from joining the program.

23.2. Persons reporting regularly to the promoter, sponsor or advertiser under a contract of service and who, by the nature of the service they render may have a direct and personal knowledge of the promotion are likewise disqualified.

23.3. In the case of promotions involving bank deposits, the Central Bank shall prescribe the degree of relationship which shall be covered by the disqualification.

Rule XIII. Additional Rules on Mechanics for Certain Special Sales Promotion Campaigns

Section 1. Price Reduction Sales Promotion. — Sales promotions involving price reduction, seasonal sales, reduced revenue sales, discount sales, and other general or selected price reductions, shall, in addition to the rules on General Mechanics comply with the following rules and regulations:

1.1. The usual prices of products and services on sale as well as the sale or promotion price or the percentage of price reduction should be indicated in the price tag or in the price list, as the case may be. Where labels or indications of the price reductions are placed in a separate rack or display area, all products contained therein are deemed being sold at the sale price indicated, regardless of the price tag or price list.

1.2. Announcements, publications and advertisements of sales promotions involving price reduction should indicate the area covered or specific places, including branches of the stores or commercial establishments where the promotion shall take effect, as well as the commencement and termination thereof.

1.3. *Duration of Price Reduction Promotions.*—The duration of any price reduction promotion on any consumer product or service, shall not exceed three (3) months. If duration is less than three (3) months, it may be extended but original promo period plus extension not to exceed a total of three (3) months. However, in case of closing-out sales, the period shall be six (6) months.

1.4. *Comparison Pricing.*—Rule IV of this Chapter shall govern price reduction carried out through price comparisons; *Provided, That,* in the case of manufacturers or producers conducting price advertising, but whose products are sold in retail by stores and similar establishments, the announcement, publication or advertisement of the promotion shall indicate that the price reduction is merely the suggested retail price.

1.5. No price reduction sales promotion campaign which indicates a promotion period shall be qualified with the phrase "While supply lasts" or any qualification of similar import. Where such qualification is made in a sales promotion campaign with a period, the sponsor shall be liable therefore throughout the duration of the promotion, whether or not the supply of the products under promotion has been depleted.

1.6. Percentage reduction in prices shall be computed to the nearest centavo.

Sec. 2. Raffle Promotions.—Sales promotion involving the conduct of raffles shall, in addition to the Rules on General Mechanics, comply with the following rules and regulations:

2.1. Except in cases where the ownership of raffle entry forms are predetermined, instructions for the filling-up of raffle stubs or entry forms shall require the indication of the full name, complete residential or office address, telephone number, if any, and the signature or thumb mark of the participant, in the raffle stub. All raffle entry forms shall be of a size or make as to accommodate all these information. Erasures or any form of tampering shall invalidate the entry stub or entry form.

However, in case of such invalidation, another qualified entry form shall be drawn in its place.

2.2. In the case of minors and/or physically or mentally incapacitated persons, raffle entry forms or stubs may be signed by the parent or guardian.

2.3 Each entry shall pertain to only one participant and shall contain only one (1) name, unless otherwise specified or required in the announcement, publication or advertisement of the rules or mechanics of the promotion.

2.4. The date of the raffle draw/s and the deadline for sending, presentation, submission or dropping raffle entry forms in drop-boxes or specified places shall be indicated in the claim stub to be retained by the participant for purposes of claiming the prize.

2.5. Where serial numbers on raffle tickets are provided as security mark, the same shall be consecutive and shall be contained in both the raffle entry form or stub and the raffle claim stub.

2.6. Drop boxes shall be properly sealed and placed in an accessible place wherein raffle tickets or stubs and entries dropped therein may be protected from theft, mischief, inclement weather and other destructive forces. Drop boxes shall be collected by the sponsor or its representative and shall be removed the day immediately following the deadline for dropping of entries.

2.7. A participant may drop or send in more than one raffle entry form or stub, unless expressly disallowed by the mechanics of the promotion.

2.8. Winners of raffles or promotions requiring raffle tickets or stubs shall claim their prizes by presenting their copy or portion of the raffle ticket or stub and/or any document which the sponsor may reasonably require as sufficient to establish the identity of claimant. If a raffle stub is lost, the winner will execute an affidavit of loss. He should submit this together with any of the following documents:

2.8.1. Affidavit of at least two (2) disinterested persons attesting to his identity;

2.8.2. Certification of the barangay captain that the winner is really a resident of that place;

2.8.3. Other identification papers like Office/School ID, SSS or GSIS number, Driver's license, passport, etc.;

2.8.4. In cases where prizes are claimed by virtue of an affidavit of loss of the raffle claim stubs, the said prizes can be released only after the lapse of the 60-day period as provided under Sec. 22 or the claim period started in the mechanics, as the case may be.

2.9 In cases where the winner is a minor as evidenced by a birth certificate or is incapacitated, the parent or guardian exercising parental authority over him may claim the prize in his behalf.

2.10. In cases where the prize is being claimed by virtue of an affidavit of loss of the claim stub, the prize may only be released to the claimant after the lapse of the deadline for claiming the prize as provided in these rules.

Sec. 3. *Redemptions* — Sales promotions involving redemptions or pre-determined winning coupons, caps, crowns, wrappers, packaging, and other entry forms shall, in addition, to the Rules on General Mechanics comply with the following rules and regulations:

3.1. The holder of the winning coupon, cap, crown, wrapper, packaging and similar entry forms and promotional devices has the right to collect the prize upon presentation of the same and verification as to their genuineness and, upon compliance with other requirements duly disclosed in the Mechanics of the promotion.

3.2. In case the sponsor committed a mistake by giving the prize to a holder presenting a fake entry form, the same shall not be a reason to withhold the payment of the prize to the holder presenting the genuine entry form.

Sec. 4. *Competitions*. — Sales promotions involving the conduct of quizzes, contests, tournaments and other competitions shall, in addition to the rules on General Mechanics comply with the following rules and regulations:

4.1. Where specific qualifications and/or passing an audition, try-out, or pre-qualification are required necessary to be a participant of the promotion, no participant lacking of such

qualifications or who have not passed the audition, try-out or pre-qualification shall be allowed to participate in the promotion.

Should any such participant manage to join and win, his prize shall be declared null and void, and the next winning participant shall take his place and his prize and so on until the number or categories of winners are filled up.

4.2. Prior to commencement of the competition, the Department shall be provided with a list of the number and category of winners and their corresponding prizes.

4.3. Judgment and selection of winners shall be based on qualifications and merit, conducted with fairness and shall be witnessed and verified by a representative from the Department.

Sec. 5. *Parlor Games*. — Sales promotions involving the conduct of parlor games shall, in addition to the rules on *Mechanics* comply with the following rules and regulations.

5.1. Instructions for the parlor games should be clear and understandable to the participants and shall be conducted with honesty and fairness.

5.2. Prizes for winners for parlor games shall immediately be given as soon as the winning participant/s is known or determined. Where the same is impracticable, a document evidencing the winner's right to collect such prize may be given to him with which he may claim the prize at another time.

5.3. Home partners of parlor games shall be randomly and publicly selected from qualified home viewers/listeners/readers who send in their entries and their prizes shall be awarded to them upon presentation of proper identification.

Rule XIV. Advertising Materials

Section 1. All advertising materials used within the context of this Order shall conform to the Code of Ethics of the Advertising Board of the Philippines, Inc.

Sec. 2. All advertising, brochures or any printed matter indicating or describing the mechanics of the promotion shall conform with the mechanics approved by the Department. Any

deviation, modification, addition or deletion shall first be submitted to the Department for approval.

Sec. 3. All collateral materials which include posters, brochures and other point-of-sale matter containing approved promotion mechanics shall be submitted to the Department at least one (1) week before the start of the promotion.

Sec. 4. All approved sales promotion campaigns shall include in their advertisement, publication or announcement the phrase "Per DTI (Regional or Provincial Office) Permit No. ___ Series of (Year)," with the corresponding control number as maybe provided by the Department.

Rule XV. Information Dissemination and Advertising

Section 1. Dissemination of Information Regarding Sales Promotion Campaigns. — A sales promotion intended for broad consumer participation shall disclose the following information in its announcement, information dissemination or advertisement of the promotion:

- 1.1. The duration of the promotion.
- 1.2. The complete mechanics of the promotion.
- 1.3. The criteria to qualify for participation in the promotion, the disqualification provided in these rules and those that may be imposed by the sponsor/s.
- 1.4. The required entry form and the presence and the purpose of the security codes, if any.
- 1.5. The date, time and place of any pre-qualification draw, try-out, audition, pre-selection of participants.
- 1.6. The location where entry forms may be dropped or submitted, the person and his address to whom entry forms may be sent.
- 1.7. The deadline for submission of entry forms.
- 1.8. The manner, date, place and time for selection or determination of winners.
- 1.9. The categories of winners and their corresponding prizes.

1.10. The place where a winner may claim his prize and the claim period; and

1.11. The requirements that may be asked from a winner in order to claim his prize.

1.12. In cases where the sponsor advertises extensively either through television and the print media or through radio, reference may be made to posted information or other advertisements which shall contain the details and all the information required under Sec. 1 hereof.

Sec. 2. Suspension of Sales Promotion Campaign and Information Dissemination. — Should the Department find, after due notice and hearing, that the sales promotion campaign within its jurisdiction is in violation of any of these Rules, it shall order the suspension of any information dissemination on the same.

Rule XVI. Presence, Verification and/or Certification by The Department's Representative

Section 1. Presence and Verification of Winners by the Department's Representative. — A representative from the Department shall be invited and/or notified by the sponsor of a sales promotion campaign in the following instances:

- 1.1. To witness the drawing of pre-determined winning entry forms;
 - 1.2. To witness the printing and seeding of winning pre-determined entry forms;
 - 1.3. To witness pre-qualifications, try-outs, auditions and to verify and certify the participants who passed or qualified the same;
 - 1.4. To witness any pre-draws or drawing of minor prizes and to verify and certify the winners of the same; and
 - 1.5. To witness final draws or final determination of winners.
- For the foregoing purposes, the sponsor of the promotion shall send an invitation to the Department at least one (1) week before the said event. A list of the complete names and addresses of the winners and their corresponding prizes shall be provided to the Department.

Sec. 2. *Disposition of Invalid, Unqualified and/or Tampered Entries.* — The promoter, under the supervision of the Department, may sort and dispose invalid, unqualified and/or tampered entries.

Rule XVII. Prizes

Section 1. *Identification, Description of Prizes in Kind.* — Prizes in kind shall be identified and described as to the material details such as, but not limited to, the brand, size, model, make, and price.

Sec. 2. *Transferability or Convertibility of Certain Prizes in Kind.* — Prizes in form of foreign or domestic trips and with or without accommodations and scholarships, shall either be transferable, convertible to cash or both. In such cases, the cash equivalent of the prize shall be disclosed in the sales promotion campaign announcements, publications and advertisements.

Sec. 3. *Gift Checks, Certificates.* — Gift checks or certificates and similar prizes shall have a life of one (1) year and if the amount is more than P500.00, shall be valid until fully consumed.

Sec. 4. *Prizes Payable in Installment.* — Prizes which are payable in installment shall not exceed five (5) years and shall be secured by a performance bond or similar devices, as required by the Department and payable to the winner upon failure of the sponsor to pay the prize, to the extent of the unpaid portion of the prize. However, in case where the prize is a pension, the bond shall be on the winner's remaining life expectancy. Provided that where any prize paid in installment is under a trust instrument or similar device payable to the winner, the performance bond required by this section maybe dispensed with.

Sec. 5. *Failure of Sponsor to Deliver a Prize which is in Kind.*

— In cases where the sponsor is not able to deliver a prize promised which is in kind, its equivalent in cash as appearing in the application for permit to conduct the promotion and approved by the Department may be paid the winner. However, if the

sponsor offers to deliver another prize which is also in kind, he may only do so with the consent of the winner.

Sec. 6. *Responsibility of Co-sponsors in the Payment of Prizes.*

— Except where there is prior disclosure to the public as to the limit of the responsibility of co-sponsors, all co-sponsors are deemed responsible to make good their promises to the rightful winner and demand may be made to any of them.

Rule XVIII. Packaging of Products Under Promotion

Section 1. *Packaging of Products Under Sales Promotion.* — The packaging of the products covered by the sales promotion shall not be tampered. No change in the product's package shall be made without the authority of the sponsor or the owner manufacturer of the product.

Rule XIX. Quality and Quantity

Section 1. *Quality and Quantity of Consumer Products or Services and Prizes. Premium or Benefit under a Sales Promotion Campaign.* — No reduction in quality or quantity in the products or services under sales promotion nor in the prizes, premium or benefit granted by reason of the same shall be allowed.

Rule XX. Mode of Payment for Purchase

Section 1. Except where the mode of payment is material to the nature of the sales promotion campaign or where one of the criteria to be accepted as a participant is the mode of payment used in a sales promotion campaign, there shall be no discrimination between outright purchase or purchase through credit in the conduct of sales promotion campaigns.

Rule XXI. Guaranties, Warranties and Remedies

Section 1. *Guaranties, Warranties and Remedies Under a Sales-Promotion Campaign.* — Buyers of products and services sold under a sales promotion, as well as winners, with reference to their prizes shall enjoy the same guaranties, warranties and remedies provided for under Republic Act No. 7394 or the Consumer Act of the Philippines and other pertinent laws.

TITLE VI

TRANSITORY AND FINAL PROVISIONS

Section 1. *Repealing Clause.* — All rules and regulations or parts thereof which are inconsistent with this Department Administrative Order are hereby repealed or amended accordingly.

Sec. 2 *Effectivity* — These rules and regulations shall take effect fifteen (15) days from the date of this publication in the Official Gazette.

Makati, Metro Manila, June 10, 1993

(Sgd.) Rizalino S. Navarro
Secretary

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