

DEPARTMENT ADMINISTRATIVE ORDER NO. 14-3
Series of 2014

**IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 10642,
AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE
OF BRAND NEW MOTOR VEHICLES**

Pursuant to Section 13 of Republic Act No. 10642, the following rules and regulations are hereby promulgated:

Title I

Rule I

General Provisions

Section 1. Construction and Interpretation. These Rules shall be interpreted, construed and implemented pursuant to the intents and purposes of the Declaration of Policy in Section 2 of Republic Act No. 10642.

Section 2. Relation to Other Laws. These rules shall apply primarily in the determination and resolution of Consumer complaints as it relates to Motor Vehicles covered under The Philippine Lemon Law. The provisions of Republic Act No. 7394 or "The Consumer Act of the Philippines", and its Implementing Rules and Regulations, and other related laws, shall apply where applicable.

Rule II

Definition of Terms

Section 1. Definition of Terms. For purposes of this IRR, the following terms or phrases used in Section 3, Definition of Terms of the Philippine Lemon Law are understood as follows:

- 1.1. **Standards and specifications of the motor vehicle** refers to the standards, description, parts, accessories and other specifications such as but not limited to those contained in the Manufacturer's or Distributor's Manual, Owner's Manual and the motor vehicle's specification.

- 1.2. Noncompliance by the consumer of the obligations under the warranty** means failure of the consumer to observe the terms and conditions stated in the written warranty of the motor vehicle offered by manufacturer/distributor.

Any modification of existing warranty of motor vehicle by the manufacturer or distributor may be subject to review of the Department of Trade and Industry (DTI) to ensure that there shall be no diminution of warranty rights of the consumer.

- 1.3. Unauthorized modification** means alteration made by the consumer on the motor vehicle and not authorized under the terms and conditions of the sale and/or from the factory standards of the manufacturer and distributor. These shall include alterations on motor engine and vehicle engineering and body design, mechanical or electrical system, vehicle conversions, tampering of fuel management system, emission control and odometer system.

Modification that will not affect the safety, use and value of the motor vehicle are excluded from this definition.

- 1.4. Abuse or neglect of the brand new motor vehicle**

1.4.1 Abuse means the use of a motor vehicle in a manner not in accordance with the provisions stated in the Owner's Manual, the Manufacturer's Service/Warranty Booklet.

1.4.2 Neglect means failure of the Consumer to properly and regularly maintain the Motor Vehicle pursuant to the Owner's Manual/Service or Warranty Booklet provided to the Consumer.

- 1.5. Damage to the vehicle due to accident or force majeure**

1.5.1 Accident means any man-made event that causes damage or injury over which the manufacturer, distributor, authorized dealer or retailer has no control.

1.5.2 Force Majeure means any event caused by elements or forces of nature such as, but not limited to, typhoon, flood, earthquake and volcanic eruptions.

- 1.6. Repair** is a service activity performed on the Motor Vehicle by replacing a component or parts, or by performing adjustments to ensure conformity to the manufacturer's standards and specifications.

- 1.7. **Repair Attempt** is a process that begins when the Consumer brings the Motor Vehicle to the manufacturer, distributor, authorized dealer or retailer for repair of a specific complaint/s and which shall be completed within fifteen (15) days from delivery of the motor vehicle to the dealer. If repair was completed in excess of fifteen (15) days, the excess period shall be added to the Lemon Law Rights Period of the motor vehicle.
- 1.8. **Same complaint** refers to the same non-conformity occurring in the Motor Vehicle, arising from the same cause and conditions, as was the previous non-conformity subject of a prior repair.

Rule III Scope and Coverage

Section 1. Coverage. The provision in Section 4 of the law on Coverage is hereby adopted.

Title II Procedures in Availing Lemon Law Rights

Rule I Repair Attempt

Section 1. Repair Attempts. The provision in Section 5 of the law on Repair Attempts is hereby adopted.

Section 2. Repair Attempt Process. A completed repair/job order constitutes one repair attempt by undergoing the process outlined below.

- 2.1. The Consumer and/or representative, specifically authorized in writing by the Consumer, bring the motor vehicle to the same authorized Dealer report and/or demonstrate the complaint on the Motor Vehicle.
- 2.2. The Dealer, at all times, shall receive the motor vehicle, and records the consumer's complaint on the Motor Vehicle.
- 2.3. The Dealer shall advise the Consumer of the proposed repair(s) and the estimated time to complete the repair(s).
- 2.4. The Consumer authorizes the repair by affixing his/her signature on the repair/job order.
- 2.5. The Dealer, upon completion of the repair activity, releases the motor vehicle to the consumer and shall provide the Consumer with an inventory of repairs done as completed and parts replaced.
- 2.6. The Dealer returns the parts replaced and furnishes the results of any test activity which was performed, if any.

- 2.7. Consumer receives the unit and if the motor vehicle is not returned within fifteen (15) days from release, the repair is deemed accepted.
- 2.8. Any Repair covered by the Manufacturer's Warranty shall not be charged for labor and parts.

Section 3. Repair Attempt Not Completed. A repair attempt that is started but not completed by the dealer for reason attributable to the dealer shall be treated as one repair attempt.

Rule II Notice of Availment of Lemon Law Rights

Section 1. Notice to Manufacturer, distributor, authorized dealer or retailer. In case the nonconformity issue remains unresolved after four (4) separate Repair Attempts, the Consumer shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of the unresolved complaint and the Consumer shall invoke the Lemon Law rights and serving notices to all Parties through, courier, personal delivery or postal services with proof of service and receipt.

Section 2. Responsibilities of the Consumer. The warranty booklet shall clearly state the responsibilities of the consumer as follows:

- 2.1. The Consumer shall keep copy of repair records;
- 2.2. The Consumer shall ensure that the odometer reading or the date of vehicle delivery for Final Attempt at the servicing dealer is within the Lemon Law rights period;
- 2.3. The Consumer shall, in writing and in the form prescribed in the Warranty Booklet (the Notice of Availment form), notify the manufacturer, distributor, authorized dealer or retailer of the unresolved complaint after four (4) separate repair attempts; and
- 2.4. The Consumer shall likewise retain the documentary requirements specified in Section 2, Rule III of these rules.

Section 3. Final Repair Attempt. The consumer shall bring the vehicle to the manufacturer, distributor, authorized dealer or retailer from where the vehicle was purchased for a final attempt to address the complaint of the consumer to his or her satisfaction.

Rule III
Availment of Lemon Law Rights

Section 1. Availment of Lemon Law Rights. The process of availment stated in Section 7 of the law is hereby adopted. The complaint shall be filed by the consumer with the DTI office within the period provided by Lemon Law. Otherwise the right to file the same shall be deemed prescribed, in accordance with Section 3(h) thereof.

Section 2. Rights and Remedies Under Any Other Law. Nothing herein shall be construed to limit or impair the rights and remedies of a consumer under any other law.

Section 3. Documentary Requirements. In order for the consumer to invoke the Lemon law Rights, the following documents are necessary:

- 2.1. Warranty Booklet/Service Booklet;
- 2.2. Current Motor Vehicle Registration;
- 2.3. All repair/job order invoices. and
- 2.4. Notice of Availment stamped received by the Dealer or accompanied by proof of receipt by the Dealer of the Notice of Availment.

Title III
Remedies for Dispute Resolution

Section 1. Alternative Dispute Resolution. The DTI shall exercise exclusive and original jurisdiction over disputes arising from the provisions of this Act. All disputes arising from the provisions of this Act shall be settled by the DTI in accordance with the Section 8 of the Lemon Law in relation to the existing DTI rules on dispute resolution.

Rule I
Dispute Resolution Mechanisms

Section 1. Mediation. A complaint filed on a cause of action availing of rights anchored on the Lemon Law shall undergo mediation proceedings, as provided under existing DTI administrative rules and regulations.

Section 2. Arbitration. If mediation fails, both parties may voluntarily decide to undertake arbitration proceedings and shall notify the DTI in writing of their intention to undertake arbitration proceedings. The arbitration proceedings shall be governed by the provisions of Republic Act No. 9285, otherwise known as the "Alternative Dispute Resolution Act of 2004" and its Implementing Rules and Regulations.

Section 3. Adjudication. If both parties decide not to undertake the arbitration proceedings, either of them may commence adjudication proceedings by filing a verified complaint or a notice that a verified complaint has been filed earlier with the DTI and upon depositing the amount of Ten Thousand (Php 10,000.00) Pesos in an escrow account/deposit in a bank of his/her choice. The adjudication proceedings shall be administered by the DTI not later than twenty (20) working days subject to the existing DTI administrative rules and regulations.

In case a nonconformity issue of the motor vehicle is not found by the DTI, the escrow deposit shall reimburse the cost incurred in validating the consumer's complaint and can only be released with an order from the Adjudication Officer of DTI, otherwise the escrow amount shall be returned to the consumer.

Section 4. Submission of Warranty or Service Booklet. Manufacturers and Distributors are required to submit to the DTI a copy of the warranty or service booklet of all current motor vehicles, workshop manual, and owner's manual or pertinent portion thereof when required for mediation or adjudication proceedings for non-conformity complaints.

Section 5. Retention of Service of other Government Agencies or Qualified Independent Entities to Ascertain Consumer Complaint Validity. In ascertaining the validity of the Consumer's complaint, the DTI shall request the assistance from the pool of qualified personnel of the Technical Education and Skills Development Authority (TESDA) or any independent private entity. An independent qualified expert may be anyone of the following:

- 5.1. Technicians who have the highest or appropriate and relevant TESDA national certification level. TESDA shall further develop competencies and certification programs for qualified experts to match current and future automotive technologies and to complement and broaden the expert's skill set.
- 5.2. Experts coming from the industry.
- 5.3. DTI accredited service and repair shops.

Provided, however that experts above-mentioned shall not have any conflict of interest with respect to the case.

Title IV Other Provisions

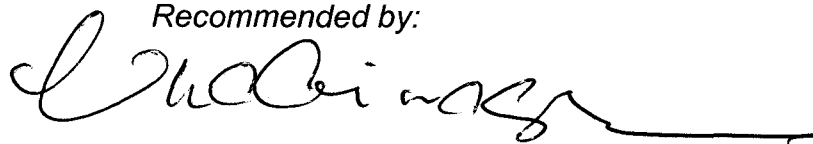
Section 1. Separability Clause. In the event that the provision of this Order is declared unconstitutional, the validity of the other provision shall not be affected by such declaration.

Section 2. Repealing Clause. The provisions of the Department Orders, rules and regulations and other issuance of the implementing agency which are clearly inconsistent with this order are hereby repealed, modified or amended accordingly.

Section 3. Effectivity. This IRR shall take effect immediately after its publication in the Official Gazette or in at least two (2) newspaper of general circulation, whichever comes first, and copy thereof furnished the Office of the National Administrative Register at the UP Law Center, University of the Philippines, Diliman, Quezon City.

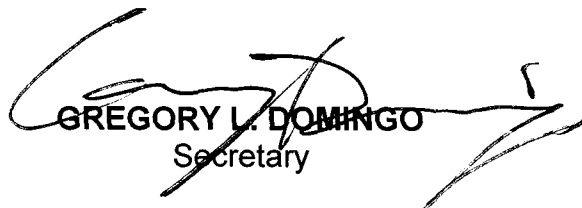
Signed this 17th day of November, 2014 in Makati City.

Recommended by:



VICTORIO MARIO A. DIMAGIBA
Undersecretary, Consumer Protection Group

Approved by:



GREGORY L. DOMINGO
Secretary

ANNEX "A"

FORM No. _____

NOTICE OF LEMON LAW RIGHTS

To: Customer Relations Manager
 Name of Dealership:
 Address of Dealership:

Copy Furnished:
 To: Customer Relations Manager
 Name of Manufacturer/Distributor:
 Address of Manufacturer/Distributor:

This constitutes a notice of my intention to invoke my rights under Republic Act No. 10642 entitled "AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES", considering that the manufacturer, distributor, authorized dealer or retailer, after four (4) separate attempts, has been unable to resolve the complaint indicated below.

Description of Complaint	Repair Attempts	Odometer Reading	Date of Delivery by Consumer for Repair	Date of Completion of Repair
	# 1			
	# 2			
	# 3			
	# 4			

Vehicle Make: _____ Model: _____ Year: _____

Vehicle Identification Number: _____

Name/Address of Selling Dealer:

Delivery Date: _____ Current Odometer Reading: _____

Repair No.	Name and Address of Service/Repair Facility	Date of Repair
1		
2		
3		
4		

I am requesting that you make a final attempt to resolve the said complaint reported above. My contact information is:

Name _____ Contact No. _____

Address _____

Consumer signature _____ Today's date _____