



**SENATE**  
**P.S. Res. No. 121**

'19 SEP -2 P 4 :52

Introduced by Senator Grace Poe

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**RESOLUTION**  
**DIRECTING THE SENATE COMMITTEE ON BANKS, FINANCIAL INSTITUTIONS, AND CURRENCIES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE PROLIFERATION OF ONLINE LENDING COMPANIES IN POSSIBLE VIOLATION OF REPUBLIC ACT NO. 9474 OR THE LENDING COMPANY REGULATION ACT OF 2007**

1 WHEREAS, Section 2 of Republic Act No. 9474, otherwise known as the  
2 Lending Company Regulation Act of 2007, states that it is "...the policy of the State  
3 to regulate the establishment of lending companies and to place their operation on a  
4 sound, efficient and stable condition to derive the optimum advantages from them  
5 as an additional source of credit; to prevent and mitigate, as far as practicable,  
6 practices prejudicial to public interest; and to lay down the minimum requirements  
7 and standards under which they may be established and do business."

8 WHEREAS, the Securities and Exchange Commission (SEC) issued a 20  
9 October 2016 Advisory in response to Five-Six Money Lenders equivocally stating  
10 that "...it is illegal to act as a lending company/investor unless registered with the  
11 Commission as a lending company. The said law mandates lending companies to  
12 organize only as corporations, making it illegal for individuals to engage in the  
13 business of lending without being registered as a corporation with the Commission  
14 and secure the required Certificate of Authority."<sup>1</sup>

15 WHEREAS, the SEC issued another Advisory on 14 November 2016 reiterating  
16 the penalty applicable for informal lenders: "Informal lenders against whom  
17 complaints for violation of Republic Act No. 9474 (RA 9474) and/or fraudulent,  
18 oppressive and illegal practices in lending to borrowers including those violating the

<sup>1</sup> Securities and Exchange Commission. Retrieved from <http://www.sec.gov.ph/wp-content/uploads/2016/10/2016SEC-Advisory.pdf>

1 Truth in Lending Act, charging unreasonable interests, fees or charges, employing  
2 harassment tactics in collecting from its borrowers, coercing borrowers to buy on  
3 credit or otherwise appliances or other items, filing criminal complaints against  
4 borrowers as a circumvention of the prohibition against imprisonment for non-  
5 payment of debt and similar other activities will be subject to investigation for  
6 possible prosecution for violation of the said and other laws and imposition of a fine  
7 of not less than Ten Thousand Pesos (P10,000.00) and not more than Fifty  
8 Thousand Pesos (P50,000.00) or imprisonment of not less than six (6) months but  
9 not more than ten years or both, at the discretion of the court per Section 12 of the  
10 Lending Company Regulation Act of 2007.”<sup>2</sup>

11 WHEREAS, the government has consistently expressed its strong stance  
12 against the proliferation of bogus lender or loan sharks, and the 5-6 lending scheme  
13 due to high interest loans and lack of permits;<sup>3</sup>

14 WHEREAS, lending companies continue to proliferate not only through  
15 physical companies but also online especially on social media such as Facebook,  
16 Twitter, LinkedIn and other websites;<sup>4</sup>

17 WHEREAS, SEC further warned the public to take precautionary measures on  
18 online lending companies which are not even registered or don't have authority to  
19 operate as lenders, only using fake bank documents or inexistent addresses to make  
20 their businesses appear legitimate;<sup>5</sup>

21 WHEREAS, SEC added that anyone who is in desperate need for money could  
22 be easily manipulated by these pseudo lending companies;

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<sup>2</sup> Securities and Exchange Commission. Retrieved from <http://www.sec.gov.ph/wp-content/uploads/2016/11/2016AdvisoryInformalLenders.pdf>

<sup>3</sup> Several media sources: (1) Lingao, A. *Duterte wants to talk with the Indian gov't on 5-6 lenders*. Retrieved from <https://cnnphilippines.com/news/2017/02/05/Duterte-Indian-government-5-6-lenders.html>; (2) CNN. *Duterte says he wants to end 5-6 lending scheme*. Retrieved from <http://nine.cnnphilippines.com/news/2018/07/10/duterte-wants-to-end-5-6-lending-scheme.html>; (3) Kabling, G. *Duterte to put an end to usurious lending practices, targets loan sharks, perpetrators of '5-6 scheme'*. Retrieved from <https://news.mb.com.ph/2019/01/11/duterte-to-put-an-end-to-usurious-lending-practices-targets-loan-sharks-perpetrators-of-5-6-scheme/>

<sup>4</sup> Philippine Star. *SEC warns public against online lending companies*. Retrieved from <https://www.philstar.com/business/2017/08/21/1731347/sec-warns-public-against-online-lending-companies#HXkbtu4aXMd4pSJq.99>

<sup>5</sup> Ibid.



1 WHEREAS, around 485 complaints were filed against various mobile lending  
2 operators for their unscrupulous practices resulting to the National Privacy  
3 Commission to conduct hearings on the matter starting 21 May 2019;<sup>6</sup>

4 WHEREAS, upon download, these mobile apps allegedly require access to  
5 contact information, photos, files and documents saved in the borrower's phone,  
6 before processing of the online loan application can proceed. If a borrower fails to  
7 pay on time, all of his or her phone contacts receive a collection text message or call  
8 stating the borrower's full name and outstanding balance<sup>7</sup>;

9 WHEREAS, the complainants say the "harassment and shaming started when  
10 they failed to pay their balances on time. The people behind the lending app called  
11 or texted their contact list about their inability to return the money, causing them  
12 embarrassment and emotional stress."<sup>8</sup>

13 WHEREAS, even Davao City Mayor Sara Duterte became a victim of these  
14 online lending companies who used her name for promotional purposes;<sup>9</sup>

15 WHEREAS, it is believed that the unhampered and unregulated proliferation of  
16 online lending companies which offer convenient and fast lending conditions and  
17 prey on helpless borrowers creates a financial atmosphere that is disadvantageous  
18 to Filipinos;

19 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE, as it is hereby  
20 resolved, to direct the Senate Committee on Banks, Financial Institutions, and  
21 Currencies to conduct an inquiry, in aid of legislation, on the proliferation of online  
22 lending companies in possible violation of Republic Act No. 9474 or the Lending  
23 Company Regulation Act of 2007.

Adopted.

  
**GRACE POE**

<sup>6</sup> Gonzales G. *Online lending apps accused of 'shaming' borrowers by texting contacts*. Retrieved from <https://www.rappler.com/technology/news/231356-online-lending-apps-accused-shaming-borrowers>.

<sup>7</sup> <https://www.privacy.gov.ph/2019/05/npc-conducts-hearings-on-48-online-lending-apps-after-over-400-harassment-complaints/>

<sup>8</sup> *Id.*

<sup>9</sup> Revita, J. *Sara warns public vs online lending company*. Retrieved from <https://www.sunstar.com.ph/article/1816290>