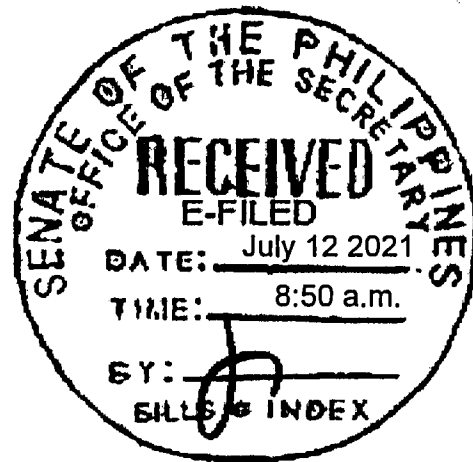


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)



SENATE

P.S. Res. No. 771

Introduced by **SENATOR LEILA M. DE LIMA**

RESOLUTION
URGING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN
INQUIRY, IN AID OF LEGISLATION, ON THE PLANNED MERGER OF
LANDBANK OF THE PHILIPPINES WITH UNITED COCONUT
PLANTERS BANK, WITH THE END IN VIEW OF DETERMINING THE
REPORTED ADVERSE IMPACT TO THE FINANCIAL HEALTH OF
LANDBANK AS ONE OF THE BIGGEST GOVERNMENT FINANCIAL
INSTITUTIONS

1 WHEREAS, Article 2, Section 28 of the 1987 Constitution provides that
2 “[s]ubject to reasonable conditions prescribed by law, the State adopts and
3 implements a policy of full public disclosure of all its transactions involving public
4 interest”;

5 WHEREAS, Executive Secretary Salvador Medialdea, by the authority of the
6 President, signed Executive Order (EO) 142 on June 25, ordering the merger of two
7 state-controlled banks, to wit: the Land Bank of the Philippines (Landbank) and the
8 United Coconut Planters Bank (UCPB);¹

9 WHEREAS, in a statement released by Fitch Ratings, an American agency that
10 provides credit ratings and analysis for financial markets, it was posited that the
11 Landbank-UCPB merger may have a “negative impact on Landbank’s credit profile”,²

¹ Rivas, R. (29 June 2021) *Duterte approves Landbank-UCPB merger*. Retrieved 05 July 2021, from:
<https://www.rappler.com/business/duterte-approves-landbank-united-coconut-planters-bank-merger>

² Cuaresma, B. (01 July 2021) *Downsides cited in LandBank, UCPB merger*. Retrieved 05 July 2021, from:
<https://businessmirror.com.ph/2021/07/01/downsides-cited-in-landbank-ucpb-merger/>

1 and inevitably hurt Landbank's financial health given UCPB's weak financial
2 position;³

3 WHEREAS, one of the biggest threats of this merger to Landbank, as one of
4 the biggest government financial institutions, is UCPB's reported ₱22 billion bad
5 debts as of end-2020. With the said merger pushing through, Landbank will now be
6 expected to absorb the obligation of paying these existing debts despite also reeling
7 from a build-up of unpaid loans from its own pandemic-hit borrowers;⁴

8 WHEREAS, "UCPB has been under a long-drawn rehabilitation program
9 because of its weak financial health, but its size relative to LandBank could
10 significantly weaken the larger bank's financial profile, as it would make up about 14
11 percent of [LandBank's] assets, based on our preliminary understanding of the pro
12 forma merged entity",⁵ Fitch Ratings said. It added that the said merger will
13 exacerbate asset quality pressures that Landbank is already besieged with brought
14 about by the current economic slowdown;

15 WHEREAS, it is predicted that any merger benefit that will accrue may be
16 expected only over the long term, but the pressure on Landbank's profitability would
17 be immediate;⁶

18 WHEREAS, in 2020, the leaders and members of the Confederation of
19 Coconut Farmers Organizations of the Philippines (CCFOP-CONFED), Inc., released
20 their manifesto expressing their "strong opposition" to the then only intended
21 merger of the said banks. In their manifesto, they stressed that the said merger does
22 not adhere to and is actually contrary to the original intent of the law which created
23 UCPB which is to address the credit needs of coconut farmers;⁷

24 WHEREAS, the manifesto assailed the planned merger and raised that the
25 "[c]onversion of the Twelve-Billion-Peso (₱12,000,0000,000.00) Capital Note of the
26 Philippine Deposit Insurance Corporation (PDIC) with UCPB into 'Special Preferred

³ Cigaral, I. (1 July 2021) *Merger with UCPB may hurt LANDBANK's financial health* — Fitch. Accessec last 3 June 2021 from: <https://www.philstar.com/business/2021/07/01/2109514/merger-ucpb-may-hurt-landbanks-financial-health-fitch>

⁴ Ibid

⁵ *Supra* Note 2.

⁶ *Id.*

⁷ Confederation of Coconut Farmers Organizations of the Philippines (CCFOP-CONFED), Inc. (30 October 2020) *Opposition Manifesto on the merger of LBP and UCPB*. Retrieved 05 July 2021, from: <https://thegardenerstales.com/?p=1335>

1 Shares' enjoying voting rights is a clear violation of the Supreme Court Decision on
2 the coco levy funds and assets and is patently immoral, illegal, unconstitutional, and
3 anti-farmer";⁸

4 WHEREAS, in expressing their opposition, they explained that it is "highly
5 immoral" to allow such merger by mere executive fiat which would essentially let
6 Landbank, "a bank whose purpose is wider and more general and whose original
7 funding came from the general vault of government funds" to devour UCPB which is
8 a bank with its own special purpose and original farmer funding. Such a scenario
9 would ultimately cause "great distress and disadvantage of the coconut farmers and
10 the rule of law";⁹

11 WHEREAS, it has also been opined that the previous executive orders issued
12 by the previous administration covering the "inventory and privatization of coconut
13 levy-derived assets (EO 179) and for the reconveyance and utilization of those assets
14 for the benefit of the coconut farmers (EW 180)" must first be ensured to have been
15 fully implemented because "as long as full implementation is uncompleted, a UCPB
16 merger with any other institution would be legally and practically problematic";¹⁰

17 WHEREAS, it can be recalled that in 2019, Finance Secretary Carlos
18 Dominguez III even vowed to recoup funds used by the government in saving UCPB.
19 He said that the government has already sunk in UCPB at least ₱42 billion which he
20 plans to recover through several modes;¹¹

21 WHEREAS, under Section 79 of Republic Act No. 11232, otherwise known as
22 the "Revised Corporation Code of the Philippines", one of the effects of merger is that
23 all those due to the constituent corporation shall be deemed transferred to the
24 surviving corporation "as though such surviving or consolidated corporation had
25 itself incurred such liabilities or obligations";

26 WHEREAS, it behooves upon the Senate to determine whether the
27 Landbank's absorptive capacity would allow it to carry the liabilities and obligations

⁸ *Ibid.*

⁹ *Id.*

¹⁰ Romero, R. *Why a UCPB-Landbank merger is a bad idea*. Retrieved 05 July 2021, from:
<https://manilastandard.net/opinion/columns/business-class-by-rudy-romero/253414/why-a-ucpb-landbank-merger-is-a-bad-idea.html>

¹¹ Villanueva J. (5 August 2019) *Dominguez vows to recoup funds used in saving UCPB*. Retrieved 05 July 2021,
from: <https://www.pna.gov.ph/articles/1077019>

1 of UCPB without, or at least with very minimal impact, on the Filipinos its charter
2 intends to cater and serve;

3 WHEREAS, the contrasting mandates of Landbank and UCPB should be
4 reason enough to question, if not forthwith demand, the termination of the merger
5 proceedings, as was done by the government when it halted the merger proceedings
6 involving DBP and Landbank in 2016.¹² With Landbank's charter mandating it to
7 prioritize the banking needs of the agrarian reform program and other rural groups
8 including the fisherfolk, as well as servicing the needs of OFWs, it should not be
9 distracted therefrom to the possible detriment of these people whose welfare is at
10 stake. UCPB's mandate is clear: to service Philippine coconut farmers. Their interests
11 should not be comingled, and inescapably sidelined by executive fiat when evidence
12 is incontrovertible that, with the conflicting mandates of these two institutions, and
13 the already burdened Landbank clients who are still reeling from the impacts of the
14 pandemics, it would not be prudent to proceed with the said merger;

15 WHEREAS, the Senate must look into this merger purportedly made under
16 questionable terms and conditions, with serious apprehensions and warnings from a
17 credible credit rating agency;

18 WHEREAS, the government must protect the public from disadvantageous
19 negotiations, agreements and deals of financial institutions, especially of those
20 owned by the State; Congress must intensify existing legislation and exercise its
21 oversight functions in order to prevent financial institutions from engaging in wash
22 sales;

23 WHEREAS, it is imperative to determine how the P20 billion worth of loan
24 assistance from the Philippine Deposit Insurance Corporation (PDIC) which PDIC
25 President Roberto Tan confirmed in 2019, was utilized. Full account of such amounts
26 advanced by a government instrumentality must first be secured before any such
27 merger should be allowed;

28 WHEREAS, the Senate must ensure that the rights of coconut farmers as well
29 as Filipinos who are being served by the Landbank are not unduly compromised by
30 this merger;

¹² De Vera, B. (06 September 2016) Duterte administration stops DBP-Land Bank merger. Retrieved 05 June 2021, from: <https://newsinfo.inquirer.net/813359/duterte-administration-stops-dbp-landmark-merger>

1 WHEREAS, the Senate should thus inquire into the validity of the subject
2 merger, as well as into the anomalies that gave rise to the need for such merger. If
3 need be, the veil of corporate fiction should also be pierced in order to hold
4 individuals who may have taken steps and actions which led to the need for such
5 merger, to the full extent of the law;

6 WHEREAS, it is also necessary to determine whether any mismanagement
7 transpired that has led to the financial distress of UCPB, and if so found, those who
8 had a hand in such mismanagement must be held accountable;

9 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE, urging the
10 appropriate Senate Committee to conduct an inquiry, in aid of legislation, on the
11 planned merger of Landbank of the Philippines with United Coconut Planters Bank,
12 with the end in view of determining the reported adverse impact to the financial
13 health of Landbank, as one of the biggest government financial institutions.

Adopted,


LEILA M. DE LIMA