

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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SENATE

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P.S. Res. No. 641

Introduced by SENATOR JOEL VILLANUEVA

RESOLUTION

DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE RISE OF UNREGISTERED AND UNAUTHORIZED ONLINE LENDING PLATFORMS AND THE ABUSIVE COLLECTION AND DEBT RECOVERY PRACTICES OF ONLINE LENDING COMPANIES

WHEREAS, Title III, Chapter I, Article 48 of Republic Act No. 7394, or the Consumer Act of the Philippines provides that “[t]he State shall promote and encourage fair, honest and equitable relations among parties in consumer transactions and protect the consumer against deceptive, unfair and unconscionable sales acts and practices;”

WHEREAS, Republic Act No. 9474, or the Lending Company Regulation Act of 2007 provides that it is the policy of the State to regulate the establishment of lending companies and to place their operation on a sound, efficient, and stable condition to prevent and mitigate, as far as practicable, practices prejudicial to public interest, among others;

WHEREAS, Republic Act No. 3765 or the Truth in Lending Act mandates that citizens must be protected from a lack of awareness of the true cost of credit to the user by assuring a full disclosure of such cost with a view of preventing the uninformed use of credit to the detriment of the national economy;

WHEREAS, Section 8 (d) of Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act provides that financial service providers are prohibited from employing abusive collection or debt recovery practices against their financial consumers;

WHEREAS, a January 2023 analysis found that there is an increased growth in the adoption of digital lending applications in the Philippines in 2022, with an additional 3.7 million people downloading online lending applications compared to 2021. Ten digital lending platforms saw a combined 14.2 million downloads as of December 2022, representing 3.4% of the cumulative application downloads in the Finance category across all platforms;¹

WHEREAS, the same study revealed that Filipino active users have spent 75,305 hours – equivalent to almost nine years – in using digital lending applications in 2022. The active users represent about 3.2% of the adult population in the country. The study also revealed that one in every 30 adult Filipinos uses online lending platforms at least once a month;²

WHEREAS, more Filipinos are engaging the services of online lending platforms because of their availability to small and medium-sized businesses and ordinary individuals, as well as attractive promotions and conditions, including the launch of specialized loan products for entrepreneurs;³

WHEREAS, as of 30 January 2023, the Securities and Exchange Commission (SEC), in coordination with Google Philippines, has taken down 33 unregistered online lending platforms from the Google Play Store. These lending platforms were found to be in violation of SEC Memorandum Circular No. 19, series of 2019, which requires financing and lending companies to report and register their online lending platforms as business names, as well as display on their advertisements and platforms their respective corporate names, SEC Registration Numbers and Certificate of Authority Numbers;⁴

WHEREAS, the SEC has also revoked the Certificates of Registration of 2,084 lending and financing companies that failed to secure their Certificate of Authority (CA), and cancelled the CA of 39 financing and lending companies because of various violations;⁵

WHEREAS, the SEC said it has been receiving several complaints regarding the abusive debt collection practices and other violations of online lending applications, as it recently took down more entities engaged in unauthorized lending activities;⁶

¹ Business World. *Filipinos spent more time using lending apps in 2022*. 26 January 2023. Available at <https://www.bworldonline.com/technology/2023/01/26/500861/filipinos-spent-more-time-using-lending-apps-in-2022/>. Accessed on 24 May 2023.

² *Ibid.*

³ Rappler. *Digital lending apps see growth, increased time spent by PH users in 2022 – analysis*. 23 January 2023. Available at <https://www.rappler.com/technology/digital-lending-apps-growth-time-spent-2022/>. Accessed on 24 May 2023.

⁴ Manila Bulletin. *SEC, Google remove 33 illegal lending apps*. 09 February 2023. Available at <https://mb.com.ph/2023/02/09/sec-google-remove-33-illegal-lending-apps/>. Accessed on 24 May 2023.

⁵ *Ibid.*

⁶ SEC. *SEC takes down more illegal lenders, warns of new penalties under FCPA*. 22 May 2023. Available at <https://www.sec.gov.ph/pr-2023/sec-takes-down-more-illegal-lenders-warns-of-new-penalties-under-fcpa/#gsc.tab=0>. Accessed on 24 May 2023.

WHEREAS, several clients have been complaining that they are being harassed, intimidated, and shamed by the collecting agents of these online lending platforms for being unable to pay their loans on time. Some even unduly increase the interest rates and other charges of the loans for failure of the debtor to pay according to schedule. A number of online lending platforms also engage in irresponsible data harvesting and violate their clients' right to privacy and safe and secure transactions to force them to pay their balance. Some have also reported abusive collection practices, including the use of expletives and violent language;

WHEREAS, as more and more Filipinos start to use the services of online lending platforms, there is a need to ensure that they are protected against deceptive, unfair, and unconscionable sales acts and practices, including abusive collection and debt recovery practices. Likewise, measures have to be put in place and properly implemented to guarantee that consumers are only transacting with registered and authorized online lending companies to protect their interest and general welfare;

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE, as it is hereby resolved, to direct the appropriate Senate Committee to conduct an inquiry, in aid of legislation, on the rise of unregistered and unauthorized online lending platforms and the abusive collection and debt recovery practices of online lending companies, with the end in view of protecting the interest and general welfare of Filipino consumers.

Adopted,


JOEL VILLANUEVA (9A)