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SENATE
P.S. Resolution No. 658

RECEIVED BY: 

Introduced by **SENATOR IMEE R. MARCOS**

RESOLUTION
DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN
INQUIRY, IN AID OF LEGISLATION, INTO THE PHP 2.9 BILLION BAD
LOANS OF PRIVATE CORPORATIONS TO THE GOVERNMENT SERVICE
INSURANCE SYSTEM

WHEREAS, the Government Service Insurance System (GSIS) was created pursuant to Commonwealth Act (CA) No. 186, as amended by Republic Act (RA) No. 8291, to be a social insurance institution that provides a defined benefit scheme under the law;

WHEREAS, under Section 22(h) of CA No. 186, the GSIS is authorized to invest its funds in such other loans, investments or securities as authorized under Act No. 2427 entitled "An Act Revising the Insurance Laws And Regulating the Insurance Business in the Philippine Islands", as amended, or as may be approved by the Insurance Commissioner;

WHEREAS, Section 30 of Presidential Decree No. 1146, as amended by Section 36 of RA No. 8291, further provides that the funds of GSIS which are not needed to meet its current obligations may be invested under such terms and conditions as prescribed by the Board, provided, that such investments shall satisfy the requirements of liquidity, safety/security and yield to ensure the actuarial solvency of GSIS' funds;

WHEREAS, in its 2022 Annual Audit Report, the Commission on Audit (COA) noted that the loans granted by GSIS to 21 private companies, amounting to PhP 2.114 billion with accrued interest of PhP 823.153 million, have remained uncollected for 24 to 53 years;

WHEREAS, the Report is a reiteration of the 2021 Audit Report which stated that there was a total of PhP 22.119 billion bad loans to 25 companies. Said amount was reduced to PhP 2.114 billion, as of December 31, 2022, after three (3) companies settled their accounts;

WHEREAS, based on COA's audit report, which was a reiteration of its prior years' observations and findings, the biggest borrower is "Company 1", a property developer, with a PhP 600 million principal loan currently running for 25 years. Company 1's loan was taken out as far back as Dec. 10, 1997, payable in five (5)

years with 18% interest per annum. While the company is unnamed, COA provided a list of the company's properties that were foreclosed: Water Fun in Muntinlupa City, Water Fun in Quezon City, 102 units in St. John Condominium in Quezon City, 366 lots in Mary Homes Subdivision in Cavite, and rights to 240 units in Metro Homes, Manila;

WHEREAS, COA also noted that another big borrower, Company 3, also a property developer, was awarded a PhP 353.99 million loan on Aug. 26, 1994, payable over seven (7) years at an interest rate of 16 percent per annum. The company has not made any payments but the GSIS has not taken any steps to foreclose the properties used as collateral.

WHEREAS, COA flagged the 'absence of a concrete action plan' for GSIS to recover the said unpaid loans that has 'resulted in the opportunity loss to reinvest and yield incremental income, wastage of government funds, as well as the possibility that these private loans would remain recorded as fully impaired in the books of accounts over an indefinite period of time'.

WHEREAS, COA recommended that the GSIS management create a task force that will primarily focus on the recovery of the outstanding loans, foreclose and dispose of all properties attached to them, among others.

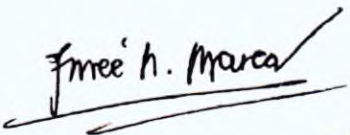
WHEREAS, COA also recommended the filing of criminal or civil cases against the concerned companies and for GSIS to "identify and resolve" factors that caused the delays in reaching the final settlement agreements and negotiations;

WHEREAS, the COA report shows apparent issues in GSIS' collection system given that these loans have far exceeded their maturities, causing the huge accumulation of the collectibles and piling up of delinquent loans;

WHEREAS, there is a need to conduct a review of GSIS' existing collection strategies to ensure that these are effective, mainly in contributing to the liquidity and revenue flow of the GSIS fund. As a pension fund, the safety, accountability and transparency of its funds must be GSIS' primary concern;

NOW, THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED, directing the appropriate Senate committee to conduct an inquiry, in aid of legislation, into the PhP 2.9 billion bad loans of private corporations to the GSIS.

Adopted,


IMEE R. MARCOS