

FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

7 1970

SENATE

RECEIVED

S. No. 1715

Introduced by Senator Manuel "Lito" M. Lapid

EXPLANATORY NOTE

Credit information is very important in the assessment of the creditworthiness of a prospective borrower. A financial institution, upon receipt of credit application, gathers such information by conducting a credit investigation which usually covers the applicant's background and history, financial condition, dealings with government agencies, court cases, and such other data relevant to his ability and propensity to pay the obligation being applied for.

The vast information necessary to create a meaningful assessment of the creditworthiness of the applicant is costly and time-consuming. Moreover, due to the lack of a centralized database, the information accumulated is usually incomplete and as a result, the financial institution is exposed to a higher risk.

The long, tedious and costly process of credit investigation poses a big problem to both the financial institutions and the prospective borrowers. The financial institutions, due to the incompleteness of the credit information, may err in its assessment of the creditworthiness of the applicants, thereby exposing them to high credit risk. On the other hand, the prospective borrowers are burdened with high interest rates, more collateral requirements and longer waiting time for the approval of their loan applications.

To remedy the situation, it is hereby proposed that a credit information bureau system be established. A credit information bureau, which will be incorporated, with the BSP as the majority shareholder, will have the power to collect and disseminate credit-related information. It will directly address the problem of the lack of centralized information concerning the credit history and track record of borrowers, both individual and corporate. The operations and services of a credit information bureau system can be expected to greatly improve the overall availability of credit especially to small borrowers, lower the cost of credit to responsible borrowers, and reduce excessive dependence on collateral to secure credit facilities. An efficiently operating credit information bureau system will also enable financial institutions to lower their overall credit risk, contributing to a healthier and more stable financial system.

With the aforementioned premises, approval of this bill is earnestly sought.


MANUEL "LITO" M. LAPID
Senator

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AN ACT
ESTABLISHING A CREDIT INFORMATION BUREAU SYSTEM, AND FOR
OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. - This Act shall be known as "The Credit Information Bureau System Act."

SEC. 2. Declaration of Policy. - The State recognizes the need to establish a credit information bureau system for the collection and dissemination of transaction information relevant to or arising from credit and credit-related activities of all entities which comprise the financial sector. A credit information bureau system will directly address the problem of the lack of centralized information concerning the credit history and track record of borrowers, both individual and corporate. The operations and services of a credit information bureau system can be expected to greatly improve the overall availability of credit especially to small borrowers, to lower the cost of credit to responsible borrowers, and to reduce excessive dependence on collateral to secure credit facilities. An efficiently operating credit information bureau system will also enable financial institutions to lower their overall credit risk, contributing to a healthier and more stable financial system.

SEC. 3. Definition of Terms. - For purposes of this Act:

"Accessing Entity" refers to any Submitting Entity, as well as any Outsource Entity, which accesses Credit Information from the Credit Information Bureau.

"Accreditation Agreements" refer to the Accreditation Agreements described in Section 9(c) of this Act.

“BIR” refers to the Bureau of Internal Revenue.

“BSP” refers to the *Bangko Sentral ng Pilipinas*.

“Bureau” refers to the Credit Information Bureau.

“Credit Facility” refers to any loan, credit line, guarantee or other form of financial accommodation from the Submitting Entity.

“Credit Information” refers to information provided by a borrower to a Submitting Entity in connection with the application for and avilment of a Credit Facility, and other information related or relevant thereto in the data files of the Central Credit Information System, including the credit report or credit rating on said borrower.

“Government Lending Institutions” refers to government financial institutions, government-owned-or-controlled-corporations (GOCCs), departments and agencies of the Government that provide loan or credit facilities.

“GSIS” refers to the Government Service Insurance System.

“Monetary Board” refers to the Monetary Board of the *BSP*.

“Outsource Entity” refers to any third party contractor to whom the Credit Information Bureau may outsource the collection, processing and consolidation of raw Credit Information pertaining to a borrower and/ or the creation of a credit report or a credit rating on the Borrower.

“SSS” refers to the Social Security System.

“Subjective Credit Information” refers to Credit Information originated by a Submitting Entity which is open to varying opinions between the borrower and the Submitting Entity, which an Accessing Entity would reasonably find to be highly relevant in assessing the credit risk posed by the borrower concerned.

“Submitting Entity” refers to an entity which provides Credit Facilities, such as but not limited to entities regulated by the *BSP*, investment houses, financing companies, credit cooperatives, non-governmental micro-financing organizations, credit card companies, insurance companies and Government Lending Institutions.

SEC. 4. Establishment of Credit Information Bureau and Credit Information Bureau System. –

(a) The Bureau shall be organized as a stock corporation in accordance with *Batas Pambansa Blg. 68*, otherwise known as "The Corporation Code of the Philippines": *Provided, That*, The *BSP* shall at all times remain the majority owner of the Bureau and its equity investment therein is hereby authorized notwithstanding the prohibition under Republic Act 7653. Government financial institutions, multilateral international financial institutions, and bank industry associations, as may be authorized under their respective charters, may also subscribe and own shares in the Bureau.

(b) The Bureau shall have a minimum authorized capital stock of Fifty million pesos (Php50,000,000.00), with a minimum subscribed capital stock of Twelve million five hundred thousand pesos (Php12,500,000.00), and a minimum paid-up capital of Three million one hundred twenty five thousand pesos (Php3,125,000.00).

(c) The directors of the Bureau shall come from the private sector and shall be nominated by the stockholders thereof. The directors and officers of the Bureau shall be qualified by the BSP under its "fit and proper" rule for bank directors and officers.

(d) In furtherance of the policy set forth in Section 2 of this Act, a Credit Information Bureau System is hereby established,

(i) Each Submitting Entity is hereby required and authorized to submit Credit Information, on a regular basis, to the Credit Information Bureau operating under this Act and the Bureau is in turn authorized to release Credit Information to Accessing Entities and Outsource Entities.

(ii) No action, suit or proceeding shall lie against a Submitting Entity, the Credit Information Bureau, their officers and employees in connection with any acts done by them under item "(i)" above in good faith.

SEC. 5. Authority of the BSP. - The operations and activities of Submitting Entities and Accessing Entities, which are subject to supervision by the BSP, insofar as their participation in and compliance with the Credit Information Bureau System is concerned, shall be included in the exercise of the supervisory authority of the BSP over these entities.

SEC. 6. Access to Credit Information from Government Offices and Agencies. - The Bureau is hereby authorized to access Credit Information from government offices and agencies and from pension funds being administered by the government, and, subject to conformity by the Supreme Court, from the judiciary, its courts and offices.

SEC. 7. Confidentiality of Credit Information in Credit Information Bureau Databanks. - Accessing Entities and Outsource Entities shall hold the Credit Information under strict Confidentiality and use the same only for the intended purpose as declared by the Accessing Entity or Outsource Entity to the Credit Information Bureau. The Accessing Entities and Outsource Entities which violate the confidentiality of, or which misuse, the Credit Information accessed from the Credit Information Bureau, or other rules and regulations, may be administratively sanctioned and their access privileges to Credit Information may be suspended or revoked. The Bureau shall be authorized to release and disclose Credit Information only to the BSP, to the

Government Lending Institutions, to the Submitting Entities, and to the Outsource Entities, or upon an order issued by the court.

SEC. 8. *Borrower's Identification System.* - The Credit Information Bureau shall implement a Borrower's Identification system, for the convenience of identifying the borrower and the files or data associated with such borrower that are lodged with the Bureau.

SEC. 9. *Implementing Rules and Regulations (IRR).* - The Monetary Board shall issue the implementing rules and regulations (IRR) to ensure compliance with the provisions of this Act, which shall include, but not be limited to, the following matters:

(a) the nature and extent of the Credit Information that shall be required to be provided by a borrower, and required to be submitted by a Submitting Entity to the Bureau, and which may be released by the Bureau to an Accessing Entity under this Act.

(b) the arrangements for the submission of Credit information by the Submitting Entities to the Bureau, including but not limited to:

(i) the execution of a Borrower's Consent, in the form and substance as the IRR shall require, for the purpose of obtaining the express written consent of a borrower to the submission by the Submitting Entities to the BSP of credit information pertaining to the borrower and related matters, and in turn to the release of such credit information by the Bureau to Accessing Entities as may be requested by the latter in connection with credit applications of the concerned borrower, and which shall contain the Borrower's representation and warranty on the accuracy and correctness of all of such credit information which it provided, and which it will provide, to the Submitting Entity, and that all such credit information are up to date as of the date provided to the Submitting Entity, as well as an indemnification clause in favor of the Bureau, its officers and employees in case of breach of such representation or warranty; and

(ii) the submission of Subjective Credit Information;

(c) accreditation of Submitting entities, Accessing Entities and Outsource Entities with the Bureau through the execution of Accreditation Agreements with the Bureau;

(d) restrictions on the use and transfer of Credit Information;

(e) rights of the borrowers to access their respective Credit Information and modify, revise or cancel the same, and their remedies in case of any violation thereof;

(f) sanctions to be imposed by the Bureau on the Submitting Entities for non submission of reports and for delayed and erroneous reporting.

(g) contractual sanctions to be imposed by the Bureau on any Accessing Entity or Outsource Entity for breaches of the confidentiality or misuse of the Credit Information that they have obtained from the Credit Information Bureau or from other Outsource Entities; and

(h) suspension or cancellation of the rights of any Accessing Entity or Outsource Entity to access Credit Information from the Bureau or from other Outsource Entities.

SEC. 10. *Indemnity in Favor of the BSP and the Bureau.* - Borrowers, Submitting Entities, Accessing Entities and Outsource Entities that participate in the Credit Information Bureau System shall indemnify, defend and hold the BSP and the Bureau, their officers and employees, harmless to the fullest extent permitted by law, from any and all liabilities, losses, claims, demands, damages, deficiencies, costs and expenses of whatsoever kind and nature that may arise, heretofore and henceforth, in connection with the performance of their functions under this Act, or in connection with or otherwise relating to as follows:

(a) with respect to a borrower, any breach of its representation and warranty that all of the Credit Information that it provides to a Submitting Entity is accurate, correct and up-to-date;

(b) with respect to a Submitting Entity, Accessing Entity or Outsource Entity, (i) any misuse of Credit Information by the relevant Entity, or (ii) any breach of any of its covenants, obligations, duties or responsibilities under this Act; and

(c) with respect to a Borrower, Submitting Entity, Accessing Entity or Outsource Entity, that which may otherwise arise from any action, suit or proceeding that may be brought against the Bureau in connection with the borrower's Credit Information which was obtained and/or disseminated under the Credit Information Bureau System.

SEC. 11. *Separability Clause.* - If any provision or section of this Act or the application thereof to any person or circumstance is held invalid, the other provisions or sections of this Act, and the application of such provision or section to other persons or circumstances, shall not be affected thereby.

SEC. 12. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations or parts thereof, which are inconsistent with this Act, are hereby repealed, amended or modified accordingly.

SEC. 13. *Effectivity Clause.* - This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved.