



## HOUSE OF REPRESENTATIVES

H. No. 6073

---

BY REPRESENTATIVES SALCEDA, PUENTEVELLA, LOPEZ (J.), REYES (E.), AMIN, ABAYON, ESPINO, GARIN, VILLAROSA, PETILLA, OLAÑO, NANTES, JAVIER, ALFELOR, LACSON, APOSTOL, DIAZ, REAL, SUAREZ, PANCHO, MADAMBA, SEÑERES, CUA, LAPUS, CARMONA, DUAVIT, SEACHON-LANETE, DIMAPORO, UMALI (A. M.), CODILLA, ZIALCITA, ROMAN, VILLAFUERTE, DY (C.), AQUINO (B.), VICENCIO, MERCADO, ARROYO (I.), ABANTE, DATUMANONG, LOCSIN, BACULIO, ENRILE, NOEL, ASISTIO, SANTIAGO, MARCOS, AGBAYANI, DE VENECIA, ESPINOSA (E. R.), SALAPUDDIN, NOGRALES, ESCUDERO, DEFENSOR (A.), DE GUZMAN, FUENTEBELLA, CASTRO, GULLAS, LAGMAN, CERILLES, GARCIA (A.), GOZOS, BUESER, CAYETANO, CRISOLOGO, SUPILICO, PLAZA, VILLANUEVA, ANTONINO-CUSTODIO, MALAPITAN, SERAPIO, ANGARA, AQUINO (A.), CHIPECO, BARBERS AND GOLEZ, PER COMMITTEE REPORT NO. 2212

---

### AN ACT GOVERNING THE ESTABLISHMENT, OPERATION AND REGULATION OF LENDING COMPANIES

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

1           SECTION 1. *Title.* – This Act shall be known as the “Lending Company  
2 Regulation Act of 2007”.

3           SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the  
4 State to regulate the establishment of lending companies and to place their

1 operation on a sound, efficient and stable condition to derive the optimum  
2 advantages from them as an additional source of credit; to prevent and  
3 mitigate, as far as practicable, practices prejudicial to public interest; and to lay  
4 down the minimum requirements and standards under which they may be  
5 established and do business.

6 SEC. 3. *Definition of Terms.* – For purposes of implementing this Act,  
7 the following definitions shall apply:

8 (a) “Lending company” shall refer to a corporation engaged in granting  
9 loans from its own capital funds or from funds sourced from not more than  
10 nineteen (19) persons. It shall not be deemed to include banking institutions,  
11 investment houses, savings and loan associations, financing companies,  
12 pawnshops, insurance companies, cooperatives and other credit institutions  
13 already regulated by law. The term shall be synonymous with lending  
14 investors.

15 (b) “Debtor” shall refer to a borrower or person granted a loan by the  
16 lending company.

17 (c) “Quasi-Bank” shall refer to a non-bank financial institution  
18 authorized by the Bangko Sentral ng Pilipinas (BSP) to engage in quasi-  
19 banking functions and to borrow funds from more than nineteen (19) lenders  
20 through the issuance, endorsement or assignment with recourse or acceptance  
21 of deposit substitutes as defined in Section 95 of Republic Act No. 7653 (the  
22 New Central Bank Act) for purposes of relending or purchasing of receivables  
23 and other obligations.

24 (d) “Subsidiary” shall refer to a corporation more than fifty percent  
25 (50%) of the voting stock of which is owned by a bank or a quasi-bank.

26 (e) “Affiliate” shall refer to a corporation, the voting stock of which, to  
27 the extent of fifty percent (50%) or less, is owned by a bank or a quasi-bank

1 which is related or linked to such institution through common stockholders or  
2 such other factors as may be determined by the Monetary Board of the BSP.

3 (f) "SEC" shall refer to the Securities and Exchange Commission.

4 (g) "BSP" shall refer to the Bangko Sentral ng Pilipinas.

5 SEC. 4. *Form of Organization.* – A lending company shall be  
6 established only as a corporation: *Provided*, That existing lending investors  
7 organized as single proprietorships or partnerships shall be disallowed from  
8 engaging in the business of granting loans to the public one year after the date  
9 of effectivity of this Act.

10 No lending company shall conduct business unless granted an authority  
11 to operate by the SEC.

12 SEC. 5. *Capital.* – The minimum paid-in capital of any lending  
13 company which may be established after the effectivity of this Act shall be One  
14 million pesos (P1,000,000.00): *Provided, however*, That lending companies  
15 established and in operation prior thereto shall comply with the minimum  
16 capitalization required under the provisions of this section within such time as  
17 may be prescribed by the SEC, which time shall, in no case, be less than three  
18 years from the date of effectivity of this Act and: *Provided, further*, That the  
19 SEC may prescribe a higher minimum capitalization if warranted by  
20 circumstances.

21 SEC. 6. *Citizenship Requirements.* – Upon the effectivity of this Act, at  
22 least a majority of the voting capital stock shall be owned by citizens of the  
23 Philippines.

24 The percentage of foreign-owned voting stock in any lending company  
25 existing prior to the effectivity of this Act, if such percentage is in excess of  
26 forty-nine percent (49%) of the voting stock, shall not be increased but may be  
27 reduced and, once reduced, shall not be increased thereafter beyond forty-nine  
28 percent (49%) of the voting stock of the lending company. The percentage of

1 foreign-owned voting stock in any lending company shall be determined by the  
2 citizenship of the individual stockholders. In the case of corporations owning  
3 shares in a lending company, the citizenship of the individual owners of the  
4 voting stock in such corporations shall be the basis in the computation of the  
5 percentage.

6 No foreign national may be allowed to own stock unless the country of  
7 which he is a national accords reciprocal rights to Filipinos.

8 *SEC. 7. Amount and Charges on Loans.* – A lending company may  
9 grant loans in such amounts and reasonable interest rates and charges as may  
10 be agreed upon between the lending company and the debtor: *Provided,* That  
11 the agreement shall be in compliance with the provisions of Republic Act No.  
12 3765, otherwise known as the Truth in Lending Act and Republic Act No.  
13 7394, otherwise known as the Consumer Act of the Philippines: *Provided,*  
14 *further,* That the Monetary Board, in consultation with the SEC and the  
15 industry, may prescribe such interest rate as may be warranted by prevailing  
16 economic and social conditions.

17 *SEC. 8. Maintenance of Books of Accounts and Records.* – Every  
18 lending company shall maintain books of accounts and records as may be  
19 required by the SEC and prescribed by the Bureau of Internal Revenue and  
20 other government agencies. In case a lending company engages in other  
21 businesses, it shall maintain separate books of accounts for these businesses.

22 The Manual of Accounts prescribed by the BSP for lending investors  
23 shall continue to be adopted by lending companies for uniform recording and  
24 reporting of their operations, until a new Manual of Accounts shall have been  
25 prescribed by the SEC.

26 It shall issue the appropriate instruments and documents to the parties  
27 concerned to evidence its lending and borrowing transactions.

1           SEC. 9. *Authority of the SEC.* – The SEC is hereby authorized to:

2           (a) Create a new division or bureau within its control to regulate and  
3 supervise the operations and activities of lending companies in the country;

4           (b) Issue rules and regulations to implement the provisions contained  
5 herein;

6           (c) Issue rules and regulations on, among other things, minimum  
7 capitalization, uses of funds received, method of marketing and distribution,  
8 maturity of funds received, restrictions or outright prohibition of purchases or  
9 sales of receivables with or without recourse basis;

10          (d) Require from lending companies reports of condition and such  
11 other reports necessary to determine compliance with the provisions of this  
12 Act;

13          (e) Exercise visitorial powers whenever deemed necessary; and

14          (f) Impose such administrative sanctions including the suspension or  
15 revocation of the lending company's authority to operate and the imposition of  
16 fines for violations of this Act and regulations issued by the SEC in pursuance  
17 thereto.

18          SEC. 10. *Implementing Rules and Regulations.* – Within three months  
19 after the approval of this Act, the SEC shall promulgate the necessary rules and  
20 regulations implementing the provisions of this Act.

21          SEC. 11. *Delineation of Authority Between the SEC and the BSP.* –  
22 Lending companies shall be under the supervision and regulation of the SEC:  
23 *Provided, however,* That lending companies which are subsidiaries and  
24 affiliates of banks and quasi-banks shall be subject to BSP supervision and  
25 examination in accordance with Republic Act No. 7653: *Provided, further,*  
26 That the Monetary Board, after being satisfied that there is reasonable ground  
27 to believe that a lending company is being used as a conduit by a bank, quasi-  
28 bank or their subsidiary/affiliate to circumvent or violate BSP rules and

1 regulations, may order an examination of the lending company's books and  
2 accounts.

3 SEC. 12. *Penalty.* -- A fine of not less than Ten thousand pesos  
4 (P10,000.00) and not more than Fifty thousand pesos (P50,000.00) or  
5 imprisonment of not less than six months but not more than ten (10) years, or  
6 both, at the discretion of the court, shall be imposed upon:

7 (1) Any person who shall engage in the business of a lending company  
8 without a validly subsisting authority to operate from the SEC;

9 (2) The president, the treasurer and other officers of the corporation,  
10 including the managing officer thereof, who shall knowingly and willingly:

11 (a) Engage in the business of a lending company without a validly  
12 subsisting authority to operate from the SEC;

13 (b) Hold themselves out to be a lending company, either through  
14 advertisement in whatever form, whether in its stationery, commercial paper or  
15 other document, or through other representations without authority;

16 (c) Make use of a trade or firm name containing the words "lending  
17 company" or "lending investor" or any other designation that would give the  
18 public the impression that it is engaged in the business of a lending company as  
19 defined in this Act without authority; and

20 (d) Violate the provisions of this Act;

21 (3) Any officer, employee or agent of a lending company who shall:

22 (a) Knowingly and willingly make any statement in any application,  
23 report or document required to be filed under this Act, which statement is false  
24 or misleading with respect to any material fact; and

25 (b) Overvalue or aid in overvaluing any security for the purpose of  
26 influencing in any way the action of the company in any loan or discounting  
27 line; and

1           (4) Any officer, employee or examiner of the SEC directly charged  
2 with the implementation of this Act or of other government agencies who shall  
3 commit, connive, aid or assist in the commission of acts enumerated under  
4 subsections 1 and 2 of this section.

5           SEC. 13. *Matters not Covered by This Act.* – The provisions of  
6 Republic Act No. 3765, otherwise known as the Truth in Lending Act,  
7 Republic Act No. 7394, otherwise known as the Consumer Act of the  
8 Philippines and other existing laws, insofar as they are not in conflict with any  
9 provision of this Act, shall apply in matters not otherwise specifically provided  
10 in this Act.

11          SEC. 14. *Repealing Clause.* – All laws, executive orders, letters of  
12 instruction, rules and regulations or provisions thereof which are inconsistent  
13 with the provisions of this Act are hereby repealed, amended or modified  
14 accordingly.

15          SEC. 15. *Separability Clause.* – If any portion hereof shall be held  
16 invalid or unconstitutional, such invalidity or unconstitutionality shall not  
17 affect the other provisions which shall remain in full force and effect.

18          SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after  
19 its publication in at least two national newspapers of general circulation.

Approved,