

S. No. 1949  
H. No. 6073

NOT TO BE TAKEN

OUT OF THE

LEG. BILLS & INDEX SVC.

Republic of the Philippines

# Congress of the Philippines

Metro Manila

Thirteenth Congress

Third Special Session

Begun and held in Metro Manila, on Monday, the nineteenth day of  
February, two thousand seven.



[ REPUBLIC ACT NO.     **9474** ]

## 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:*

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

SEC. 2. *Declaration of Policy.* – It is hereby declared 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 derive the optimum advantages from  
them as an additional source of credit; to prevent and mitigate,  
as far as practicable, practices prejudicial to public interest;

and to lay down the minimum requirements and standards under which they may be established and do business.

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

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

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

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

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

(e) Affiliate shall refer to a corporation, the voting stock of which, to the extent of fifty percent (50%) or less, is owned by a bank or quasi-bank which is related or linked to such institution through common stockholders or such other factors as may be determined by the Monetary Board of the BSP.

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

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

SEC. 4. *Form of Organization.* – A lending company shall be established only as a corporation: *Provided*, That existing lending investors organized as single proprietorships or

partnerships shall be disallowed from engaging in the business of granting loans to the public one year after the date of effectivity of this Act.

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

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

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

The percentage of foreign-owned voting stock in any lending company existing prior to the effectivity of this Act, if such percentage is in excess of forty-nine percent (49%) of the voting stock, shall not be increased but may be reduced and, once reduced, shall not be increased thereafter beyond forty-nine percent (49%) of the voting stock of the lending company. The percentage of foreign-owned voting stocks in any lending company shall be determined by the citizenship of the individual stockholders. In the case of corporations owning shares in a lending company, the citizenship of the individual owners of voting stock in such corporations shall be the basis in the computation of the percentage.

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

SEC. 7. *Amount and Charges on Loans*. – A lending company may grant loans in such amounts and reasonable interest rates and charges as may be agreed upon between the lending company and the debtor: *Provided*, That the agreement shall be in compliance with the provisions of

Republic Act No. 3765, otherwise known as the "Truth in Lending Act" and Republic Act 7394, otherwise known as the "Consumer Act of the Philippines": *Provided, further*, That the Monetary Board, in consultation with the SEC and the industry, may prescribe such interest rate as may be warranted by prevailing economic and social conditions.

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

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

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

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

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

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

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

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

(e) Exercise visitorial powers whenever deemed necessary; and

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

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

SEC. 11. *Delineation of Authority between SEC and the BSP.* – Lending companies shall be under the supervision and regulation of the SEC: *Provided, however,* That lending companies which are subsidiaries and affiliates of banks and quasi-banks shall be subject to BSP supervision and examination in accordance with Republic Act No. 7653: *Provided, further,* That the Monetary Board, after being satisfied that there is reasonable ground to believe that a lending company is being used as a conduit by a bank, quasi-bank or their subsidiary/affiliate to circumvent or violate BSP rules and regulations, may order an examination of the lending company's books and accounts.

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

1. Any person who shall engage in the business of a lending company without a validly subsisting authority to operate from the SEC.

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

- a. Engage in the business of a lending company without a validly subsisting authority to operate from the SEC;

- b. Hold themselves out to be a lending company, either through advertisement in whatever form, whether in its

stationery, commercial paper, or other document, or through other representations without authority;

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

d. Violate the provisions of this Act.

3. Any officer, employee, or agent of a lending company who shall:

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

b. Overvalue or aid in overvaluing any security for the purpose of influencing in any way the action of the company in any loan, or discounting line.

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

SEC. 13. *Matters not Covered by this Act.* — The provisions of Republic Act No. 3765, otherwise known as the "Truth in Lending Act", Republic Act No. 7394 or the "Consumer Act of the Philippines" and other existing laws, insofar as they are not in conflict with any provision of this Act, shall apply in matters not otherwise specifically provided in this Act.

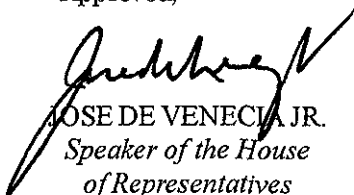
SEC. 14. *Repealing Clause.* — All laws, executive orders, letters of instruction, rules and regulations, or provisions thereof which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 15. *Separability Clause.* — If any portion hereof shall be held invalid or unconstitutional, such invalidity or

unconstitutionality shall not affect the other provisions which shall remain in full force and effect.

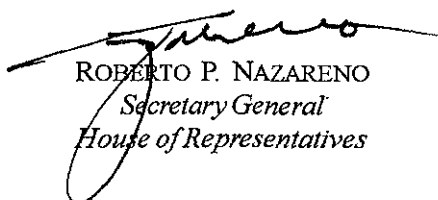
SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in at least two national newspapers of general circulation.

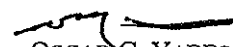
Approved,

  
JOSE DE VENEZIA JR.  
*Speaker of the House  
of Representatives*

  
MANNY VILLAR  
*President of the Senate*

This Act which is a consolidation of Senate Bill No. 1949 and House Bill No. 6073 was finally passed by the Senate and the House of Representatives on December 19, 2006 and February 20, 2007, respectively.

  
ROBERTO P. NAZARENO  
*Secretary General  
House of Representatives*

  
OSCAR G. YABES  
*Secretary of the Senate*

Approved: MAY 22 2007

  
GLORIA MACAPAGAL-ARROYO  
*President of the Philippines*



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