

[REPUBLIC ACT NO. 9510, October 31, 2008]

**AN ACT ESTABLISHING THE CREDIT INFORMATION SYSTEM,
AND FOR OTHER PURPOSES**

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 "Credit Information System Act."

SEC. 2. *Declaration of Policy.* - The State recognizes the need to establish a comprehensive and centralized credit information system for the collection and dissemination of fair and accurate information relevant to, or arising from, credit and credit-related activities of all entities participating in the financial system. A credit information system will directly address the need for reliable credit information concerning the credit standing and track record of borrowers.

The operations and services of a credit information system can be expected to: greatly improve the overall availability of credit especially to micro, small and medium-scale enterprises; provide mechanisms to make credit more cost-effective; and reduce the excessive dependence on collateral to secure credit facilities.

The State shall endeavor to have credit information provided at the least cost to all participants and shall ensure the protection of consumer rights and the existence of fair competition in the industry at all times.

An efficient credit information system will also enable financial institutions to reduce their over-all credit risk, contributing to a healthier and more stable financial system.

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

- a. "*Accessing entity*" refers to any submitting entity or any other entity authorized by the Corporation to access basic credit data from the Corporation.
- b. "*Basic Credit Data*" refers to positive and/negative credit information provided by a borrower to a submitting entity in connection with the application for and availment of a credit facility and any information on the borrower's creditworthiness in the possession of the submitting entity and other factual and objective information related or relevant thereto in the submitting entity's data files or that of other sources of information: *Provided*, That in the absence of a written waiver duly accomplished by the borrower, basic credit data shall exclude confidential information on bank deposits and/or clients funds under Republic Act No. 1405 (Law on Secrecy of Bank Deposits), Republic Act No. 6426 (The Foreign Currency Deposit Act), Republic Act No. 8791 (The General Banking Law of 2000) and their amendatory laws.

- c. "*Borrower*" refers to a natural or juridical person, including any local government unit (LGU), its subsidiaries and affiliates. that applies for and/or avails of a Credit Facility.
- d. "*BSP*" refers to the Bangko Sentral ng Pilipinas, created under Republic Act No. 7653.
- e. "*Corporation*" refers to the Credit Information Corporation established under Section 5 of this Act.
- f. "*Credit Facility*" refers to any loan, credit line, guarantee or any other form of financial accomodation from a submitting entity: *Provided*, That for purposes of this Act, deposits in banks shall not be considered a credit facility extended by the depositor in favor of the bank.
- g. "*Credit Rating*" refers to an opinion regarding the creditworthiness of a borrower or of an issuer of debt security, using an established and defined ranking system.
- h. "*Credit Report*" refers to a summary of consolidated and evaluated information on creditworthiness, credit standing, credit capacity, character and general reputation of a borrower.
- i. "*Government Lending Institutions*" refers to existing and future government financial institutions (GFIs), government-owned and controlled corporations (GOCCs) primarily engaged in lending activities.
- j. "*Negative Credit Information*" refers to information/data concerning the poor credit performance of borrowers, such as, but not limited to, defaults on loans, adverse court judgments relating to debts and reports on bankruptcy, insolvency, petitions or orders on suspension of payments and corporate rehabilitation.
- k. "*Non-Accessing Entity*" refers to an entity other than a Submitting Entity, Special Accessing Entity or Borrower that is authorized by the Corporation to access credit information from a Special Accessing Entity.
- l. "*Outsource Entity*" refers to any accredited third-party provider to whom the Corporation may outsource the processing and consolidation of basic credit data pertaining to a borrower or issuer of debt or convertible securities under such qualifications, criteria and strict confidentiality guidelines that the Corporation shall prescribe and duly publish.
- m. "*Positive Credit Information*" refers to information/data concerning the credit performance of a borrower, such as, but not limited to, information on timely repayments or non-delinquency.
- n. "*Relevant Government Agencies*" refers to the Department of Finance, Department of Trade and Industry, Bangko Sentral ng Pilipinas, Insurance Commission and the Cooperative Development Authority.
- o. "*SEC*" refers to the Securities and Exchange Commission.
- p. "*Special Accessing Entity*" refers to a duly accredited private corporation engaged primarily in the business of providing credit reports, ratings and other similar credit information products and services.
- q. "*Submitting entity*" refers to an entity which provides credit facilities such as, but not limited to, banks, quasi-banks, trust entities, investment houses, financing companies, cooperatives, nongovernmental, micro-financing organizations, credit card companies, insurance companies and government lending institutions.

SEC. 4. *Establishment of the Credit Information System.* - In furtherance of the policy set forth in Section 2 of this Act, a credit information system is hereby established.

- a. Banks, quasi-banks, their subsidiaries and affiliates, life insurance companies, credit card companies and other entities that provide credit facilities, are required to submit basic credit data and updates thereon on a regular basis to the Corporation.
- b. The Corporation may include other credit providers to be subject to compulsory participation: *Provided*, That all other entities qualified to be submitting entities may participate subject to their acceptance by the Corporation: *Provided, further*, That in all cases, participation under the system shall be in accordance with such standards and rules that the SEC in coordination with the relevant government agencies, may prescribe.
- c. Participating submitting entities are required to regularly submit to the Corporation any negative and positive credit information that tends to update and/or correct the credit status of borrowers. The Corporation shall fix the time interval for such submission: *Provided*, That such interval shall not be less than fifteen (15) working days but not more than thirty (30) working days.
- d. The Corporation should regularly collect basic credit data of borrowers at least on a quarterly basis to correct/update the basic credit data of said borrowers.
- e. The Corporation may also access credit and other relevant information from government offices, judicial and administrative tribunals, prosecutorial agencies and other related offices, as well as pension plans administered by the government.
- f. Each submitting entity shall notify its borrowers of the former's obligation to submit the latter's basic credit data to the Corporation and the disclosure thereof to the Corporation, subject to the provisions of this Act and the implementing rules and regulations.
- g. The Corporation is in turn authorized to release consolidated basic credit data on the borrower, subject to the provisions of Section 6 of this Act.
- h. The negative information on a borrower as contained in the credit history files of borrowers should stay in the database of the Corporation unless sooner corrected, for not more than three (3) years from and after the date when the negative credit information was rectified through payment or liquidation of the debt, or through settlement of debts through compromise agreements or court decisions that exculpate the borrower from liability. Negative information shall be corrected and updated within fifteen (15) days from the time of payment, liquidation or settlement or debts.
- i. Special Accessing Entities shall be accredited by the Corporation in accordance with such standards and rules as the SEC in coordination with the relevant government agencies, may prescribe.
- j. Special Accessing Entities shall be entitled access to the Corporation's pool of consolidated basic credit data, subject to the provisions of Sections 6 and 7 of this Act and related implementing rules and regulations.
- k. Special Accessing Entities are prohibited from releasing basic credit data received from the Corporation of credit reports and credit ratings derived from the basic credit data received from the Corporation, to non-accessing entities unless written consent or authorization has been obtained from the Borrower: *Provided, however*, That in case the borrower is a local government unit (LGU) or its subsidiary or affiliate, the special accessing entity may release credit information on the LGU, its subsidiary or affiliate upon written request and payment of reasonable fees by a constituent of the concerned LGU.
- l. Outsource Entities, which may process and consolidate basic credit data, are absolutely prohibited from releasing such data received from the Corporation other than to the Corporation itself.

- m. Accessing Entities shall hold strictly confidential any credit information they receive from the Corporation.
- n. The borrower has the right to know the causes of refusal of the application for credit facilities or services from a financial institution that uses basic credit data as basis or ground for such refusal.
- o. The borrower, for a reasonable fee, shall have, as a matter of right, ready and immediate access to the credit information pertinent to the borrower. In case of erroneous, incomplete, or misleading credit information, the subject borrower shall have the right to dispute the erroneous, incomplete, outdated or misleading credit information before the Corporation. The Corporation shall investigate and verify the disputed information within five (5) working days from receipt of the complaint. If its accuracy cannot be verified and cannot be proven, the disputed information shall be deleted. The borrower and the accessing entities and special accessing entities who have received such information shall be informed of the corresponding correction or removal within five (5) working days. The Corporation should use a simplified dispute resolution process to fast track the settlement/resolution of disputed credit information. Denial of these borrower's rights, without justifiable reason, shall entitle the borrower to indemnity.

SEC. 5. *Establishment of the Central Credit Information Corporation.* - There is hereby created a Corporation which shall be known as the Credit Information Corporation, whose primary purpose shall be to receive and consolidate basic credit data, to act as a central registry or central repository of credit information, and to provide access to reliable, standardized information on credit history and financial condition of borrowers.

- a. The Corporation is hereby authorized to adopt, alter, and use a corporate seal which shall be judicially noticed; to enter into contracts; to incur liabilities; to lease or own real or personal property, and to sell or otherwise dispose of the same; to sue and be sued; to compromise, condone or release any liability and otherwise to do and perform any and all things that may be necessary or proper to carry out the purposes of this Act.
- b. The authorized capital stock of the Corporation shall be Five hundred million pesos (Php500,000,000.00) which shall be divided into common and preferred shares which shall be non-voting. The National Government shall own and hold sixty percent (60%) of the common shares while the balance of forty percent (40%) shall be owned by and held by qualified investors which shall be limited to industry associations of banks, quasi-banks and other credit-related associations including associations of consumers. The amount of Seventy-five million pesos (Php75,000,000.00) shall be appropriated in the General Appropriations Act for the subscription of common shares by the National Government to represent its sixty percent (60%) equity share and the amount of Fifty million pesos (Php50,000,000.00) shall be subscribed and paid up by such qualified investors in accordance with Section 5(d) hereof.
- c. The National Government may subscribe or purchase securities or financial instruments that may be issued by the Corporation as a supplement to capital.
- d. Equal equity participation in the Corporation shall be offered and held by qualified private sector investors but in no case shall each of the qualified investor represented by an association of banks, quasi-banks and other credit-related associations including the associations of consumers have more than ten percent (10%) each of the total common shares issued by the Corporation.