

**[ REPUBLIC ACT NO. 9474, May 22, 2007 ]**

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

*Be it enacted by the Senate and House of Representative 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.