



CHAMBER OF REAL ESTATE &
BUILDERS' ASSOCIATIONS INC

Online Library
www.ecreba.com

REPUBLIC ACT No. 5980

**AN ACT REGULATING THE ORGANIZATION AND
OPERATION OF FINANCING COMPANIES**

Section 1. This Act shall be known as the "Financing Company Act."

Section 2. Declaration of Policy. It is hereby declared to be the policy of the State to regulate the activities of financing companies to place their operations on a sound, stable and efficient basis, so that they may be in a better position to extend effective service in a fair manner to the general public and to industry, commerce and agriculture; to curtail and prevent acts or practices prejudicial to the public interests.

Section 3. Definition of Terms. As used in this Act, the term:

(a) "Financing companies," hereinafter called companies, are corporations, or partnerships, except those regulated by the Central Bank of the Philippines, the Insurance Commissioner and the Cooperatives Administration Office, which are primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises, either by discounting or factoring commercial papers on accounts receivable, or by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by leasing of motor vehicles, heavy equipment and industrial machinery, business and office machine and equipment, appliances and other movable property;

(b) "Securities and Exchange Commission" shall mean the office of the Securities and Exchange Commission of the Philippines;

(c) "Credit" shall mean any loan, mortgage, deed of trust, advance, or discount; any conditional sales contract, any contract to sell, or sale or contract of sale of property or service, either for present or future delivery, under which, part or all the price is payable subsequent to the making of such sale or contract; any rental-purchase contract; any option, demand, lien, pledge, or other claim against, or for the delivery of, property or money, any purchase, or other acquisition of or any credit upon the security of, any obligation or claim arising out of the foregoing; and any transaction or series of transactions having a similar purpose or effect; and

(d) "Purchase discount" is the difference between the value of the receivable purchased or credit assigned, and the net amount paid by the finance company for such purchase or assignment, exclusive of fees, service charges, interests and other charges incident to the extension of credit.

Section 4. Grant of Authority to the Securities and Exchange Commission. The Securities and Exchange Commission of the Philippines is hereby empowered to enforce the provisions of this Act.

Section 5. Limitation on Purchase Discount, Fees, Service and Other Charges. In the case of assignments of credit or the buying of installment papers, accounts, receivables and other evidences of indebtedness by financing companies, the purchase discount, exclusive of interest and other charges shall be limited to fourteen (14%) per cent of the value of the credit assigned or the value of the installment papers, accounts receivable and other evidence of indebtedness

purchased based on a period of twelve (12) months or less, and to one and one-sixth (1 1/6%) per cent of each additional month or fraction thereof in excess of twelve months, regardless of the terms and conditions of the assignment or purchase.

In the case of assignment of credit or the buying of installment papers, accounts receivable and other evidence of indebtedness pertaining to appliances, furniture, and office equipment, the purchase discount, exclusive of interest charges, shall be limited to eighteen (18%) per cent of the value at maturity of the credit assigned or receivable purchased, based on a period of twelve months or less, and to one and one-half (1 1/2%) per cent for each additional month or fraction thereof in excess of twelve months, regardless of the terms and conditions of the assignment or purchase.

In case of factoring of accounts receivables or other evidences of indebtedness, the discounting rate that can be charged, exclusive of interest and other charges, shall not exceed two per cent of the value of the credit assigned or receivable purchased for every thirty days, regardless of the terms and conditions of the factoring agreement.

The Securities and Exchange Commission, in consultation with the financing companies, shall prescribe reasonable limitations on fees, service and other charges which shall be uniform for all financing companies, taking into consideration the nature of the transaction or service and the cost thereof to the financing companies.

Section 6. Form of Organization. Financing companies shall be organized in the form of stock corporations or general partnerships at least sixty per centum of the capital of which is owned by citizens of the Philippines and shall have a paid-up capital of not less than five hundred thousand pesos: Provided, however, That financing companies duly existing and operating before the approval of this Act shall comply with the requirement that sixty (60%) per centum of the capital be owned by citizens of the Philippines within one year from the date of said approval.

Section 7. Requirement for Registration. Aside from requiring compliance with the provisions of the Corporation Law and the New Civil Code in case of partnership the Securities and Exchange Commission shall not register the articles of incorporation or the articles of partnership of any financing company unless his office is satisfied on the evidence submitted to it that:

(a) all the requirements of existing laws to engage in the business for which the applicant is proposed to be incorporated or organized have been complied with;

(b) the organization, direction, and administration, as well as the integrity and responsibility of the organizers and administrators reasonably assume the protection of the interest of the general public; and

(c) all the requirements of this Act have been complied with: Provided, That financing companies duly incorporated or registered prior to the approval of this Act, and which are actually existing and operating as such, shall file an information sheet with the Securities and Exchange Commission in the form to be prescribed by the Securities and Exchange Commission within sixty (60) days after notice from the said Commission. No person, association, partnership, or corporation shall hold itself out as doing business as a "financing company" or "finance and investment company" or any other title or name tending to give the public the impression that it is engaged in the operations and activities of a financing company, unless so authorized under this Act.

Section 8. Citizenship Requirement of the Board of Directors. In the case of a corporation, at least two-thirds of all members of the Board of Directors of any financing company which may

be established after the approval of this Act, shall be citizens of the Philippines. In the case of partnerships, all the managing partners must be citizens of the Philippines. In the case of corporations and partnerships existing before the approval of this Act compliance with this provisions shall be required within the period of one year from the date of said approval.

Section 9. Revocation and Suspension of Registration. The Securities and Exchange Commission may revoke or suspend the registration of any financing company by entering an order to this effect together with its findings in respect thereto, if upon investigation into the affairs of said financing company or complaint by any person, it shall appear that:

- (a) it is insolvent; or
- (b) it has violated any provision of this Act.

Section 10. Penalty. A fine of not less than five thousand pesos (P5,000.00) and not more than ten thousand pesos (P10,000.00) or imprisonment for not more than six months or both, at the discretion of the court, shall be imposed upon:

1. Persons, associations, partnerships, or corporations, including the managing officer thereof, that shall:

- (a) Engage in the business of a financing company without authority from the Securities and Exchange Commission;
- (b) Hold themselves out to be a financing company, either through advertisement in whatever form, whether in its stationary, commercial paper, or other document, or through other representations without authority;
- (c) Make use of a trade or firm name containing the words "financing company" or "finance company" or "finance and investment company" or any other designation that would give the public the impression that it is engaged in the business of a financing company as defined in this Act without authority; and
- (d) Violate the provisions of this Act.

2. Any officer, employee, or agent of a financing 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; or
- (b) Overvalue or aid in overvaluing any security for the purpose of influencing in any way the action of the company on any loan, or discounting line.

3. Any officer, employee, or examiner of the Securities and Exchange Commission directly charged with the implementation of this Act who shall commit, connive, aid, or assist in the commission of acts enumerated under subsections 1 and 2 of this Section.

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

Section 12. Repealing Clause. All Acts inconsistent with this Act are hereby repealed.

Section 13. Effectivity. This Act shall take effect upon its approval.

Approved: August 4, 1969