

EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session



HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 9974

Introduced by **REPRESENTATIVE VIRGILIO S. LACSON**

EXPLANATORY NOTE

Last October 2020, the Credit Information Corporation has noticed a significant increase in the requests and inquiries for credit score information. More people intend to apply for loans to cope with the effects of the pandemic. Created through Republic Act 9510 or the Credit Information System Act, the Credit Information Corporation (CIC) is the only centralized registry of credit data in the Philippines. The CIC is authorized to collect, consolidate, and share credit information with all financial institutions in the country, such as banks, cooperatives, insurance firms, telecom companies.

While credit score is not a new concept, it is only recently getting more attention from the Filipino public. The average Filipino, more often than not, has no idea what his credit score is, or whether it is good enough to enable him to access credit facilities.

The credit score is a three-digit number that represents your creditworthiness or ability to pay off a loan based on the information in your credit report. This number is affected by various factors, such as credit payment history, amount owed or credit utilization ratio, length of credit history, types of credit used, number of existing credit. The importance of good credit score cannot be denied. It is a financial tool that people can leverage to get better interest rates, obtain properties, enter into mortgage, among others.

Building a good credit score requires the involvement with financial institutions, which admittedly, a lot of Filipinos shy away from. Many resort to unregulated loan sharks, and their unconscionable rates because of the fear of being rejected by banks or because the amount of paperwork involved to take a loan. Often times, they become trapped in extortionate agreements with these types of creditors.

This bill aims to help more Filipino employees to have access to loan facilities, and at the same time, build their credit score by allowing them to avail loans with banks where they maintain their payroll account. By entering into such agreements, employees will deal with regulated institutions, and avoid altogether transacting with loan sharks who are unregulated and abusive.

To this end, the passage of this bill is earnestly sought.


HON. VIRGILIO S. LACSON
Manila Teachers Partylist

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AN ACT

CAPACITATING EMPLOYEES TO AVAIL OF LOANS AND IMPROVE CREDIT SCORES BY ENTERING INTO SALARY DEDUCTION AGREEMENT WITH EMPLOYERS AND CREDITOR BANKS WHERE THEY MAINTAIN A PAYROLL ACCOUNT, AMENDING FOR ITS PURPOSE ARTICLE 113 OF PRESIDENTIAL DECREE NO. 442, AS AMENDED, OTHERWISE KNOWN AS “THE LABOR CODE OF THE PHILIPPINES”

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

Section 1. Short Title. This Act shall be known as the Loan Capacity and Credit Score Improvement Act.

Sec. 2. Article 113 of Presidential Decree No. 442, as amended, otherwise known as the “Labor Code of the Philippines”, is hereby amended to read as follows:

“Article 113. Wage deduction. No employer, in his own behalf or in behalf of any person, shall make any deduction from the wages of his employees, except:

In cases where the worker is insured with his consent by the employer, and the deduction is to recompense the employer for the amount paid by him as premium on the insurance;

For union dues, in cases where the right of the worker or his union to check-off has been recognized by the employer or authorized in writing by the individual worker concerned;

“IN CASES, WHERE THE EMPLOYEE, EMPLOYER, AND BANK WHERE PAYROLL IS MAINTAINED, ENTER INTO A SALARY DEDUCTION AGREEMENT IN WRITING, FOR THE PURPOSE OF PAYING LOANS CONTRACTED BY THE EMPLOYEE WITHIN THE SAME BANK. IN NO CASE SHALL THE DEDUCTION EXCEED 1/3 OF THE TOTAL MONTHLY COMPENSATION OF THE EMPLOYEE.”

In cases where the employer is authorized by law or regulations issued by the Secretary of Labor and Employment.

Sec. 3. *Implementing Rules and Regulations.* – Within sixty (60) days from the effectivity of this Act, the Secretary of Labor and Employment, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

Sec. 4. *Separability Clause.* – If any provision or part of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

Sec. 5. *Repealing Clause.* – All laws, decrees, orders, rules and regulations and other issuances or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

Sec. 6. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any newspaper of general circulation.

Approved,