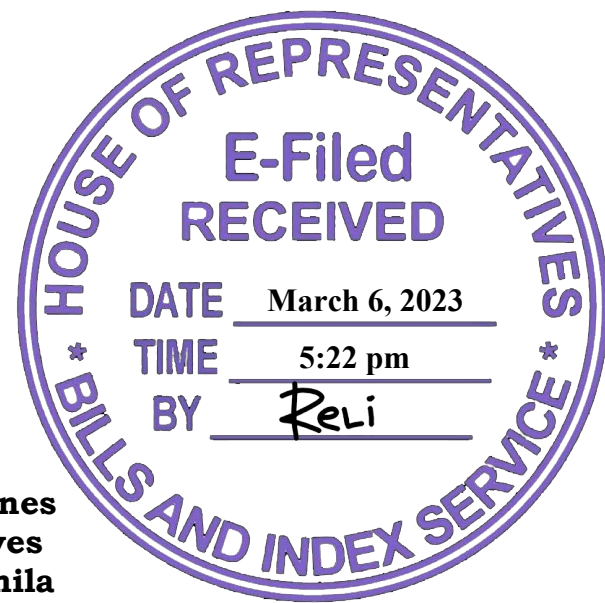




**Republic of the Philippines
House of Representatives
Quezon City, Metro Manila**

**Nineteenth Congress
First Regular Session**

HOUSE BILL NO. 7472



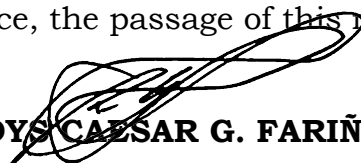
Introduced by Representative Rudys Caesar G. Fariñas I

EXPLANATORY NOTE

This proposed measure seeks to protect government employees from risk against automatic payroll deductions. This bill distinguishes the authorized deductions due in accordance with law. On the other hand, this bill enumerates prohibited acts that allow for private lending institutions (PLIs) to operate and automatically deduct from the salaries and benefits due to government employees.

This bill also introduces a buy-out scheme to assist government employees with existing PLI loans. The Land Bank of the Philippines shall assume the existing loans due through a one-time payment to PLIs.

Hence, the passage of this measure is sought.


RUDYS CAESAR G. FARIÑAS I



**Republic of the Philippines
House of Representatives
Quezon City, Metro Manila**

**Nineteenth Congress
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HOUSE BILL NO. 7472

Introduced by Representative Rudys Caesar G. Fariñas I

**AN ACT
PROHIBITING THE PRIVATE LENDING COMPANIES FROM COLLECTING
LOAN PAYMENTS OF GOVERNMENT EMPLOYEES THROUGH AUTOMATIC
PAYROLL DEDUCTION**

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

1 **SECTION 1. Authorized Deductions.** – Deductions from the salaries and other
2 benefits accruing to any government employee may be allowed for the payment
3 of obligations and contributions due to the following:

- 4
- 5 a. The Bureau of Internal Revenue, Government Service Insurance System,
6 Home Development Mutual Fund and the Philippine Health Insurance
7 Corporation;
- 8
- 9 b. Non-stock savings and loan associations and mutual benefits associations
10 duly operating under existing laws which are managed by, and for the
11 benefit of, government employees;
- 12
- 13 c. Associations, cooperatives, or provident funds organized and managed by
14 government employees for their benefit and welfare;
- 15
- 16 d. Government financing institutions authorized by law and accredited by
17 appropriate government regulating bodies to engage in lending;
- 18
- 19 e. Duly licensed insurance companies accredited by national government
20 agencies; and
- 21
- 22 f. Thrift banks and rural banks accredited by the Bangko Sentral ng
23 Pilipinas;
- 24
- 25 g. Other deductions as may be authorized by law.

1
2 In no case shall the foregoing deductions reduce the employee's monthly net take
3 home pay to an amount lower than Three thousand five hundred pesos
4 (3,500.00).

5
6 SEC. 2. **Prohibited Acts.** – Except for the deductions enumerated in Section 1
7 hereof, it shall be unlawful for any authorized finance, salary-disbursing or
8 payroll officer of any government office to:

- 9
10 a. Accredit private lending institutions (PLIs) for the purpose of allowing
11 these lending institutions to collect loan payments from a government
12 employee through automatic payroll deduction;
13
14 b. Automatically deduct from the salaries and other benefits accruing to a
15 government employee, the payment of loans from PLIs;
16
17 c. Conduct private lending activity in the government office;
18
19 d. Withhold the salary of a government employee in consideration of a loan
20 from PLIs; and
21
22 e. Disburse to a government employee an amount less than the salary
23 corresponding to a specific pay period in consideration of a loan from PLIs.
24

25 For purposes of this Act, private lending institution (PLI) refers to a corporation
26 engaged in granting loans from its own capital funds or from funds sourced from
27 not more than nineteen (19) persons but excluding banking institutions,
28 investment houses, savings and loan associations, financing companies,
29 pawnshops, insurance companies, cooperatives and other credit institutions
30 already regulated by law.
31

32 SEC. 3. **Penalties.** – The authorized finance, salary-disbursing or payroll officer
33 of a government office who shall commit any of the acts prohibited under Section
34 2 of this Act shall, for the first offense, suffer the penalty of suspension from
35 office for a period of six (6) months and a fine equivalent to twice the salary of
36 that erring government officer. For succeeding offenses, the erring government
37 officer shall suffer the penalty of dismissal from the government service and a
38 fine of Two hundred thousand pesos (P200,000.00).
39

40 SEC. 4. **Buy-out loan scheme.** – In order to assist the government employees in
41 the payment of loans from the PLIs, the government office shall execute a
42 memorandum of agreement with the Land Bank of the Philippines (LBP) in order
43 for the latter to assume the existing loans of the government employees.
44 Consistent with the principle of non-impairment of contracts, the LBP shall make
45 a one-time payment of the existing loans of the government employees to PLIs.
46

47 To avail of the buy-out loan scheme, the government employees shall accomplish
48 a loan application form authorizing LBP to:

- 49
50 a. Issue a check payable to the PLI representing the outstanding balance of
51 the loan;
52
53 b. Remit the check payment directly to the PLI;
54
55 c. Receive the official receipt and certificate of full payment from the PLI;

- 1
2 d. Withhold the release of the net loan proceeds pending its receipt of the
3 official receipt and certificate of full payment from the PLI; and
4
5 e. Deduct from the payroll or receive postdated checks from the employees
6 representing the new amortizations for the employee's loan from PLIs
7 which are assumed and restructured by LBP.
8

9 **SEC. 5. Qualifications.** – A government employee is qualified to avail of the LBP
10 buy-out loan scheme if the employee:

- 11
12 a. Holds a permanent status and is in the government service for at least one
13 (1) year except for appointive officials and their co-terminous appointees;
14
15 b. Has an existing ATM payroll account with the LBP Branch nearest to the
16 place of work and where proceeds of loan shall be credited or loan
17 payments shall be debited;
18
19 c. Receives a Monthly Net Take Home Pay (MNTHP) of not less than Three
20 thousand five hundred pesos (P3,500.00) or such amount as may be
21 prescribed by the General Appropriations Act in effect at the time of the
22 loan application;
23
24 d. Has no pending administrative or criminal case;
25
26 e. Is eighteen (18) to sixty-two (62) years of age at the time of loan application;
27 and
28
29 f. Has no pending application for retirement or not due for retirement within
30 the term of the loan.
31

32 The head of government office whose age is above the maximum requirement
33 may be accommodated, provided a special insurance coverage through
34 Landbank Insurance Brokerage, Inc. (LIBI) is approved and the special insurance
35 premium coverage for the whole terms of the loan is paid.
36

37 **SEC. 6. Implementing Rules and Regulations.** – The Securities Exchange
38 Commission, the Bangko Sentral ng Pilipinas and the Civil Service Commission
39 shall, within thirty (30) days from the effectivity of this Act, issue the necessary
40 rules and regulations for the implementation of this Act.
41

42 **SEC. 7. Separability Clause.** – If any provision of this Act is subsequently
43 declared invalid or unconstitutional, other provisions which are not affected shall
44 remain in full force and effect.
45

46 **SEC. 8. Repealing Clause.** – All laws, decrees, orders, rules and regulations,
47 and other issuances, or parts thereof inconsistent with the provisions of this Act
48 are repealed or modified accordingly.
49

50 **SEC. 9. Effectivity.** – This Act shall take effect fifteen (15) days after its
51 publication in the Official Gazette or in a newspaper of general circulation.
52

53 Approved,