



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



TWENTIETH CONGRESS
First Regular Session

House Bill No. 1151

Introduced by Representative Irwin C. Tieng

**AN ACT PROHIBITING BANKS AND LENDING COMPANIES FROM
REQUIRING A CO-MAKER BEFORE EXTENDING LOANS**

EXPLANATORY NOTE

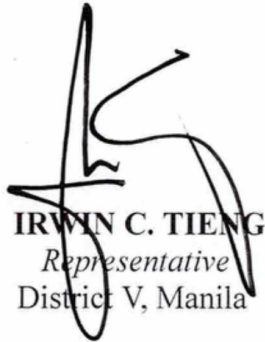
This bill seeks to prohibit the requirement of a co-maker when applying for loans in banks and lending companies, and to protect the co-maker from the obligation of paying loans plus interests and penalties of the principal borrower. Furthermore, this bill aims to define the role and responsibilities of banks and lending companies, as well as the agencies tasked to supervise and oversee their compliance with the provisions of this bill.

One of the primary roles of banks and lending companies is lending money to consumers and businesses. However, to improve the chances of the credit applicant of getting his or her loan approved, it is a common practice for banks and lending companies to require the credit applicant to provide a co-maker. This requirement then becomes burdensome and oppressive to the credit applicant as he or she will be obliged to look for someone who is in good credit standing and has sufficient income to assist him or her in securing such loan. Furthermore, while the Manual of Regulations for Banks of the Bangko Sentral ng Pilipinas explicitly provides that a co-maker is no longer required when the principal borrower has the financial capacity and good track record of paying his obligations, banks and other financial institutions fail to comply with the said rule due to the lack of appropriate sanctions, and a proper mechanism for its implementation. In the end, it is the credit applicant that suffers from the ill-effects of finding a co-maker.

In addition, not everyone is willing to be a co-maker. In the Philippines, the co-maker is often burdened with the obligation of paying the loans plus interests and penalties of the principal borrower. More so, in the event the principal borrower defaults from payment of the loan, the co-maker in turn is subjected to the almost never-ending and inconvenient calls and demands from these banks and lending companies.

Rather than requiring a co-maker which is clearly oppressive to the credit applicant, banks and lending companies may determine the creditworthiness of the credit applicant by running a background check, reviewing credit score, asking for references and submission of other documentary requirements showing his or her proof of financial capacity.

In view of the foregoing, this bill is earnestly sought for.



IRWIN C. TIENG
Representative
District V, Manila



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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 "No Co-Maker Act of 2025."

SEC. 2. Declaration of Policy. – It is hereby declared to be the policy of the State to protect its borrowers from oppressive practice of banks and lending companies by eliminating the requirement of a co-maker when applying for loans with a view of regulating the operation of banks and lending companies when extending loans to credit applicants.

SEC. 3. Definition of Terms. – As used in this Act, the following terms shall be defined:

- a) *Banks* refers to entities engaged in the lending of funds obtained in the form of deposits.
- b) *Lending company* refers 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 regulated by law.
- c) *Credit applicant* refers to a debtor, borrower or person granted a loan by banks and lending companies.
- d) *Co-maker* refers to a person who signs a loan instrument to indicate a promise to pay the loan obligation.

SEC. 4. Prohibited Act/s – It shall be unlawful for any bank or lending company, in connection with any loan application, to require the credit applicant to provide a co-maker in the loan information sheet, if the credit applicant can prove that he has the financial capacity and a good track record of paying his obligations. Without prejudice to the criminal sanctions against the culpable persons provided in Section 36 of the New Central Bank Act, the Monetary Board shall, impose upon any bank or lending company, their directors and/or officers, for any violation of this section the following administrative sanctions, whenever applicable:

- a) *First Offense*. Reprimand for the directors/officers responsible for the violation;
- b) *Second offense*. Disqualification of the bank or lending company concerned from the credit facilities of the BSP, except as may be allowed under Section 84 of Republic Act No. 7653;
- c) *Subsequent offense/s*. Penalties and sanctions provided under Section 37 of Republic Act No. 7653 .

SEC. 5. Implementing Rules and Regulations. – The Monetary Board in consultation with concerned government agencies, banking and lending companies, shall formulate the implementing rules and regulations of this Act within thirty (30) days after its approval. Such rules and regulations shall take effect fifteen (15) days after the publication in a newspaper of general circulation.

SEC. 6. Role of BSP and SEC. – The BSP and SEC shall supervise and oversee the compliance by the bank and lending companies of the provisions of this Act.

SEC. 7. Separability Clause. – If any provision of this Act is held invalid or unconstitutional, the same shall not affect the validity and effectivity of the other provisions hereof.

SEC. 8. Repealing Clause. - All provisions of existing laws, presidential decrees or issuances, executive orders, letters of instruction, administrative orders, rules and regulations contrary to or inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

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

Approved,