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SEC DIRECTS LENDING, FINANCING COMPANIES TO IMPLEMENT 30-DAY EXTENSION FOR LOAN PAYMENTS AMID PANDEMIC

The Securities and Exchange Commission (SEC) has ordered lending and financing companies to defer the collection of payments and charging of penalties while the country remains under a state of national emergency due to the COVID-19 pandemic.

In a notice to lending companies, financing companies and microfinance NGOs on April 2, the Commission reiterated the provisions of the implementing rules and regulations (IRR) of Section 4(aa) of Republic Act No. 11469, or the Bayanihan to Heal as One Act, which empowered the President to implement a minimum 30-day grace period for the payment of all loans.

Under the IRR issued by the Department of Finance on April 1, all lenders, including those under the supervision of the SEC, shall apply the 30-day grace period to all loans with principal and/or interest falling due during the enhanced community quarantine from March 17 to April 12.

The IRR also covers banks, quasi-banks, non-stock savings and loan associations, credit card issuers, pawnshops and other credit granting financial institutions under the supervision of the Bangko Sentral ng Pilipinas and Cooperative Development Authority, whether public or private, including the Government Service Insurance System (GSIS), Social Security System (SSS) and Pag-IBIG Fund.

The IRR took effect immediately upon publication in a newspaper. The mandatory grace period shall be extended automatically if the President extends the quarantine period.

All covered institutions shall not impose additional interest, fees and other charges during the 30-day grace period to the future payments or amortizations of their borrowers.

Borrowers may also pay the interest accrued during the 30-day grace period on a staggered basis over the remaining life of the loan.

All covered institutions are further prohibited from requiring their borrowers to waive the application of the mandatory grace period. No waiver previously executed by borrowers for payments falling due during the enhanced community quarantine shall be valid.

Page 1 of 2



Nonetheless, borrowers may still choose to pay their obligations during the enhanced community quarantine.

Violators of the IRR shall be subject to the appropriate penalties under RA 11469, as well as existing laws, rules and regulations.

“The COVID-19 pandemic has affected everyone across the globe in one way or another, with thousands of lives being lost and livelihoods being disrupted,” SEC Chairperson Emilio B. Aquino said.

“In these trying times, the compliance of lending and financing companies with the mandatory grace period and other emergency measures being implemented would greatly help our fellow Filipinos recover from the pandemic.”

Prior to the enactment of the Bayanihan to Heal as One Act and the issuance of the IRR, a number of financing and lending companies have voluntarily extended relief to their borrowers.

For one, members of the Philippine Finance Association have allowed the extension of payment deadlines, without penalties and fees, for borrowers.

Microfinance institutions under the umbrella of the Microfinance Council of the Philippines (MCPI) and the Alliance of Philippine Partners in Enterprise Development (APPEND), Inc. have also declared a moratorium on the collection of loan payments.

MCPI and APPEND said the moratorium would benefit 9 million households catered member-institutions.

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