

**[ REPUBLIC ACT NO. 5980, August 04, 1969 ]**

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

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

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.

SEC. 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 or 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 machines 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 of 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.

SEC. 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.

SEC. 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  $\frac{1}{6}$ %) 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 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  $\frac{1}{2}$ %) 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 transactions or service and the costs thereof to the financing companies.

SEC. 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.

SEC. 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