

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
First Regular Session

House Bill No. 1163



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**Introduced by Representatives Michael L. Romero and  
Enrico A. Pineda**

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**EXPLANATORY NOTE**

It is a declared policy of the state under Republic Act No. 10000, otherwise known as the Agri-Agra Reform Credit Act of 2009“ to promote equal access to opportunities under an environment of sustained growth and expanding productivity as the key to raising the quality of life for all. Towards this end, the State shall promote rural development by enhancing access of the rural agricultural sector to financial services and programs that increase market efficiency and promote modernization in the rural agricultural sector”.

Section 6 of the said law provides that “all banking institutions, whether government or private, shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture and fisheries credit in general, of which at least ten percent (10%) of the loanable funds shall be made available for agrarian reform beneficiaries mentioned in Section 5 hereof”. Unfortunately, records from the Bangko Sentral ng Pilipinas (BSP) show that the combined loanable allocations of all banking institutions for agriculture sector and agrarian reform beneficiaries since the effectivity of the act is way below the mandated threshold.

The noble objective of the law is thwarted by the unwillingness of most banking institutions to assume the perceived risk to otherwise qualified borrowers and instead opted to pay the penalties as provided for in section 10 of the said act. While we recognize the inherent right of financial institutions to implement what they consider as sound fiscal/lending policy, they have equal duties to obey, in utmost good faith, the mandates of the law rather than deciding to pay the penalties for non-compliance thereof.

The qualified credit beneficiaries from the agricultural and fisheries sector have not been able to fully use the credit services provided by the banks and other Accredited Rural Financial Institutions as mandated by law, because such banks and other lending institutions have imposed strict requirements and high standards on the borrowers' ability to pay off their loans, thus making it difficult for them to obtain the necessary credit. In so doing, not only has the twenty-five percent (25%) of the supposed to be total loanable funds for agriculture and fisheries credit in general have not been made attainable but the net effect is that it has severely hampered the agricultural and fisheries development in the rural sector.

This proposed act is not aimed at penalizing the banking institutions but to encourage them to dig deep into their financial ingenuity to come up with alternative or special credit programs for those usually coming from the marginal sectors.

Approval of this bill is therefore sought.



**MICHAEL L. ROMERO Ph.D.**



**ENRICO A. PINEDA**



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**AN ACT**

**INCREASING THE PENALTIES ON THE LENDING INSTITUTIONS  
FOR NON-COMPLIANCE AND UNDERCOMPLIANCE WITH THE  
PROVISIONS OF R.A. No. 10000, OTHERWISE KNOWN AS "THE  
AGRI-AGRA REFORM CREDIT ACT OF 2009", AMENDING FOR  
THE PURPOSE SECTION 10 THEREOF, AND FOR OTHER  
PUSPOSES**

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

**SECTION 1.** Article III, Section 10 of Republic Act No. 10000 is  
hereby amended to read:

"Section 10. Penalty Clause.

a) The BSP shall impose administrative sanctions and other penalties on the lending institutions for noncompliance with the provisions of this Act. Penalties on noncompliance shall be computed at (one-half of one percent (0.5%) **TWO- AND A HALF PERCENT ( 2.5%)** of noncompliance and under compliance shall be directed to the development of the agri-agra sector. Ninety percent ( 90%) of the penalties collected shall be allocated between the AGFP and the PCIC according to the needs of the agri-agra sector as provided for in the

implementing rules and regulations of this Act and the remaining ten percent (10%) shall be given to the BSP to cover administrative expenses.

***b) OFFICIALS LIABLE FOR NONCOMPLIANCE AND UNDERCOMPLIANCE OF THE PROVISIONS OF THIS ACT SHALL BE CHARGED ADMINISTRATIVELY AND CIVILLY IN THE MANNER THAT SHALL BE FORMULATED AND DECREED IN THE IMPLEMENTING RULES AND REGULATIONS OF THE AGRI AGRA REFORM CREDIT ACT OF 2009 ( RA 10000 ). LIKEWISE, PENALTIES SHALL BE IMPOSED ON BSP OFFICIALS WHO REFUSE OR FAIL TO SANCTION ERRING BANK OFFICIALS."***

**SECTION 2. AMENDMENTS.** Any amendments to the administrative sanctions and their penalties shall be proposed by and ratified by and the same shall take effect upon approval by the Monetary Board of the Bangko Sentral ng Pilipinas.

**SECTION 3. SEPARABILITY CLAUSE.** If any provision or section of this Act or the application thereof to any person or circumstances is held invalid, the other provisions or sections of this Act shall remain valid, and the application of such remaining provisions or sections to the other persons or circumstances, shall not be affected thereby.

**SECTION 4. REPEALING CLAUSE.** All provisions of Republic Act No.10000 and any other provisions inconsistent with the provision of this Act are hereby amended accordingly.

**SECTION 5. EFFECTIVITY.** This Act shall take effect fifteen (15) days from the date of its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved.