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Senate
Office of the Secretary

SENATE
P.S. Res. No. 632

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Introduced by Senator Poe

RECEIVED BY: _____

RESOLUTION

DIRECTING THE SENATE COMMITTEE ON BANKS AND FINANCIAL INSTITUTIONS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE "SANGLA ATM" SCHEME, AND ITS ALLEGED MISUSE BY UNSCRUPULOUS INDIVIDUALS AND FINANCIAL INSTITUTIONS, SO AS TO PREVENT THE OCCURRENCE OF MORE FRAUDULENT ACTIVITIES IN THE FUTURE

WHEREAS, Article II, Section 9 of the 1987 Philippine Constitution declares it a State policy to "...promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all";

WHEREAS, Republic Act No. 9474, known as the Lending Company Regulation Act of 2007, also declares a State policy "to regulate the establishment of lending companies and... to prevent and mitigate, as far as practicable, practices prejudicial to public interest...";

WHEREAS, Presidential Decree No. 114, known as the Pawnshop Regulation Act, also declares the same exact State policy for pawnshops;

WHEREAS, access to finance is an inseparable component of ensuring inclusive growth and poverty reduction;

WHEREAS, prudent regulation of the financial sector is essential to eradicate abusive practices by unscrupulous financial institutions and quasi-banking institutions;

WHEREAS, a form of informal lending, more commonly known as the "Sangla ATM" scheme, wherein the borrower's Automated Teller Machine (ATM) card is used as the collateral and where the lender uses the ATM card (or debit card) to withhold the repayment (principal and interest) from salary payment on every pay day until the entire amount is repaid¹, was reported as the most popularly used form of collateral in the country when securing a loan²;

¹ Fuwa, N., Kajisa, K., *et.al.* "Hyperbolic Discounting and an Induced Informal Credit Institution by a New Technology: A Case of Debit Card Pawning in the Philippines" Retrieved from <https://pdfs.semanticscholar.org/95fb/6a6e7afb33068398a66844ab672ebd8ad12d.pdf>.

² <http://manilastandard.net/news/-main-stories/top-stories/226751/atm-most-popular-among-borrowers.html>.

WHEREAS, the most recent Consumer Finance Survey³ of the *Bangko Sentral ng Pilipinas* (BSP) found that usage of ATM cards as collateral is at 39.3%:

Distribution of Collaterals Used on Other Loans (in percent)⁴	
Sangla ATM	39.9%
Land	22.5%
Appliances	11.7%
Vehicle	7.7%
Harvest	6.0%

WHEREAS, the “*Sangla ATM*” scheme, is prone to abuse, and it has been reported that unscrupulous lending institutions have withheld debt payments from the ATM account at usurious rates, or have delayed or outright refused to return ATM cards after they were used as collateral⁵;

WHEREAS, the “*Sangla ATM*” scheme is also of vague legality, because while some of those who engage in the scheme are legitimate lending companies duly registered in the Securities and Exchange Commission as required in R.A. No. 9474, such business may also be deemed similar to that of a pawnshop which lends money on the security of personal property and as such falls squarely within the coverage of P.D. No. 114, known as the Pawnshop Regulation Act, within the jurisdiction of the *Banko Sentral ng Pilipinas* (BSP);

WHEREAS, it is also of public knowledge that the “*Sangla ATM*” scheme is widely relied upon by workers who live from paycheck-to-paycheck, and by informal lenders, resulting to a highly unregulated financial environment where no involved party or business is protected;

NOW THEREFORE BE IT RESOLVED, as it is hereby resolved by the Senate, to direct the Senate Committee on Banks and Financial Institutions to conduct an inquiry, in aid of legislation, on the “*Sangla ATM*” scheme and its alleged misuse by unscrupulous individuals and financial institutions, so as to prevent the occurrence of more fraudulent activities in the future.

Adopted,



³ *Bangko Sentral ng Pilipinas* (BSP). “2014 Consumer Finance Survey” retrieved from http://www.bsp.gov.ph/downloads/Publications/2014/CFS_2014.pdf.

⁴ *Ibid*

⁵ <http://beta.philstar.com/business/2011/03/27/669719/depositors-discouraged-using-atm-cards-loan-collateral>.