

# ANSWERS TO FREQUENTLY ASKED QUESTIONS on the Implementation of Republic Act 9510

## What is Republic Act 9510?

Republic Act 9510, otherwise known as the Credit Information System Act, was established in October 2008. It is consistent with the need to establish a comprehensive and centralized credit information system for the collection and dissemination of fair and accurate information relevant to, or arising from, credit and credit-related activities of all entities participating in the financial system. A credit information system will directly address the need for reliable credit information concerning the credit standing and track record of borrowers. An efficient credit information system will also enable financial institutions to reduce their over-all credit risk, contributing to a healthier and more stable financial system.

## What entity is charged to consolidate the basic credit data, among other functions?

The law created the *Credit Information Corporation (CIC)*, a government-owned and controlled corporation, the primary purpose of which is to receive and consolidate basic credit data, to act as a central registry or central repository of credit information, and to provide access to reliable, standardized information on credit history and financial condition of borrowers.

## What is a “Basic Credit Data”?

It refers to *positive and negative information* provided by a *borrower* to a submitting entity in connection with the application for and availing of a *credit facility* and any information on the borrower’s creditworthiness in the possession of the *submitting entity* and other factual and objective information related or relevant thereto in the submitting entity’s data files or that of other sources of information.

For individual borrowers, the following basic credit information is required to be submitted:

- Name
- Gender
- Civil Status
- Date of Birth
- Present address and residence for the last two (2) years
- Employers/ businesses for the last five years
- Number of children depending for support
- TIN/ SSS/ GSIS Number
- Net Income
- Owners/lessee of house occupied
- Car/s owned
- Banks where accounts are maintained, including types of bank accounts; and
- Other assets, real or personal

### **What is a “Credit facility”?**

It refers to any loan, credit line, guarantee or any other form of financial accommodation from a submitting entity. For purposes of this Act, deposits in banks shall not be considered a credit facility extended by the depositor in favor of the bank.

### **What is a “Submitting Entity”?**

It refers to any entity that provides credit facilities such as, but not limited to, banks, quasi-banks, trust entities, investment houses, financing companies, cooperatives, nongovernmental, micro-financing organizations, credit card companies, insurance companies and government lending institutions.

### **What is “Positive Credit Information”?**

It refers to information/data concerning the credit performance of a borrower such as, but not limited to, information on timely repayments or non-delinquency.

### **What is “Negative Credit Information”?**

It refers to information/data concerning the poor credit performance of borrowers such as, but not limited to, defaults on loans, adverse court judgments relating to debts and reports on bankruptcy, insolvency, petitions or orders on suspension of payments and corporate rehabilitation.

### **What happens to negative information?**

The negative information on the borrower as contained in the credit history files of borrowers should stay in the database of CIC unless sooner corrected, for not more than 3 years from and after the date when the negative credit information was rectified through payment or liquidation of the debt, or through settlement of debts through compromise agreements or court decisions that exculpate the borrower from liability. Negative information shall be corrected and updated within 15 days from the time of payment, liquidation or settlement of debts.

### **How about bank deposits/client funds?**

In the absence of a written waiver duly accomplished by the borrower, basic credit data shall exclude confidential information on bank deposits and/or clients funds under the following laws:

1. Republic Act No. 1405 (Law on Secrecy of Bank Deposits)
2. Republic Act No. 6426 (The Foreign Currency Deposit Act)
3. Republic Act No. 8791 (The General Banking Law of 2000)
4. Republic Act No. 9160 (Anti-Money Laundering Law)

RA 9510 does not impair the secrecy of bank deposits and/or client funds and investments in government securities or funds, as provided under the laws enumerated above.

### Who are allowed to access the Basic Credit Data?

CIC shall be authorized to release and disclose consolidated basic credit data only to certain entities. Basic Credit Data released to Accessing Entities shall be limited to those pertaining to existing Borrowers or Borrowers with pending credit applications. Credit information shall not be released to entities other than those enumerated below, except upon order of the court. The entities authorized to access the credit information are the following:

1. *Accessing Entities.* An “accessing entity” refers to any submitting entity or any other entity authorized by CIC to access basic credit data from the Corporation. Accessing Entities shall hold strictly confidential any credit information they receive from CIC.
2. *Special Accessing Entities.* A “Special Accessing Entities” is a duly accredited private corporation engaged primarily in the business of providing credit reports, ratings and other similar credit information products and services. They are subject to the following requirements, among others:
  - Special Accessing Entities shall be accredited by CIC in accordance with such standards and rules as the SEC in coordination with the relevant government agencies, may prescribe.
  - They shall be entitled access to CIC’s pool of consolidated basic credit data, subject to the restrictions provided by the law and related implementing rules and regulations.
  - They are prohibited from releasing basic credit data received from CIC or credit reports and credit ratings derived from the basic credit data received from CIC, to non-accessing entities unless the written consent or authorization has been obtained from the Borrower. However, in case the borrower is a local government unit (LGU) or its subsidiary or affiliate, the special accessing entity may release credit information on the LGU, its subsidiary or affiliate upon written request and payment of reasonable fees by a constituent of the concerned LGU.
3. *Outsource Entities.* An “outsource entity” refers to any accredited third party provider to whom CIC may outsource the processing and consolidation of basic credit data pertaining to a borrower or issuer of debt or convertible securities under such qualifications, criteria and strict confidentiality guidelines that CIC shall prescribe and duly publish. Outsource Entities, which may process and consolidate basic credit data, are absolutely prohibited from releasing such data received from CIC other than to the CIC itself.
4. *Borrowers.* A “borrower” is a natural or juridical person, including any local government unit (LGU), its subsidiaries and affiliates, that applies for and/or avails of a credit facility.

### **What are the basic rights of the Borrower?**

1. The right to know the causes of refusal for the application for credit facilities or services from a financial institution that uses basic credit data as basis or ground for refusal.
2. The right to have ready and immediate access to the credit information pertinent to him subject to payment of a reasonable fee
3. The right to dispute erroneous, incomplete, or misleading credit information
4. The right to be entitled to a simplified dispute resolution process to fast track the settlement or resolution of disputed credit information
5. The right to be informed of any correction or removal of any erroneous, incomplete, or misleading information within 5 working days from verification or conclusion of an investigation or from deletion of the disputed information
6. The right to be entitled to indemnity in case of denial, without justification, of the aforementioned rights, and
7. The right to be informed by a submitting entity of the latter's obligation to submit and disclose basic credit data to CIC.

### **What is the process of dispute resolution?**

The borrower shall file with CIC of a letter-complaint in prescribed form. CIC on the other hand, shall investigate and verify the disputed information within 5 working days from receipt of complaint.

### **What is "Credit Rating"?**

It is an opinion regarding the creditworthiness of a borrower or of an issuer of debt security, using an established and defined ranking system.

### **What is "Credit Report"?**

It refers to a summary of consolidated and evaluated information on creditworthiness, credit standing, credit capacity, character and general reputation of a borrower.

### **How shall the CIC collect information through the newly-created Credit Information System?**

1. Banks, quasi-banks, their subsidiaries and affiliates, life insurance companies, credit card companies and other entities that provide credit facilities are required to submit basic credit data and updates thereon on a regular basis to CIC.
2. CIC may include other credit providers to be subject to compulsory participation. All other entities qualified to be submitting entities may participate subject to their acceptance by the Corporation.
3. Participating submitting entities are required to submit to CIC any negative and positive credit information that tends to update and/or correct the credit status of borrowers.
4. CIC should regularly collect basic credit data of borrowers at least on a quarterly basis to correct/update the basic credit data of said borrowers.

5. CIC may also access credit and other relevant information from government offices, judicial and administrative tribunals, prosecutorial agencies and other related offices, as well as pension plans administered by the government.

### **How can the borrower access his credit information ?**

The borrower can access his credit report by obtaining it directly from the CIC or from the Special Accessing Entities (credit bureaus which have been accredited by the CIC, list can be viewed from the CIC website)

### **How much is the reasonable fee that the borrower has to pay CIC?**

P 150 per inquiry. However, borrowers are not yet allowed to obtain their credit reports from the CIC. Guidelines will be subsequently issued for this.

### **What notice is required from submitting entity?**

Submitting entity shall notify its borrowers of its obligation to submit basic credit data to the CIC, subject to the provisions of this law and the implementing rules and regulations.

Aside from the newspaper publications, posters and announcement in the website, AFPSLAI also inserted the following notification clause in the loan application forms to be signed by the borrowers:

“I hereby acknowledge and authorize: 1) the regular submission and disclosure of my basic credit data (as defined under Republic Act No. 9510 and its Implementing Rules and Regulations) to the Credit Information Corporation (CIC) as well as any updates or corrections thereof; and 2) the sharing of my basic credit data with other lenders authorized by the CIC, and credit reporting agencies duly accredited by the CIC.”

### **How often will NSSLAs, or AFPSLAI for that matter, submit information to CIC?**

The credit information of borrowers will be submitted by AFPSLAI to CIC on a monthly basis, effective December 31, 2016.