

GUIDELINES ON SALARY-BASED GENERAL-PURPOSE CONSUMPTION LOANS

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Adopted: 08 September 2015

Date Filed: 23 September 2015

The Monetary Board, in its Resolution No. 1380 dated 27 August 2015, approved the guidelines on salary-based general-purpose consumption loans, as well as the amendments of certain provisions in the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI):

Section 1. Section X321 of the MORB and Section 43375 of the MORNBFI including their respective subsections shall now read as:

“§X321/§4337S Policies on Salary-Based General-Purpose Consumption loans.

“Section X327/4337S Statement of Policy. The Bangko Sentral recognizes the helpful role of salary-based, consumer lending schemes in allowing an individual borrower to manage his/her cash flows provided these are granted under sound credit standards and fair consumer practices. The BSP likewise encourages competition and transparency to promote efficient and innovative delivery of financial services and fair dealing with customers.

Subsection X321/4337S.1

- Definition. Salary-Based General-Purpose Consumption Loans. Refer to unsecured loans for a broad range of consumption purposes, granted to individuals mainly on the basis of regular salary, pension or other fixed compensation, where repayment would come from such future cash flows, either through salary deductions, debits from the borrower’s deposit account, mobile payments, pay-through collections, over-the-counter payments or other type of payment arrangement agreed upon by the borrower and lender.”

- Transactions Covered. Salary-based general-purpose consumption loans may include credit accommodations for education, hospitalization, emergency, travel, household and other personal consumption needs.

- Exclusions. Credit cards, motor vehicles and other personal loans which are covered by other existing applicable regulations are excluded from the coverage of this Circular.

- Report. For the purpose of reporting in the Financial Reporting Package, financial assistance under an approved fringe benefit program should be reported/classified according to the purpose of the financial assistance (e.g. housing/real estate, motor vehicle, salary-based general-purpose consumption, etc.)

X321.2/4337S.2 Credit Granting

- Policies of financial institutions (FIs) shall be consistent with best practices and sound credit processes prescribed under BSP regulations, including a comprehensive assessment of the borrower’s creditworthiness, and shall not be reliant on mere formula such as those automatically granted based on certain multiples of monthly salary or other regular compensation.

- Individual borrowing capacity should be prudently assessed considering reasonable estimates of total personal

and household indebtedness as well as disposable income available for family and personal needs after considering debt servicing.

- Original loan term shall not exceed 3 years but may have longer maturity in meritorious cases provided that in no case shall maturity exceed 5 years;

No loan renewal shall be granted without re-assessing borrowing capacity and establishing continuing creditworthiness. Further, no loan renewal shall be allowed without payment of accrued interest receivable and substantial reduction in principal.

- In the case of loan “takeout” from another FI, the FI taking out the loan(s) should ensure that the loan from the originating FI has been fully settled. FIs are expected to institute adequate controls over loan “takeout” such as: (a) directly releasing the loan proceeds to the FIs where the loan will be taken out; and (b) obtaining a copy of the official receipt evidencing full settlement of account from the originating FI, among others.

X321.3/4337S.3 Consumer Protection – FIs are required to strictly adhere to BSP regulations on Financial Consumer Protection as prescribed under the following:

- Part Ten entitled Consumer Protection of the Manual of Regulations for Banks; and
- Part 4 of the Regulations Governing Non-Stock Savings and Loan Associations (S Regulations)

X321.4/4337S.4 Sanctions. – The Monetary Board may, at its evaluation and discretion, impose sanctions on an FI and/or its Board, directors and officers, proportionate to the gravity/seriousness of the offense in cases of persistent non- observance of the provisions contained herein.

Section 2. The Financial Reporting Package, prescribed under Subsection X191.2 of the MORB is further amended to revise the: (a) Manual of Accounts (MOA); and (b) reporting templates of specific Financial Reporting Package for Banks (FRP) and Simplified Financial Reporting Package for Rural and Cooperative Banks (SFRP) as follows:

(a)

Manual of Accounts

“xxx

“11.

Loans and Receivables – xxx

“(a)

Loans to Bangko Sentral ng Pilipinas – xxx

(b)

xxx”

(c)

Loans and Receivables-Others – xxx

“(c.1)

xxx

“xxx

“(c.8)

Loans to Individuals Primarily for Personal Use Purposes - This refers to the amortized cost of loans granted to individuals for personal use purposes.

xxx

(c.8c)

Salary-Based General-Purpose Consumption Loans – This refers to the amortized cost of unsecured loans for a broad range of consumption purposes, granted to individuals mainly on the basis of regular salary, pension or other fixed compensation, where repayment would come from such future cash flows, either through salary deductions, debits from the borrowers deposit account, mobile payments, pay-through collections, over-the-counter payments or other type of payment arrangement agreed upon by the borrower and lender.

(c.8d)

Others – This refers to the amortized cost of loans granted to individuals to finance other personal and household needs such as purchase of household appliances, furniture and fixtures and/or to pay taxes, hospital and educational bills on the basis and under a repayment scheme other than those described under salary-based general-purpose consumption loans.”

“xxx”

(b)

Reporting Template

The following reporting templates of FRP, attached as Annex A-1, are revised to show a line for Salary-Based General-Purpose Consumption loans under the category of Loans to Individuals Primarily for Personal Use Purposes:

11

11a

11a1

11a2

11a3

11a4

11b

11b1

11b2

11b3

11b4

11c

11c1

11c2

11c3

11c4

11d

11d1

11d2

11d3

11d4

11e

11e1

11e2

11e3

11e4

11h1

11h2

29d

29d1

29d2

29d3

29d4

33

Similarly, the reporting templates of Simplified FRP for Rural and Cooperative Banks, attached as Annex A-2, were revised for schedules 11, 11a1 to 11e1, 11h1, 11h2, 29d1 and 33.

Moreover, Section 4162S of the MORNBFBI is also amended to revise the reporting templates of the Consolidated Statement Condition (CSOC) and Consolidated Statement of Income and Expenses (CSIE) of Non-Stock Savings and Loan Associations (NSSLAs), attached as Annex B, to amend the line for Salary Loans and Interest/Discounts Earned - Salary Loans to Salary-Based General-Purpose Consumption Loans and Interest/Discounts Earned - Salary-Based General-Purpose Consumption loans, respectively.

Banks and NSSLAs shall adopt the said revised reporting templates effective report ending 30 September 2015.

Section 3. Transitory Provision. This Circular shall apply to all salary-based general purpose consumption loans as defined herein including those outstanding prior to the effectivity of the Circular.

FIs shall be given six (6) months from the effectivity of this Circular to adopt/amend their policies, procedures and credit risk strategy on salary-based general-purpose consumption loans to comply with the provisions contained herein.

Section 4. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

(SGD) NESTOR A. ESPENILLA, JR.

Officer-in-Charge

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