

REGISTRATION OF MOTOR VEHICLES SUBJECT OF LEASE AGREEMENTS

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As a general rule, agreements entered into by and between Lessor and Lessee need not be recorded with the Land Transportation Office to become valid between two (2) contracting parties. However, it has been customary in all LTO district Offices to indicate on the face of the Certificate of Registration and Official Receipt of Payment the words "LEASED TO _____", presumably upon the request of leasing and financing companies. The intention, evidently, is to notify third parties of the existing lease agreement and protect their interest or lien over the motor vehicle.

Section 5(e) of R.A. 4136 as amended, provides that "Mortgages, Attachments and other encumbrances of motor vehicles, in order to be valid against third parties must be recorded in the Bureau. Voluntary transactions or voluntary encumbrances shall likewise be properly recorded on the face of all outstanding copies of the certificate of registration of the vehicle concerned.

In pursuance of the above-mentioned provision of the law, registration of motor vehicles subject of Lease Agreements shall be considered as Voluntary Encumbrances but shall be issued Certificate of Registration (CR) with the notation "LEASED TO _____".

The amount of P100.00 shall be collected for every annotation or cancellation of the Lease Agreement.

This Memorandum Circular takes effect immediately.

For strict compliance.

Adopted: 12 Oct. 1995

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