

PAST DUE ACCOUNTS

BSP CIRCULAR NO. 1224, January 19, 1990

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The Monetary Board, in its Resolution No. 1093 dated December 22, 1989, approved the following amendments to Books I, II, III and IV of the Manual of Regulations for Banks and Other Financial Intermediaries:

SECTION 1. Subsections 1304.1 (Book I), 2304.1 (Book II) and 4304Q.1 (Book IV) are hereby amended to read as follows:

“Accounts considered past due. The following shall be considered as past due:

“a. Loans or receivables payable on demand — if not paid on the date indicated on the demand letter, or within six (6) months from date of grant, whichever comes earlier;

“b. Bills discounted and time loans, whether or not representing availments against a credit line — if not paid on the respective maturity dates of the promissory notes;

“c. Customer’s liability on drafts under LC/TR

1. Sight Bills — if dishonored upon presentment for payment or not paid within thirty (30) days from date of original entry, whichever comes earlier;

2. Usance Bills — if dishonored upon presentment for acceptance or not paid on due date, whichever comes earlier; and

3. Trust Receipts — if not paid on due date;

“d. Bills and other negotiable instruments purchased — if dishonored upon presentment for acceptance/payment or not paid on maturity date, whichever comes earlier: Provided, however, That an out-of-town check and a foreign check shall be considered as past due if outstanding for thirty (30) days and forty-five (45) days, respectively, unless earlier dishonored;

“e. Loans/receivables payable in installments — the total outstanding balance thereof shall be considered past due in accordance with the following schedule:

Mode of Payment Minimum Number of Installments in Arrears

Monthly 6

Quarterly 2

Semestral 1

Annually 1

Provided, however, That when the total amount of arrearages reaches twenty per cent (20%) of the total outstanding balance of the loan/receivable, the total outstanding balance of the loan/receivable shall be considered

as past due, notwithstanding the number of installments in arrears: Provided, further, That for modes of payment other than those listed above (e.g. daily, weekly or semi-monthly), the entire outstanding balance of the loan/receivable shall be considered as past due when the total amount of arrearages reaches ten per cent (10%) of the total loan receivable balance;

“f. Credit card receivables — if the amount due is not paid within ten (10) days from the deadline indicated in the billing statement; and

“g. All items in litigation as defined in the Manual of Accounts for Banks/Non-Banks Financial Intermediaries.

“For the purpose of determining delinquency in the payment of obligations as defined in Subsection ____ [1], any due and unpaid loan installment or portion thereof, from the time the obligor defaults, shall be considered as past due.”

SECTION 2. Subsections 1304.2 (Book I), 2304.2 (Book II) and 4304Q.2 (Book IV) are hereby deleted.

SECTION 3. Section 3304 of Book III is hereby amended to read as follows:

“Past Due Accounts — For purposes of this Section, past due accounts shall, as a general rule, refer to all accounts in a bank’s loan portfolio, all receivable components of trading accounts securities, and other receivables, as defined in the Manuals of Accounts for Banks, which are not paid at maturity.

The following shall be considered as past due:

“a. Bills discounted and Time loans, whether or not representing availments against a credit line — if not paid on the respective maturity dates of the promissory notes.

“b. Bills and other negotiable instruments purchased — if dishonored upon presentment for acceptance/payment or not paid on maturity date, whichever comes earlier: Provided, however, That an out-of-town check and a foreign check shall be considered as past due if outstanding for thirty (30) days and forty five (45) days, respectively, unless earlier dishonored;

“c. Loans/Receivables payable in installments — the total outstanding balance thereof shall be considered past due in accordance with the following schedule:

Mode of Payment Minimum Number of Installments in Arrears

Monthly 6

Quarterly 2

Semestrally 1

Annually 1

Provided, however, That when the total amount of arrearages reaches twenty per cent (20%) of the total outstanding balance of the loan/receivable, the total outstanding balance of the loan/receivable shall be considered as past due, notwithstanding the number of installments in arrears: Provided, further, That for modes of payment other than those listed above (e.g. daily, weekly or semi-monthly), the entire outstanding balance of the loan/receivable shall be considered as past due when the total amount of arrearages reaches ten per cent (10%) of the total outstanding loan balance;

“d. All items in litigation as defined in the Manual of Accounts for Banks/Non-Bank Financial Intermediaries.

“For the purpose of determining delinquency in the payment of obligations as defined in Subsection 3143.1s, any due and unpaid loan installment or portion thereof, from the time the obligor defaults, shall be considered as past due.

“On the other hand, for the purpose of availments of financial assistance from the Central Bank, all past due loans to farmer-borrowers under the Maisagana program shall be excluded in the computation of the total past due accounts of rural banks.”

This Circular shall take effect immediately.

Adopted: 19 Jan. 1990

(SGD.) GABRIEL C. SINGSON

Senior Deputy Governor

[1] Subsection 1143.1e (for Book I) Subsection 2143a(5) (for Book II). Subsection 4143Qg (for Book IV).

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