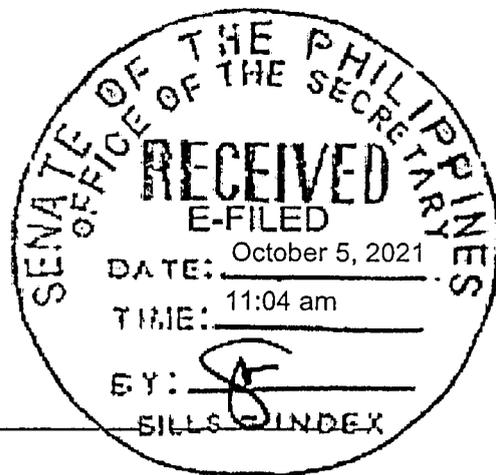


EIGHTEENTH CONGRESS OF THE)  
REPUBLIC OF THE PHILIPPINES )  
*Third Regular Session* )

**SENATE**

S. No. 2428



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Introduced by Senator Manuel "Lito" M. Lapid

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**AN ACT**  
**CAPACITATING EMPLOYEES TO AVAIL OF LOANS AND IMPROVE CREDIT**  
**SCORES BY ENTERING INTO SALARY DEDUCTION AGREEMENT WITH**  
**EMPLOYERS AND CREDITOR BANKS WHERE THEY MAINTAIN A PAYROLL**  
**ACCOUNT, AMENDING FOR ITS PURPOSE ARTICLE 113 OF PRESIDENTIAL**  
**DECREE NO. 442, AS AMENDED, OTHERWISE KNOWN AS "THE LABOR**  
**CODE OF THE PHILIPPINES"**

**EXPLANATORY NOTE**

It is undeniable that financial literacy in the country needs improvement. Even the basic concepts in finance are alien to many Filipinos. One of these unfamiliar concepts is the credit score. The credit score depicts one's creditworthiness or ability to pay off a loan in a timely manner. This is a three-digit number that is based on several factors such as, but not limited to, credit payment history, types of loans, and length of credit history.

Building a good credit score offers many benefits and advantages such as qualifying for better interest rates, higher chance for loan approval, and more negotiating power. However, building a credit score also requires engagement or involvement with financial institutions, which often means more required documents, stricter qualifications, longer period for processing, higher probability of disapproval, among others. These are some of the common reasons why many Filipinos resort to unregulated loan sharks that offer unconscionable and abusive rates. This needs to be addressed especially now that the pandemic has brought unimaginable challenges

to everyone which significantly increased the number of applications, actual and potential, for loans in order to cope with the same.

Thus, this bill seeks to allow salary deduction agreement with employers and creditor banks where they maintain their payroll account to help the Filipino employees avail of loans with regulated institutions as well as improve their credit scores.

In view of this, early passage of this bill is sought.

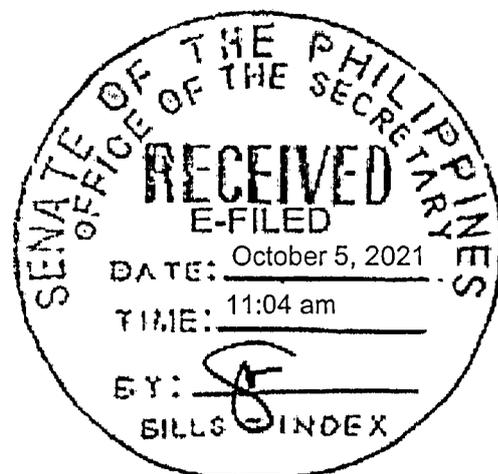


**MANUEL "LITO" M. LAPID**  
*Senator*

EIGHTEENTH CONGRESS OF THE )  
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*Be it enacted by the Senate and the House of Representatives of the Philippines  
in Congress assembled:*

1           Section 1. *Short Title.* – This Act shall be known as the "*Loan Capacity and*  
2 *Credit Score Improvement Act*".

3  
4           Section 2. Article 113 of Presidential Decree No. 442, as amended, otherwise  
5 known as "The Labor Code of the Philippines", is hereby further amended to read to  
6 as follows:

7                   "**Article 113. Wage deduction.** No employee, in his own behalf or  
8 in behalf of any person, shall make any deduction from the wages of his  
9 employees, except:

10  
11                   In cases where the worker is insured with his consent by the  
12 employer, and the deduction is to recompense the employer for the

1 amount paid by him as premium on the insurance;

2 For union dues, in cases where the right of the worker or his union  
3 to check-off has been recognized by the employer or authorized in writing  
4 by the individual worker concerned;

5  
6 **"IN CASES WHERE THE EMPLOYEE, EMPLOYER, AND BANK**  
7 **WHERE PAYROLL IS MAINTAINED, ENTER INTO A SALARY**  
8 **DEDUCTION AGREEMENT IN WRITING, FOR THE PURPOSE OF**  
9 **PAYING LOANS CONTRACTED BY THE EMPLOYEE WITH THE**  
10 **SAME BANK. IN NO CASE SHALL THE DEDUCTION EXCEED 1/3**  
11 **OF THE TOTAL MONTHLY COMPENSATION OF THE EMPLOYEE."**

12  
13 In cases where the employer is authorized by law or regulations  
14 issued by the Secretary of Labor and Employment."

15  
16 Section 3. *Implementing Rules and Regulations.* – Within sixty (60) days from  
17 the effectivity of this Act, the Secretary of Labor and Employment, shall promulgate  
18 the necessary rules and regulations for the effective implementation of this Act.

19  
20 Section 4. *Separability Clause.* – If any provision or part of this Act is declared  
21 invalid or unconstitutional, the remaining parts or provisions not affected shall remain  
22 in full force and effect.

23  
24 Section 5. *Repealing Clause.* – All laws, decrees, orders, rules and regulations  
25 and other issuances or parts thereof which are inconsistent with the provisions of this  
26 Act are hereby repealed or amended accordingly.

27  
28 Section 6. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after  
29 its publication in the *Official Gazette* or in any newspaper of general circulation.

30  
31 *Approved,*