Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Building, EDSA, Greenhills, Mandaluyong City
Commission *En Banc*

In the Matter of:

SANGLAAN LOAN COMPANY, INCORPORATED,

SEC Administrative Case No. 02-12-144

ENFORCEMENT AND PROSECUTION DEPARTMENT (now the ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT),
Petitioner.
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DECISION

Pending consideration by the Commission is the *Petition (for Revocation of Certificate of Incorporation and Imposition of Fines)* (Petition)[1] filed on 22 February 2012 by the then Enforcement and Prosecution Department (EPD) of this Commission, now the Enforcement and Investor Protection Department (EIPD), against **SANGLAAN LOAN COMPANY, INC.** (SANGLAAN LOAN).

SANGLAAN LOAN is a stock corporation duly registered with the Commission under SEC Registration No. 0000166581 on 1 August 1989.[2] Its primary purpose is "to act as a LENDING INVESTOR or, otherwise to engage in the practice of LENDING MONEY or EXTENDING LOANS on the security of real or personal, tangible or intangible properties x x x."[3]

On 20 October 2009, the then Corporation Finance Department (CFD), now the Corporate Governance and Finance Department (CGFD), issued a letter informing SANGLAAN LOAN that it has not secured a secondary license or Certificate of Authority (CA) to Operate as a Lending Company from the Commission. SANGLAAN LOAN was directed to show cause why it should not be liable for violation of the Lending Company Regulation Act of 2007 (LCRA) or Republic Act No. 9474.[4]

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[1] Petition dated 21 February 2012.
[2] *Id.*, Annex "A" (Certificate of Incorporation of SANGLAAN LOAN).
[3] *Id.*, Annex "B" (Second Article of the Articles of Incorporation of SANGLAAN LOAN).
[4] *Id.*, pars. 8 and 9; and Annex "F" (Show Cause Letter of the CFD dated 20 October 2009).

On 20 January 2010, the CFD issued an Order stating that SANGLAAN LOAN continuously fails to secure the required CA in violation of the LCRA. In which case, SANGLAAN LOAN was ordered to obtain the required CA, otherwise, the CFD will refer the matter to the EPD for the latter's appropriate action.[5]

On 30 November 2010, the matter was thereafter endorsed to the EPD. Thereafter, the EPD issued notices of conferences directing the officers/directors of SANGLAAN LOAN to appear at the Commission to clarify matters relative to the business operations/activities thereof. Atty. Lionell Macababbad, who is the representative/counsel of SANGLAAN LOAN, appeared at various conferences before the investigating team of the EPD and was informed of the required CA. However, Atty. Macababbad responded that SANGLAAN LOAN already stopped its operations but will comply with the requirement for the CA. Thus, Atty. Macababbad requested for additional time or until 8 November 2011 to comply with the requirements for the CA.[6]

On 5 October 2011, the Commission issued an order directing SANGLAAN LOAN to pay the administrative penalty in the amount of Fifty Thousand Pesos (Php 50,000.00) for failing to secure the required CA in violation of the LCRA. However, the EPD alleges that, to date, SANGLAAN LOAN, despite its receipt of the Order, still failed to settle the administrative penalty and secure the required CA.[7]

Hence, this instant Petition was filed on 22 February 2012 by the EPD praying for the revocation of the Certificate of Registration of SANGLAAN LOAN for failing to secure the required CA in violation the LCRA.

On 7 March 2012, the Commission issued a *Summons* to SANGLAAN LOAN at its principal office address, and to Miguel A. Tambunting, who is its president, ordering them to enter their appearance in the case and file their Answer to the Petition within fifteen (15) days from receipt thereof. The Summons states that failure to file their Answer to the Petition within the above-mentioned period may result in a judgment by default in favor of the petitioners and reliefs applied for may be granted.[8] On 12 March 2012, SANGLAAN LOAN and Mr. Tambunting, were served the Summons.

However, SANGLAAN LOAN has not entered its appearance nor filed its Answer within the fifteen (15) day period mandated in the *Summons* and the Section 3-11 of Rule III, 2006 Rules of Procedure of Commission (Rules).[9] The effect of the failure to file an Answer is provided under Section 3-12 of Rule III, to wit:

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[5] *Id.*, par. 10; and Annex "G" (SEC-CFD Order No. 053, series of 2010 dated 20 January 2010).
[6] *Id.*, pars. 12-16; and Annex "J" (Minutes of the Conference held on 16 September 2011).
[7] *Id.*, pars. 17-18; and Annex "K" (Assessment Letter of the Commission dated 5 October 2011).
[8] Summons dated 7 March 2012.
[9] Section 3-11, Rule III of the Rules provides:

> "SEC. 3-11. *Answer* – Within fifteen (15) days from the service of summons, the respondent shall file his answer to the complaint x x x"

> **"If the respondent FAILS TO ANSWER the complaint within the above-stated period,** he shall be considered as *in default.* **The Hearing Panel, or Officer shall,** ***motu proprio*****, proceed to render judgment granting the complainant such relief as the complaint may warrant**, unless the Hearing Panel or Officer determines the complainant should be required to submit *ex parte* additional evidence." (Emphasis ours)

Considering that SANGLAAN LOAN failed to file its Answer to the Petition, the Commission is constrained to render a judgment based on evidence and records thereof.

Records of the Commission show that no secondary license was issued to SANGLAAN LOAN by the former. Clearly, SANGLAAN LOAN was engaged in the business of a lending company without securing the required CA in violation of the LCRA and its Implementing Rules and Regulations (IRR).

A lending company is defined under Section 3(a) of the LCRA as a corporation engaged in granting loans from its own capital funds or from funds sourced from not more than nineteen (19) persons. Clearly, SANGLAAN LOAN was organized as a lending company. Under its Articles of Incorporation, the primary purpose of SANGLAAN LOAN is "to act as a LENDING INVESTOR or, otherwise to engage in the practice of LENDING MONEY or EXTENDING LOANS on the security of real or personal, tangible or intangible properties x x x".

As a lending company, SANGLAAN LOAN is required under Section 4 of the LCRA to secure the required CA.[10] To obtain a CA, SANGLAAN LOAN is mandated under Section 5 of the LCRA to comply with the minimum capitalization of Php 1,000,000.00 within three (3) years from the effectivity of R.A. 9474 which took effect 2007.[11] However, no CA was issued by the Commission as stated in the Certificate of Corporate Filing/Information,[12] which warranted the EPD to order SANGLAAN LOAN to pay administrative penalty in the amount of Fifty Thousand Pesos (Php 50,000.00) pursuant to Section 12(1) of the LCRA.

Further, the Certificate of Registration of SANGLAAN LOAN must be revoked pursuant to Section 6(l)(3) of P.D. 902-A for its refusal to comply or defiance of any lawful order of the Commission. The EPD gave SANGLAAN LOAN an opportunity to procure the required CA, and to pay the penalty in the amount of Fifty Thousand Pesos

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[10] Section 4 of the LCRA provides that no lending company shall conduct business unless granted an authority to operate by the Commission. As a result of which, Rule 3(a) (i) of the IRR requires lending companies to secure the required CA.

[11] Section 5 of the LCRA and Rule 4(a), subparagraph (i) of the IRR.

[12] Certificate of Corporate Filing/Information issued by the Company Registration and Monitoring Department on 4 March 2016.

(Php 50,000.00) pursuant to Section 12(1) of the LCRA. However, as above-stated, SANGLAAN LOAN failed to comply with such lawful order, thus, warranting the revocation of its Certification of Registration.

WHEREFORE, premises considered, the instant *Petition (for Revocation of Certificate of Incorporation and Imposition of Fines)* is hereby **GRANTED** against SANGLAAN LOAN COMPANY INCORPORATED, for failing to secure the required Certificate of Authority to Operate as a Lending Company, and for refusal to comply with or defiance of the lawful order of the Commission pursuant to Section 6(l)(3) of Presidential Decree No. 902-A, in relation to Sections 4 and 5 of the Lending Company Regulation Act of 2007 or Republic Act No. 9474. Further, for its failing to secure the required Certificate of Authority to Operate as a Lending Company, SANGLAAN LOAN COMPANY INCORPORATED is ordered to pay the administrative penalty in the amount of Fifty Thousand Pesos (Php 50,000.00) pursuant to Section 12(1) of the LCRA.

Let a copy of this Order be furnished the Company Registration and Monitoring Department and the Economic Research and Information Department for their information and appropriate action.

SO ORDERED.

Mandaluyong City, 31 May 2016.

TERESITA J. HERBOSA*
Chairperson

MANUEL B. GAITE
Commissioner

ANTONIETA F. IBE
Commissioner

EPHYRO LUIS B. AMATONG
Commissioner

BLAS JAMES G. VITERBO*
Commissioner

*On Leave