



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1239 Series of 2026

Subject : Amendments to Regulations on Salary-Based General-Purpose Consumption Loans

The Monetary Board, in its Resolution No. 521 dated 11 June 2026, approved the amendments to regulations governing Salary-Based General-Purpose Consumption Loans provided under Sections 311 and 304-S of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), respectively.

Section 1. Section 311/304-S¹ of the MORB/MORNBFI is hereby amended to read, as follows:

311/304-S SALARY-BASED GENERAL-PURPOSE CONSUMPTION LOANS

Policy statement. The Bangko Sentral recognizes the helpful role of salary-based, consumer lending schemes in allowing individual borrowers to manage their cash flows provided these are granted under sound credit standards and fair consumer practices. The Bangko Sentral likewise encourages competition and transparency to promote efficient and innovative delivery of financial services and fair dealing with customers.

Definition; *Transactions covered;* *Report.*

- a. *Definition.* Salary-based general-purpose consumption loans (SBGPCLs) 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.
- b. *Transactions covered.* SBGPCLs shall include credit accommodations for education, hospitalization, emergency, travel, household and other personal consumption needs.

Meanwhile, loans to individuals falling under other Bangko Sentral-defined loan categories, such as credit card receivables, motor vehicle loans, loans to individuals for housing purposes, and loans for non-consumption purposes¹, whether repayment is made through salary deduction or other arrangements, shall be covered by other existing regulations and reported under their respective loan types following the prescribed prudential reporting guidelines (e.g., Financial Reporting Package or FRP).

¹ This may include loans for business or income-generating activities.

- c. *Report.* Financial assistance under an approved fringe benefit program should be reported/classified according to the purpose of the financial assistance

¹ The Section title of 304-S of the MORNBFI was renamed to be consistent with the title of Section 311 of the MORB, and the outdated footnote was deleted.

(e.g., housing/real estate, motor vehicle, salary-based general-purpose consumption, etc.)

Credit granting.

- a. Policies of Bangko Sentral-supervised financial institutions (BSFIs) shall be board-approved, documented, and periodically reviewed, and shall be consistent with best practices and sound credit processes prescribed under Section 143/Section 150-S, including a comprehensive assessment of the borrower's creditworthiness. A credit scoring model may also be used in measuring credit risk for SBGPCL portfolio which should sufficiently capture the credit behavior and other characteristics of the borrowers.

Formula-based credit assessment metrics (e.g., salary multiples or income or affordability ratios), where used, shall not substitute for a comprehensive credit assessment and shall be supplemented by qualitative credit judgment and documented credit analysis.

Policies of BSFIs shall likewise comply with relevant government regulations and contractual arrangements governing salary loans and payroll deduction schemes, as applicable.

- b. Individual borrowing capacity should be prudently assessed considering reasonable estimates of total personal and household indebtedness, including co-maker/co-borrower exposures, as well as disposable income available for family and personal needs after considering debt servicing. BSFIs shall conduct adequate and reasonable verification of the borrower's total indebtedness and repayment history, including checking with relevant credit bureaus or entities.
- c. The maximum loan tenor of SBGPCLs shall be up to seven (7) years. The terms and conditions of the loan, including the tenor and repayment structure shall be determined based on the borrower's creditworthiness, considering relevant factors which shall include at a minimum, the borrower's ability to pay, employment records, and repayment history, consistent with sound credit risk management practices.

No loan renewal or extension of maturity shall be granted without a reassessment of the borrower's repayment capacity and confirmation of continuing creditworthiness. Further, no loan renewal or extension of maturity shall be allowed unless accrued interest receivable has been paid and there has been a reduction in the outstanding principal amount through actual payment. Consistent with Section 143/150-S, BSFIs shall establish a policy on clean-up of principal, which defines required amount of payment, either partial or full, and put in place appropriate controls to prevent continuous loan renewal or extension over a long period of time without reduction in principal.

- d. In the case of loan "takeout" from another FI, the BSFI taking out the loan(s) should ensure that the loan from the originating FI has been fully settled. BSFIs 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.

Consumer protection. BSFIs are required to strictly adhere to Bangko Sentral regulations on Financial Consumer Protection as prescribed under Part Ten/Part Seven.

Sanctions. The Monetary Board may, at its evaluation and discretion, impose sanctions on a BSFI 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 definition of salary-based general-purpose consumption loans in the Manual of Accounts of the Financial Reporting Package (FRP) are hereby amended, to read as follows:

x x x

(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.

(i) Credit Card – x x x

(ii) Motor Vehicle Loans – x x x

(iii) 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 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. This includes credit accommodations for purposes of financing educational, hospitalization, emergency, travel, household, and other personal consumption needs.

(iv) Others – This refers to the amortized cost of loans granted to individuals to finance personal and household needs that cannot be classified under items (i) to (iii) above.

Section 3. The FRP – Line Item Instructions, and corresponding schedules shall be amended² to reflect additional information under Schedule 11/Schedule 11A on loans granted to Department of Education (DepEd) borrowers under its Automatic Payroll Deduction System (APDS), to read as follows:

Line-item instruction: Schedule 11 – Loans and Receivables – Others/ Line-item instruction: Schedule 11a – Loans and Receivables-Others – Classified as to Status (Total Amount)

Additional Information

(1) x x x

x x x

(11/9) SBGPCLs granted to borrowers from the Department of Education (DepEd) and enrolled under its Automatic Payroll Deduction System (APDS), classified as to original term:

- A. Short-term (one year or less)
- B. Medium Term (>1 year to 5 years)
- C. Long Term (>5 years)

² The specific guidelines on the mode and manner of submission shall be covered by a separate issuance.

(12/10) Other loan types to DepEd borrowers under APDS, classified as to original term:

- A. Short-term (one year or less)
- B. Medium Term (>1 year to 5 years)
- C. Long Term (>5 years)

Section 4. 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:


ELI M. REMOLONA, JR.
Governor

18 June 2026