

CHAPTER 5



Just three weeks left before *Mang* Domeng flies back to the Middle East, *Aling* Lorna informs him that she will be gone for the day to accompany her friend, *Daisy*, to the recently closed bank where *Aling* *Daisy* kept her deposits.

Aling *Daisy* has to attend the Depositors-Borrowers Forum organized by the Philippine Deposit Insurance Corporation (PDIC) in order for her to know how she could claim her deposit insurance. The distraught *Aling* *Daisy* asked *Aling* *Lorna* the favor of coming along with her to the forum.

Believing that bank closures and deposit insurance are important concerns for depositors like him, *Mang* Domeng volunteered to go with the two ladies to the closed bank.

During PDIC's Depositors-Borrowers Forum, PDIC personnel started with a brief introduction of PDIC and what it does.

The PDIC at a Glance

Orly, the PDIC employee assigned at the premises of the closed bank, started the Depositors-Borrowers Forum by introducing the goals and mandates of PDIC.

“The two public policy objectives or goals expected for the PDIC to achieve are depositor protection and financial stability,” Orly says. “To carry these out, the PDIC has to perform three mandates or core functions as Co-Regulator of banks, Deposit Insurer, and Receiver and Liquidator of closed banks.”

And so begins Orly's discussion, with the audience giving their full attention.

As **Co-regulator** of banks, the PDIC conducts offsite and onsite monitoring of banks to ensure that banks are managed well and are not conducting business in an unsafe and unsound manner. The PDIC also assists banks to become stronger through bank strengthening initiatives and financial assistance.

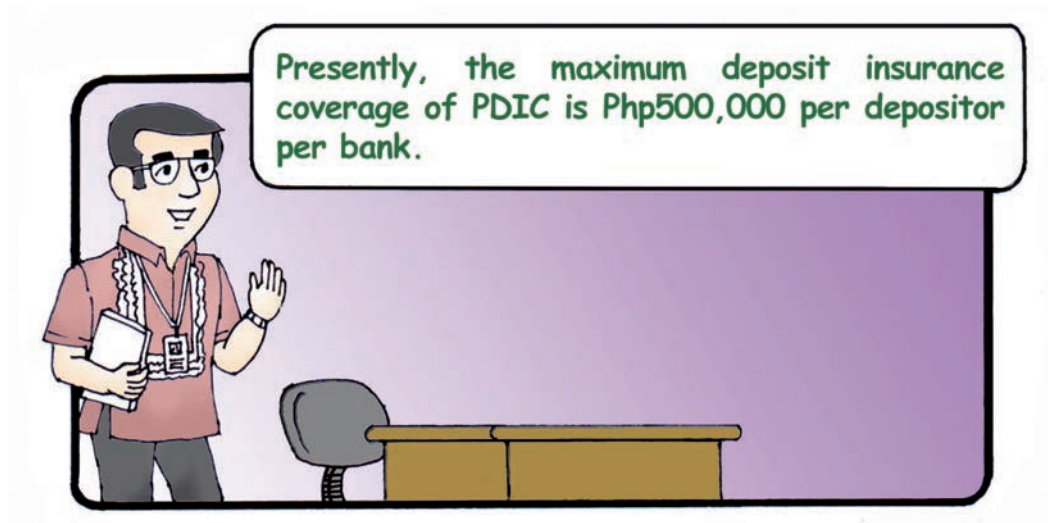
Furthermore, PDIC is authorized to investigate banks and file cases against erring bank owners, officials, and employees for fraud, irregularities, anomalies and for conducting business in an unsafe and unsound manner. (See *Annex B for Regulatory Issuance No. 2011-01 on page 138 and Annex C for BSP Circular No. 640 on page 144 re unsafe and/or unsound banking practices*)

As **Deposit Insurer**, PDIC assesses member-banks and collects from them insurance assessment payments. All banks that are licensed to operate as banks by the Bangko Sentral ng Pilipinas are mandated to become member-banks of PDIC.

Member-banks are assessed a flat rate of 1/5 of 1% of their total deposit liabilities annually. Assessments collected are added to the Deposit Insurance Fund, the funding source of payment of deposit insurance in the event of bank closures.

“And of course, as Deposit Insurer, the PDIC is mandated to pay the right deposit insurance amount to the right depositor,” Orly says. “This Depositors-Borrowers Forum is a venue to explain to depositors the claims settlement process. Please do not hesitate to ask questions,” he adds.

As if on cue, *Aling Daisy* raises her hand and asks, “What is the maximum amount covered by PDIC’s deposit insurance?”



“If all banks are members of PDIC, are all banking products also covered by PDIC?”, one inquisitive depositor asks.

Orly says, “The PDIC’s deposit insurance covers all forms of deposits in member-institutions, whether in local or foreign currencies. But there are bank products that are excluded from deposit insurance.”

Financial Expert’s Corner

The PDIC insures the following:

by type of deposit:

- *savings*
- *special savings*
- *demand/checking*
- *negotiable order of withdrawal (NOW)*
- *negotiable/non-negotiable certificate of time deposits*

by type of account:

- *single account*
- *joint account*
- *account in trust for (ITF) another person*

by currency:

- *Philippine Peso*
- *acceptable foreign currencies*

The PDIC excludes the following from deposit insurance, even if such are denominated, documented, recorded or booked as deposit by a bank:

- *Investment products ;*
- *Deposit accounts or transactions that:*
 - *are unfunded, or fictitious or fraudulent*
 - *emanated from or constituting unsafe and unsound banking practice/s as determined by the PDIC in consultation with the BSP, after due notice and hearing and publication of PDIC’s directive to cease and desist against such deposit accounts/transactions*
 - *are determined to be proceeds of unlawful activity as defined in the Anti-Money Laundering Act (Republic Act 9160, as amended)*

Unable to suppress his smile, Orly says, “This is turning out to be quite a lively discussion, isn’t it? However, let us not forget about PDIC’s other core function as Receiver and Liquidator of closed banks.”

“Wait, I have a question. What happens when a bank, like this bank, is closed?” asks another depositor.

“I was just getting to that, *Ma’am*,” says Orly and resumes his discussion of PDIC’s functions.

When the Monetary Board of the Bangko Sentral ng Pilipinas issues a resolution ordering a bank’s closure or placing a bank under receivership, the PDIC is designated as the Receiver of the closed bank, and therefore, takes over the bank’s operations, records and assets.

As **Receiver**, the PDIC administers the assets, records and affairs of the closed bank; and preserves the closed bank’s assets for the benefit of the bank’s creditors. Depositors with deposits in excess of the deposit insurance coverage or uninsured deposits are considered creditors of the closed bank.

When a closed bank can no longer be rehabilitated, PDIC is directed by the Monetary Board to proceed with the liquidation of the bank as **Liquidator**. Liquidation of a closed bank’s assets involves conversion of real and other properties acquired (ROPA) and other assets to liquid assets to facilitate distribution to creditors.

Distribution to creditors requires approval of the courts in accordance with the rules on concurrence and preference of credits. Based on provisions of the law, secured creditors are paid first and any balance after payment of receivership and liquidation expenses and settlement of preferred and secured creditors shall be distributed to ordinary creditors which include depositors’ claims in excess of the maximum deposit insurance coverage.

Deposit Insurance Claim Process

“This is probably the most crucial part of our discussion as we will now explain to you the process of claiming your deposit insurance,” Orly says before resuming with the discussion.

Automatic payment for Valid Accounts with balances of Php50,000 and below

Orly quickly announced that depositors with valid accounts amounting to Php50,000 and lower are not required to file claims. These valid accounts are settled through automatic payment.

To qualify for automatic payment, these depositors should not have obligations with the closed bank and should have complete and updated addresses in the bank records. Depositors of Php50,000 and below may update their addresses using the Mailing Address Update Form distributed during the Depositors-Borrowers Forum.

PDIC sends payment through postal money order to the depositor’s address on record. These money orders may be encashed in any of the local post offices or branches of the Landbank of the Philippines for the convenience of the depositors.

In case a depositor with a deposit account amounting to Php50,000 or below did not receive his check, he may visit and inquire with the local postal office nearest to his residence. If the check is not available, he may call the PDIC Public Assistance Hotlines at (632) 841-4630 to 31 or send an e-mail to pad@pdic.gov.ph. There are cases when some accounts below Php50,000 need further verifications.

Aling Daisy asks, “How about if your deposit balance is over Php50,000?”

Filing of claims for Account balances of more than Php50,000

Depositors with account balances of more than Php50,000 and depositors who have obligations with the closed bank, regardless of account type and account balance, are required to file claims. Orly answers, “Claims for deposit insurances with account balances of more than Php50,000 are filed personally by the depositor in the premises of the closed bank or at the designated site during the onsite Claims Settlement Operations. The designated site will be announced in the Notice to

Depositors through posters and in the newspapers. The Notice is also posted in the PDIC website, www.pdic.gov.ph.

The Notice to Depositors will also indicate the period of the Claim Settlement Operations at the bank premises or designated site; and the requirements and procedures for filing claims.

When the onsite Claims Settlement Operations is concluded, claims can be filed at the PDIC Claims Counter located at the 4th Floor, PDIC Ayala Extension Office, SSS Building, corner V.A. Rufino St., (formerly Herrera St.), Makati City. Claims may also be mailed to:

Claims Processing Department

Philippine Deposit Insurance Corporation
4/F SSS Building, 6782 Ayala Avenue cor. V.A Rufino St.
1226 Makati City, Philippines

“Is there a time frame wherein we need to file our claims?”, asks *Mang Domeng*.

“Yes, Sir,” replies Orly, “depositors of closed banks have up to two years from the actual takeover of the closed bank, to file their claims.”

Steps in Filing Claims

Orly then proceeds to outline the steps in the filing of claims, as follows:

1. The depositor will need to secure a Claim Form from any authorized PDIC representative. Copies of the form are distributed during the Depositors-Borrowers Forum and may also be secured at the premises of the closed bank. Depositors may also download the Claim Form from the PDIC website for convenience at: http://pdic.gov.ph/files/ebd_cf.pdf.

The Claims Status Sheet is given to a claiming depositor who is required to secure further documents and verifications by PDIC. (*Copies of the Claim Form and Claim Status Sheet are provided in Annexes D (page 146) and E (page 148), respectively.*)

PDIC form is free of charge. The PDIC requests the public to report individuals or groups that sell these forms.

Should a depositor be unable to file personally, a representative may file in his behalf provided the representative presents a duly notarized Special Power of Attorney executed by the depositor. If the Special Power of Attorney is executed outside of the Philippines, it should be duly authenticated by the Philippine Consul nearest to the depositor's residence abroad. The Special Power of Attorney Form may be secured during the Claims Settlement Operations or downloaded from the website at http://www.pdic.gov.ph/files/spa_claims.pdf. (A sample of the Special Power of Attorney is provided in Annex F on page 149).

If a depositor fails to file his claim within a two-year period from bank closure or beyond the prescriptive period of two years, his claim is no longer an obligation of the PDIC, as Deposit Insurer. The depositor will file a claim against the assets of the closed bank. The release of payment will be subject to the order of preference of credit as provided for by the New Civil Code.

2. Fill out and sign the Claim Form. It is important that the signature in the form tallies with the depositor's signature in the closed bank's records and in the Identification Documents (IDs) to be presented during the Claims Settlement Operations.

Parents will need to sign the Claim Form for the deposits of their children who are below 18 years old. The agent in a "**By**" deposit and the trustee for an "**In Trust For (ITF)**" account can sign the Claim Form.

In the case of joint accounts such as "**Or**", "**And/Or**" or "**And**" accounts, each depositor must accomplish his own Claim Form.

3. Together with the Claim Form, the following documents should also be submitted during the Claims Settlement Operations:
 - a. Original evidence of deposit such as savings passbook, certificate of time deposit, latest bank statement, unused checks, bank statements, and ATM card.
 - b. Two (2) valid photo-bearing IDs with the signature of the depositor/claimant. Examples of acceptable IDs are Driver's License, SSS/GSIS ID, Senior Citizen's ID, Passport, PRC ID, OWWA/OFW, Seaman's, Alien Certificate of Registration, Voter's ID, Integrated Bar of the Philippines ID.
 - c. If the depositor is below 18 years old, a photocopy of the birth certificate from the National Statistics Office (NSO) or duly certified copy from the local civil registrar should be submitted.

The PDIC will not accept claims that are incomplete or lacking in requirements. The PDIC may also require additional documents in the course of claims processing.

During the onsite claims settlement operations, PDIC representatives examine and validate depositors' records to ensure proper payment to the rightful depositor. When found to be valid, depositors are paid onsite.

The Claim Status Sheet is issued on cases when deposit insurance payment cannot be made outright. The Claims Status Sheet will indicate the status of a claim or additional requirements that need to be submitted by the depositor. In the case of claims sent through mail, the PDIC will send a letter-notice to the depositor on the status of his claim or additional documents required. The letter-notice will indicate the deadline for submission of these additional documents. Depositors are enjoined to comply with the requirements within the deadline set.

Following Up the Status of Claims

“How can we know the status of our claim?”, asks *Aling Daisy*.

Orly replies, “The depositor or his duly designated representative may follow up a deposit insurance claim either by telephone, e-mail or in person. The PDIC Public Assistance Hotlines are (632) 841-4630 and (632) 841-4631. Depositors outside Metro Manila may follow up their claims toll free at 1-800-1-888-7342 or 1-800-1-888-PDIC. The Public Assistance Department’s e-mail address is pad@pdic.gov.ph. Status of claims may also be followed up via mail at the:

Public Assistance Department

Philippine Deposit Insurance Corporation
SSS Building 6782 Ayala Avenue cor. V.A. Rufino St.,
1226 Makati City, Philippines

Depositors may also visit the Public Assistance Helpdesk located at the 4th Floor, SSS Building, 6782 Ayala Avenue, cor. V.A. Rufino St., 1226 Makati City, Philippines.

Orly adds, “Inquiries in person may also be made at the premises of the closed bank, or at the designated site during the Claims Settlement Operations period. In following up a deposit insurance claim, the depositor needs to have the following information ready for easy reference:

- name of the closed bank;
- name of the depositor, and
- claim number and/or account number.”

Financial Expert's Corner

Effective June 1, 2009, the maximum deposit insurance coverage is Php500,000.00 per depositor, per bank.

Under the PDIC Charter, the term “insured deposit” means:

“...the amount due to any depositor for legitimate deposits in an insured bank net of any obligation of the depositor to the insured bank as of the date of closure...”

When a depositor has an obligation in the closed bank, the amount of obligation is deducted from the deposits prior to payment of the deposit insurance claim. The maximum deposit insurance coverage of Php500,000 applies to each depositor regardless of the number of accounts he maintained with the closed bank.

Deposits maintained in the same right and capacity are consolidated regardless of whether the accounts are in the name of the depositor or in the names of others.

In determining the insured amount, the outstanding balance of each account is adjusted, such that interests are updated, withholding taxes are deducted, accounts maintained by a depositor in the same right and capacity are added together; and whenever applicable, unpaid loans and other obligations of the depositor are deducted. In no case shall insured deposit exceed Php500,000.

A joint account regardless of whether the conjunction “and”, “or” or “and/or” is used, shall be insured separately from an individually-owned deposit account.



Did You Know?

The maximum deposit insurance coverage was doubled from Php250,000 to Php500,000 in 2009 as a pre-emptive and confidence-building measure in response to the global financial crisis of 2008.

At the maximum deposit insurance coverage of Php500,000, 97% of the total accounts in the Philippine banking system are insured.

For example:

1. How much is Fe Santos's insured deposit if she has the following four deposit accounts in the same bank?

Account Name	Deposit (in Php)	Insured Deposit of Fe Santos (in Php)
Fe Santos	100,000	100,000
Ben Santos For the Account of Fe Santos	100,000	100,000
Charlie Santos In Trust For Fe Santos	100,000	100,000
Fe's Store (Sole Proprietor)	700,000	200,000
Total	1,000,000	500,000

All four accounts are in the name of Fe Santos and are owned by her. Employing the "same right and capacity" principle, these four accounts will be added together or consolidated; and in no case shall the maximum deposit insurance coverage due to Fe Santos exceed Php500,000.

2. How much is Fe Santos's insured deposit if she has the following three joint accounts in the same bank?

Account Name	Deposit (in Php)	Fe's Share in the Insured Deposit (in Php)
Fe Santos or Ben Santos	500,000	250,000
Fe Santos or Charlie Santos	1,000,000	250,000
Fe Santos and/or Divina Santos	1,000,000	0 ^a
Total	2,500,000	500,000

a/ Ms. Fe Santos does not have any insured deposit share since she already has Php500,000 in total shares in the two joint accounts she has with Ben and Charlie Santos.

Under the rules on joint accounts, each joint account is owned equally by the depositors unless a different sharing is indicated in the deposit document in the bank's records. The shares of each depositor in the insured deposits in all the joint accounts shall be added together and in no case shall the maximum deposit insurance coverage due to each depositor exceed Php500,000.

3. How much is Fe Santos's insured deposit for all her single and joint accounts in the same bank?

Accounts	Deposit (in Php)	Fe's Share in the Insured Deposit (in Php)
All single accounts of Fe Santos in Example 1	1,000,000	500,000
All joint accounts of Fe Santos in Example 2	2,500,000	500,000
Total	3,500,000	1,000,000

Fe Santos is entitled up to the maximum deposit insurance coverage of Php500,000 in all her single accounts. She is also entitled up to the maximum deposit insurance coverage of Php500,000 in all her joint accounts. Hence, a depositor with single and joint accounts may have insured deposits of up to Php1 million.

Some Other Frequently Asked Questions

“Are there other things we should know about?”, asks *Aling Daisy*.

Orly replies, “The PDIC usually settles deposit insurance claims within six (6) months from bank closure provided that deposit insurance claims are filed within two (2) years from takeover and provided that documentation to the claim are complete.”

Mang Domeng curiously asks, “What happens if my deposit is over Php500,000?”

Orly replies, “Deposits in excess of the maximum deposit insurance coverage provided by the PDIC are claims against the assets of the closed bank and are no longer the obligation of the PDIC, as Deposit Insurer. Excess deposits or uninsured deposits may still be recovered subject to availability of funds upon liquidation of the closed bank and the order of preference and concurrence of credits under the Civil Code of the Philippines. For example, if the balance of your

account is Php600,000, Php500,000 shall be covered by deposit insurance, and Php100,000 shall be a claim against the assets of the closed bank. Claims for excess deposits are considered ordinary claims and are settled after all preferred claims are paid. Preferred claims include government taxes, labor claims, secured credits and trust funds.”

“Well, thank you very much for this Depositors-Borrowers Forum, Sir Orly,” says *Aling* Daisy at the end of the Forum. “Now, I don’t have to worry about my money, since I am assured that it is covered by PDIC’s deposit insurance. I will definitely file my deposit insurance claim during the scheduled Claims Settlement Operations.”

Turning to her friends, *Aling* Daisy says, “Thank you for coming with me today. Everything is clear to me now.”

“Don’t worry, Daisy,” replies *Aling* Lorna. “We learned a lot, too. Now we know what to do in case our bank is ordered closed.”

Member: PDIC

1. PDIC was created by Republic Act 3591 in 1963 to “promote and safeguard the interests of the depositing public by way of providing permanent and continuing insurance coverage on all insured deposits.”
2. The two Public Policy Objectives of the PDIC are: depositor protection and financial stability.
3. To support the public policy objectives, the PDIC performs the following mandates:
 - Co-Regulator of banks
 - Deposit Insurer
 - Receiver and Liquidator of closed banks
4. The maximum deposit insurance coverage is Php500,000 per depositor per bank. The insurance covers all forms of deposits in member-banks whether in local or foreign currencies.
5. As to types of deposits, the PDIC insures the following:
 - savings
 - special savings
 - demand/checking
 - negotiable order of withdrawal (NOW)
 - negotiable/non-negotiable certificate of time deposits
6. The following are not covered by the PDIC:
 - Investment products;
 - Deposit accounts or transactions that:
 - are unfunded, or fictitious or fraudulent emanating from or constituting unsafe and unsound banking practice/s as determined by the PDIC in consultation with the BSP, after due notice and hearing and publication of PDIC’s directive to cease and desist against such deposit accounts/transactions

- are determined to be proceeds of unlawful activity as defined in the Anti-Money Laundering Act (*Republic Act 9160, as amended*)
7. A joint account is separately insured up to maximum deposit insurance coverage of Php500,000 from an individually-owned deposit account.
 8. The share of a depositor in the insured deposit of each joint account shall be added and in no case shall the insured deposit exceed Php500,000.
 9. Depositors of closed banks have up to two years from the actual takeover by the PDIC of the closed bank to file their claims.
 10. Deposits in excess of Php500,000 are claims against the assets of the closed bank and are no longer an obligation of the PDIC, as Deposit Insurer.

