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NEWS/PRESS RELEASE
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DOJ indicts former officers of Banco Filipino for unsafe, unsound banking

The Department of Justice (DOJ) Task Force on Financial Fraud (TFFF) indicted former key officials of the closed Banco Filipino Savings and Mortgage Bank, Inc. (Banco Filipino) for committing irregularities and/or conducting business in an unsafe or unsound manner, a criminal violation under Republic Act No. 3591, as amended, or the Philippine Deposit Insurance Corporation (PDIC) Charter.

In a Resolution issued in March 2021, the DOJ-TFFF indicted several Banco Filipino key officials for commission of irregularities and/or conducting business in an unsafe or unsound manner. Investigations showed that respondents were involved in the disbursement of ₱789.46 million to pay for legal fees that were not supported by written contracts or documents to indicate the details, scope of work and deliverables by the law firms. This was also in violation of the Terms of Reference when the bank was placed under comptrollership by the Bangko Sentral ng Pilipinas (BSP).

When Banco Filipino was reopened in 1994, a comptroller from the BSP was assigned in the bank. In January 2000, the Monetary Board issued Resolution No. 114 lifting the BSP comptrollership. However, on 12 December 2002, the BSP comptrollership was reinstalled due to financial problems that beset the Bank. Thereafter, pursuant to Monetary Board Resolution No. 372-A dated 17 March 2011, the BSP again ordered the Bank's closure and placed it under PDIC's receivership.

The case stemmed from a complaint filed by the PDIC, statutory receiver of Banco Filipino, which stated that ₱789.46 million in legal fees were paid by the bank to various law firms and lawyers without any contracts or supporting documents during a period when it was in dire financial difficulty until it was eventually closed and placed under the PDIC receivership. The PDIC likewise discovered that payments to these law firms and lawyers were made without the required "pass upon" review and/or "approval" of the then BSP Comptroller.

The DOJ resolution found that the payments of legal fees to several lawyers and law firms, amounting to millions of pesos, without any contract to support them and in violation of the TOR providing for a "pass upon" review and "approval" from the BSP Comptroller, were unwarranted and constitute unsafe and unsound banking practices. Under the PDIC Charter, conducting business in an unsafe or unsound manner is punishable by imprisonment of six to 12 years, or a fine of ₱50,000 to ₱10 million, or both, at the discretion of the court.

Banco Filipino was ordered closed by the Monetary Board on 17 March 2011, by virtue of Monetary Board Resolution No. 372.A which designated the PDIC as Receiver of the bank. The bank had a head office in Makati City and 61 branches in various locations nationwide.

The PDIC remains relentless in its pursuit of justice against erring bank owners, officers, and unscrupulous parties who take advantage of the deposit insurance system for their gain. The Corporation's vigorous legal actions are crucial for protecting the interests of depositors, safeguarding the Deposit Insurance Fund, and deterring bank officials and individuals from abusing the deposit insurance system.

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The Philippine Deposit Insurance Corporation (PDIC) was established on 22 June, 1963, by Republic Act 3591 to provide depositor protection and help maintain stability in the financial system by providing deposit insurance. Effective 1 June 2009, the maximum deposit insurance coverage is ₱500,000 per depositor. All deposit accounts by a depositor in a closed bank maintained in the same right and capacity shall be added together. A joint account shall be insured separately from any individually-owned deposit account.

PDIC news/press releases and other information are available at the website, www.pdic.gov.ph.

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