



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Fifteenth Congress
First Regular Session

HOUSE BILL NO. **3824**

Introduced by Honorable Erico B. Aumentado

EXPLANATORY NOTE

This bill seeks to provide a ceiling on the interest rates, penalties, surcharges and other finance fees charged by banks and credit card companies on credit card transactions and to provide penalties for violation thereof.

Credit card usage has grown enormously in the Philippines. The intensive marketing strategies of credit card companies and the convenience brought about by having a credit card have lured many Filipinos to use credit cards in the purchase of goods and services.

However, with the suspension of Act No. 2655, otherwise known as the "*Usury Law*," and in the absence of a ceiling on the rate of interests, penalties, surcharges and other finance charges, credit card companies are free to impose high interest rates that would cause the amount of debt to balloon to an outrageous amount more than three times the principal debt. On average, credit card companies in the Philippine charge 3.75 % interest rate per month which is currently among the highest in the world.

To safeguard the public from these abuses and impositions, it is imperative to set a ceiling on the interest rates, penalties, surcharges and other finance charges by banks and credit card companies on credit card transactions.

In the recent case of *Macalinao vs. Bank of Philippine Islands* (G.R. No. 175490, September 17, 2009), the Supreme Court held that interest rates of 3% per month and higher are iniquitous, unconscionable and exorbitant and therefore void. It ruled that an interest rate of one percent (1%) per month and a penalty charge of one percent (1%) per month is more appropriate and equitable.

To be more responsive to the plight of the poor borrowers, the rate of interest, penalties, surcharges and other finance charges on credit card transactions should be regulated. A rate of interest and penalty that is fair and equitable to both the lender and the borrower should therefore be imposed.

In view of the foregoing, approval of this bill is urgently recommended.



ERICO B. AUMENTADO



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AN ACT
PROVIDING A CEILING ON INTEREST RATES, PENALTIES AND
OTHER FEES CHARGED BY BANKS AND CREDIT CARD
COMPANIES FOR CREDIT CARD TRANSACTIONS AND
PRESCRIBING PENALTIES FOR VIOLATION THEREOF

*Be it enacted by the Senate and House of Representatives of the Philippines
in Congress assembled:*

SECTION 1. *Short Title.* – This Act shall be known as the
“*Credit Card Fees Regulation Act.*”

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy
of the State to protect and regulate the economic interest of the people and
ensure that only reasonable interest rates, fees, penalties and charges will be
imposed on credit card transactions.

SEC. 3. *Ceiling on Interest Rates, Penalties and other Finance Charges on Credit Card.* – It shall be unlawful for any bank or credit card company to charge an interest rate or impose penalties, surcharges and similar finance charges by more than one percent (1%) per month or twelve percent (12%) per annum on credit card transactions and purchases.

No other costs or finance charges shall be imposed upon a credit card holder except for reasonable attorneys' fees and costs of collection.

SEC. 4. *Penalties.* – Any violation of this Act shall be punishable by a penalty of imprisonment of not less than six (6) months but not more than one (1) year or a fine of not less than Twenty Thousand Pesos (P20,000.00) but not more than One Hundred Thousand Pesos (P100,000.00) or both such imprisonment or fine at the discretion of the court.

In case of a partnership, association, corporation or any juridical person, the penalty shall be imposed on the president, treasurer or any other officer or person responsible for the violation. In addition, the license to operate the business establishment shall be suspended for six (6) months or in the case of recidivism, cancelled, as the case may be.

If the offender is an alien, he shall, after service of sentence, be deported immediately without further proceedings in the Bureau of Immigration.

SEC. 5. *Repealing Clause.* – All laws, decrees, executive orders, proclamations, rules and regulations, and issuances, or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 6. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,