



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

House Bill No. 529



Introduced by Representative **GERALDINE B. ROMAN**

AN ACT
PRESCRIBING THE RATES OF INTEREST UPON LOANS AND FORBEARANCES

EXPLANATORY NOTE

BSP Governor Benjamin E. Diokno recently announced that the Monetary Board has approved a cap on credit card rates and fees beginning November 3, 2020 to allow credit cardholders more affordable pricing terms. In this time of pandemic, this move is laudable. "The capping of credit card charges is a timely and much-needed measure to promote responsible lending and ease the financial burden of consumers and micro, small and medium enterprises amid the Covid-19 pandemic," SEC Chairman Emilio B. Aquino said.¹

However, this is not enough. In the informal economy, especially in the provinces, the practice of "5/6" lending is still rampant. At present, the debtor and creditor may enter into a contract providing for any amount of interest. Consequently, many debtors especially those in the cusp of emergencies pay interests at 5 to 10% a month. While courts are empowered to reduce interest rates found unconscionable, the delay in and cost of litigation threaten to negate the benefit to the debtor resulting from any such reduction.

This Bill addresses the predatory lending practices of persons and entities who are not even properly licensed by providing for the ceiling of interests they can collect. In doing so, this Bill hopes to discourage individuals who take advantage of the plight of the poor and charge them unconscionable interest rates.

As an immediate response to the present pandemic and harsh economic situation in the country today, immediate passage of this bill is earnestly sought.


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

Section 1. *Short Title.* This Act shall be known as the Anti-Usury Law of 2021.

Sec. 2. *Interest Rate.* The rate of interest for the loan or forbearance of any money, goods, or credits, or charges on any form of cash advance arrangements, and the rate allowed in judgment shall not exceed twelve per centum per annum.

Sec. 3. *Exemptions.* The provisions of this Act shall not apply to formal lending institutions, such as banks, non-bank lending institutions, pawnshops or pawnbrokers, all of which must be duly licensed and duly authorized to perform lending activities by the Bangko Sentral ng Pilipinas, and to cooperatives duly registered with the Cooperative Development Authority and duly authorized by it to perform lending services.

Sec. 4. *Penalties.* Without prejudice to the proper civil action, violation of this Act, shall be subject to criminal prosecution and the guilty person shall, upon conviction, be sentenced to a fine of not less than three hundred thousand pesos nor more than five million pesos, or to imprisonment for not less than six years nor more than twelve years, or both, in the discretion of the court, and to return the entire sum received as interest from the party aggrieved plus all costs and expenses incurred in the prosecution of the offense, and in the case of non-payment, to suffer subsidiary imprisonment at the rate of one day for every eight pesos: provided, that in case of corporations, associations, societies, or companies the manager, administrator, or the person who has charge of the management or administration of the business, together with the board of directors or trustees, or their equivalent, shall be criminally and civilly responsible for any violation of this Act.

The same penalties shall apply to persons or entities performing lending activities as a regular business concern without the necessary license.

Sec. 5. *Repealing Clause.* --All laws, presidential decrees or issuances, executive orders, letters of instruction, administrative orders, rules or regulation inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Sec.6. *Implementing Rules.* The Monetary Board shall define what constitutes regular lending business concern and shall promulgate such rules and regulations as may be necessary to implement effectively the provisions of this Act.

Sec.7. *Separability Clause.*-- Should any part of this Act be declared unconstitutional, the validity of remaining provision hereof shall remain in full and effect.

Sec.8. *Effectivity Clause.*-- This Act shall take effect fifteen (15) days from its publication in a newspaper of general circulation.

Approved.