

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

NINETEENTH CONGRESS
2nd Regular Session

House Bill No. 9057



Introduced by Representatives ERIC G. YAP and EDVIC G. YAP

EXPLANATORY NOTE

Several phenomena such as inevitable natural calamities, worsening climate change, fluctuating economic forces and unforeseen global pandemic has led to the ballooning prices of farming capital and the exposure of agricultural lands to dilapidation. Faced with unabated losses and financial burden, the country's farmers have suffered increased vulnerability forcing them to resort to loan sharks and opportunistic lending entities for short term relief. In addition to this is the lingering reality that the country's farmers remain to be living below the poverty line despite their invaluable contribution to the country's food security.

The lack of access to formal credit facilities and excessive interest rates charged by predatory lenders remain as one of the primordial issues faced by the agricultural sector. The plight of farmers caught in the debt trap and shadow bankers are left with no choice but to take more and more credit to loan sharks in order to afford temporary relief to mitigate compounding losses from devastating calamities, disrupted economies, and exorbitant farming capital. The Philippine Institute of Development Studies (PIDS) shows that despite the proliferation of government-directed credit programs and the significant amount of government funds spent for the implementation of the said programs, the poor farmers or the supposed target beneficiaries still do not have access to fair and equitable credit and are still dependent to informal lenders who charge unreasonable interest rates. One main reason, according to the report, is that despite the existing government facilities for low-cost

credit to small farmers, many of them do not take advantage of the credit facilities due to lack of collateral to secure loans and lack of awareness or familiarity with the processes and requirements needed.

It is in this regard that this bill seeks to protect the country's farmers from usurious lenders, marked by excessive loan interest rates and unauthorized lending practice, through the institutionalization of a regulated, uniform, and accepted interest rates on the loans of farmers and providing sanctions for those who will violate such proposed measure.

In view of the foregoing, approval of this bill is earnestly sought.



HON. ERIC G. YAP



HON. EDVIC G. YAP

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AN ACT
PROHIBITING USURIOUS LENDING TO FARMERS, APPROPRIATING
FUNDS THEREFORE AND FOR OTHER PURPOSES

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

SECTION 1. Title. - This Act shall be known as "*Anti-Usury Against Farmers Act of 2023.*"

SECTION 2. Declaration of Policy. - Article II, Sec. 9 of the 1987 Constitution states, "The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all." In support of this policy, the State further shall ensure that our farmers shall not become victims of usurious lenders and practices.

SECTION 3. Application of Interest Rates. - Interest on loans to farmers whose landholding does not exceed seven (7) hectares, whether with collateral or without, shall not exceed an effective interest rate of six per cent (6%) per annum. The same rate shall likewise apply to forbearance of any money, good or credit, and in judgments. Any figure above this shall be considered usurious and illegal.

SECTION 4. Restructuring the Balance of Existing Loans. - The balance of existing loans shall automatically be restructured applying an interest rate not exceeding an EIR of 6% per annum, effective upon effectivity of this Act.

SECTION 5. Determination of Loanable Amounts. - The Bangko Sentral ng Pilipinas and the Monetary Board shall determine the amount, or the percentage of loanable amounts to farmers in the portfolio of banks, public or private.

SECTION 6. *Implementing Rules and Regulations.* - The Department of Finance shall formulate the rules and regulations of this Act within ninety (90) days of its effectivity.

SECTION 7. *Penalty.* - Any natural person, not a government official or employee, who violates any provision of this Act shall be punished with imprisonment of one (1) year and/or a fine not exceeding One Hundred Thousand Pesos (P 100,000.00).

Any government employee or official who violates any provision of this Act shall be punished with imprisonment of two (2) years and/or a fine not exceeding Two Hundred Thousand Pesos (P 200,000.00).

Any juridical person who violates any provision of this Act shall be punished with a fine of Five Hundred Thousand Pesos (P 500,000.00). Its directors and/or officers may also be punished with imprisonment of six (6) months to one (1) year if found liable of a violation under this Act.

SECTION 8. *Repealing Clause.* - All acts, decrees, letters of instruction, issuances, orders, or parts thereof inconsistent with any provision of this Act are hereby deemed repealed or modified accordingly.

SECTION 9. *Separability Clause.* - If any part of this Act is declared unconstitutional, the rest of the provisions shall remain in force and effect.

SECTION 10. *Effectivity.* - This Act shall take effect 15 days after its publication in two newspapers of general circulation or in the Official Gazette.

Approved,