



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

TWENTIETH (20th) CONGRESS
FIRST REGULAR SESSION

House Bill No. 241

Introduced by
Rep. ROBERT NAZAL

AN ACT
ERADICATING LOAN SHARKING THROUGH THE IMPOSITION OF A NATIONWIDE
INTEREST RATE CAP, PROMOTION OF RESPONSIBLE LENDING PRACTICES,
DEBTOR PROTECTIONS, AND PROHIBITION OF ABUSIVE COLLECTION
METHODS, TO BE KNOWN AS THE "GOODBYE 5-6 ACT OF 2025"

EXPLANATORY NOTE

Across the country, countless Filipinos, especially daily wage earners, small vendors, farmers, and informal workers, are trapped in an endless cycle of debt. In times of crisis, they turn to so-called "5-6" lenders who offer instant cash but at interest rates so exorbitant they amount to slow financial suffocation. Often reaching as high as 240% per annum, these rates are compounded by hidden charges and a culture of intimidation, harassment, and digital shaming.

Today, loan sharking is not limited to street-corner lenders. It now thrives online, cloaked in the slick branding of mobile apps and fintech platforms. These platforms are often unregistered, unregulated, and ruthless. They send out mass messages to a borrower's contact list, threatening reputational ruin, or hounding them with dozens of calls a day.

This bill seeks to end that.

The Goodbye 5-6 Act of 2025 imposes a nationwide, across-the-board cap of 15% effective interest per annum on all forms of lending. It criminalizes abusive collection practices, whether done in person or through digital means. It establishes a nationwide regulatory regime to monitor lenders, educate borrowers, and ensure that credit becomes a bridge to opportunity, not a trapdoor into poverty.

To this end, this bill provides for mandatory disclosure of all loan terms in plain language; accreditation and strict regulation of online lenders, including the blocking of abusive apps; debt restructuring for the poor, disaster victims, and the unemployed; legal amnesty for borrowers victimized by unlicensed lenders; centralized complaint and enforcement

mechanisms across government agencies; financial literacy education for all, starting at the barangay and classroom level; and incentives for responsible lending by cooperatives and microfinance institutions.

But the bill does more than regulate abuse. It reinstates and strengthens the obligation of lenders to support micro-entrepreneurs and small borrowers through the permanent earmarking of at least 8% of their total loan portfolio annually for responsible micro-lending.

This builds upon the intent of Republic Act No. 9501, the Magna Carta for MSMEs, which required banks and other financial institutions to allocate 8% of their loan portfolio to micro and small enterprises and 2% to medium enterprises. Unfortunately, this mandate lapsed in 2018 after its 10-year effectivity period, and its implementation during that time was largely symbolic. Most banks consistently failed to comply, with actual lending to micro and small enterprises averaging below 2%. The law had no real teeth as penalties were minimal so banks just happily paid the penalties instead of adhering to the law. In the end, the underserved remained underserved.

Meanwhile, 99.5% of businesses in the Philippines are micro, small, or medium enterprises. They are the lifeblood of the economy but are treated as the last in line for financial support.

Thus, this bill also seeks to correct that injustice by institutionalizing, permanently and independently of RA 9501, a mandatory micro-lending quota backed by steep financial and criminal penalties for non-compliance. It imposes fines of up to four times the monetary shortfall, ineligibility for government credit programs; and, for willful or repeated violators, revocation of lending licenses and imprisonment of responsible officers.

Credit is not a privilege reserved for the powerful. It is a right that must be accessible to every Filipino who works hard to improve their life. This bill ensures that no one is forced to choose between feeding their family and paying a loan shark. Together, let us break the chains of debt and restore dignity to the everyday Filipino.

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



Rep. ROBERT NAZAL
Bagong Henerasyon Party-List

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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 "Goodbye 5-6 Act of 2025."

SECTION 2. DECLARATION OF POLICY.

It is the policy of the State to end exploitative, usurious, and unethical lending practices that trap the poor and vulnerable in long-term debt. The State affirms its duty to ensure access to just and equitable credit terms, to eliminate abusive debt collection, and to empower borrowers with knowledge, protection, and dignity.

SECTION 3. DEFINITION OF TERMS.

- A. Loan Sharking – The practice of lending money at excessive interest rates, often accompanied by threats, harassment, or unregulated collection methods, typically by unlicensed or predatory lenders.
- B. Effective Interest Rate (EIR) – The true annual cost of borrowing, including nominal interest, service fees, surcharges, penalties, and other related charges.

- C. Abusive Collection Practices – Any form of conduct intended to harass, shame, intimidate, or psychologically harm the borrower, including excessive messaging, reputational shaming, or threats, whether in person or online.
- D. Digital Lender – Any lending institution or software application operating through the internet or mobile platforms, whether foreign or domestic.
- E. Unlicensed Lender – Any person or entity engaged in habitual lending without the necessary license or registration from the SEC, BSP, or relevant agency.

SECTION 4. MANDATORY ALLOCATION FOR RESPONSIBLE MICRO-LENDING.

To promote inclusive access to fair and affordable credit, all lending institutions covered under this Act, including banks, financing companies, lending companies, cooperatives, and digital lenders, shall allocate a minimum of eight percent (8%) of their total loan portfolio annually for responsible micro-lending targeted at the following priority sectors:

- A. Micro and small entrepreneurs;
- B. Farmers, fisherfolk, and rural producers;
- C. Informal workers, solo parents, and daily wage earners;
- D. Senior citizens, persons with disabilities (PWDs), and other economically vulnerable populations as determined by the DSWD or appropriate regulatory bodies.

Loans under this allocation shall:

1. Not exceed 15% effective interest rate per annum;
2. Be non-collateralized, subject only to minimal documentation and simplified risk assessment;
3. Be accompanied by access to financial literacy education, in coordination with DTI, TESDA, or accredited civil society organizations;
4. Be prohibited from cross-default or over-collateralization clauses.

The Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) shall jointly issue rules on monitoring, target-setting per institution, and annual public reporting of compliance.

SECTION 5. IMPOSITION OF INTEREST RATE CAP.

No lender, whether individual or institutional, shall impose an effective interest rate exceeding fifteen percent (15%) per annum. Any loan agreement in excess of this cap shall be void with respect to the excess interest, and the borrower shall only be liable for the principal and allowed interest.

SECTION 6. MANDATORY DISCLOSURE REQUIREMENTS.

Lenders shall issue to all borrowers a Loan Disclosure Statement, before disbursement, in plain language, stating the following:

- A. Total loan amount and disbursed amount
- B. Full payment schedule
- C. Effective interest rate (EIR)
- D. All fees, penalties, or charges
- E. Identity and contact information of the lender

Failure to comply renders the loan agreement voidable at the borrower's discretion.

SECTION 7. PROHIBITED COLLECTION PRACTICES.

All creditors, including physical and digital lenders, are prohibited from:

- A. Threats, intimidation, or physical harm
- B. Use of obscene or insulting language
- C. Public disclosure of debt on social media or to a borrower's contacts
- D. Harassing calls, emails, or messages
- E. Coercion, blackmail, or impersonation of public officials

These acts are deemed criminal offenses and are punishable under this Act and related laws.

SECTION 8. REGULATION OF DIGITAL AND INFORMAL LENDERS.

The Securities and Exchange Commission (SEC) and Banko Sentral ng Pilipinas (BSP) shall establish a special licensing and accreditation system for all digital lenders. All such platforms must:

- A. Have physical presence or legal representation in the Philippines
- B. Register all officers and beneficial owners
- C. Submit to compliance audits
- D. Respect data privacy standards

Failure to comply shall result in blocking of the app, blacklisting of the owners, and prosecution.

SECTION 9. DATA PRIVACY AND PROTECTION STANDARDS FOR LENDERS.

All digital and physical lending entities engaged in the processing of personal data shall strictly comply with the provisions of Republic Act No. 10173, or the Data Privacy Act of 2012, and its implementing rules and regulations.

- A. All lending entities, including mobile or online loan applications, must appoint a Data Protection Officer (DPO) registered with the National Privacy Commission (NPC), who shall be responsible for ensuring compliance with data privacy laws.
- B. The collection of personal data shall be limited only to what is necessary for legitimate lending purposes, and must be based on informed and documented consent from the borrower.
- C. The following acts are strictly prohibited and considered grave violations of both this Act and RA 10173:
 - a. Unauthorized access to or harvesting of phone contacts, photo galleries, or location data;
 - b. Sharing of borrower data with third parties without explicit, informed consent;
 - c. Use of borrower data to publicly shame, harass, or intimidate the borrower or their contacts;
 - d. Retention of borrower data beyond reasonable business needs or after full settlement of the loan.
- D. Lenders must provide a Privacy Notice to borrowers at the point of data collection, detailing:
 - a. What data will be collected
 - b. The purpose for data processing
 - c. The borrower's rights under RA 10173
 - d. How and for how long the data will be stored
- E. A data subject access mechanism shall be made available to borrowers to request correction, deletion, or disclosure of their data profile.
- F. Digital lenders must submit proof of DPO registration with the National Privacy Commission and provide privacy policies compliant with RA 10173."

Failure to comply shall be grounds for:

- A. Administrative penalties under RA 10173;
- B. Revocation of the lending license or app accreditation under this Act;
- C. Civil and criminal prosecution, including imprisonment, if applicable.

SECTION 10. DEBT RESTRUCTURING FOR THE POOR AND VULNERABLE.

Borrowers shall be entitled to a mandatory sixty (60) day grace period and loan restructuring, without penalties, in cases of:

- A. National or local disasters;
- B. Medical emergencies, which must be proven by a duly notarized medical certificate;
- C. Unemployment or retrenchment; or
- D. Verified poverty status (4Ps or DSWD certification)

Lenders who refuse such requests shall be fined and barred from future lending.

SECTION 11. DEBT AMNESTY FOR VICTIMS OF UNLICENSED LENDING.

Borrowers who can show proof of debt incurred from unlicensed lenders shall be relieved of legal obligation to pay, and such debts shall be deemed null and void. These borrowers shall be entitled to legal aid from the Public Attorney's Office.

SECTION 12. NATIONAL REGISTRY AND WHITELIST OF LEGITIMATE LENDERS.

The SEC, BSP, and DTI shall maintain a public registry of licensed lenders, accessible online. All borrowers shall be encouraged to transact only with registered entities. Barangay officials shall assist in community dissemination.

For online lenders, the DICT and the NaPC, in addition to the foregoing government agencies, shall likewise maintain a public registry of licensed online lenders, which shall also be accessible online.

SECTION 13. COMPLAINT, MEDIATION, AND ENFORCEMENT MECHANISMS.

A Responsible Lending Oversight Council (RLOC) shall be created, composed of representatives from the BSP, SEC, DTI, NaPC, DOJ, and DICT. It shall:

- A. Establish a 24/7 hotline and website for complaints
- B. Coordinate enforcement and takedowns
- C. Recommend criminal prosecution
- D. Monitor compliance with this Act
- E. Oversight and enforcement of data privacy standards among lending entities, in coordination with DICT and SEC

Barangay mediation shall be the first recourse for disputes on small claims.

SECTION 14. FINANCIAL LITERACY AND PUBLIC EDUCATION.

The DepEd, TESDA, and DTI shall integrate financial literacy modules in formal and informal education. This shall cover the following:

- A. How to compute interest rates
- B. Rights of borrowers
- C. How to identify predatory lending

The DTI and DILG shall launch a sustained national campaign: "Walang Bastusan sa Pautang."

SECTION 15. INCENTIVES FOR RESPONSIBLE LENDERS.

Legitimate microfinance institutions, cooperatives, and rural banks offering loans within the 15% cap and adhering to ethical practices may be granted:

- A. Tax credits
- B. Access to low-interest capital via DBP and Land Bank
- C. Priority in government guarantee programs

SECTION 16. PENALTIES.

- A. Any lending institution that fails to meet the 8% micro-lending allocation shall be subject to the following penalties:
 - a. First-year non-compliance:
 - 1. A fine equivalent to twice the monetary shortfall based on the required 8% allocation;
 - 2. Public disclosure in the National Registry of Lenders as "Non-Compliant with Inclusive Lending Obligations."
 - b. Second-year consecutive non-compliance:
 - 1. A fine equivalent to four times the monetary shortfall;
 - 2. Suspension from accessing public financial incentives, government guarantees, or any loan loss reserve schemes.
 - c. Third-year and onward consecutive non-compliance:
 - 1. A fine of not less than Ten Million Pesos (PhP 10,000,000) or 10% of the institution's net income from lending operations, whichever is higher;

2. Revocation of accreditation or lending authority, subject to due process by BSP or SEC;
3. Criminal liability for responsible officers, with imprisonment of five (5) years and perpetual disqualification from managing any lending institution.

Each year of non-compliance shall be treated as a separate and distinct offense.

B. Charging Above-Cap Interest:

1. First offense: Fine of PhP 500,000 and refund of excess
2. Subsequent offenses: Fine of PhP 1,000,000.00 in addition to imprisonment of six (6) years and license revocation

C. Abusive Collection Practices:

1. First offense: PhP 250,000 fine and cease order
2. Second offense: Permanent blacklisting and criminal prosecution

D. Operating as an Unlicensed Lender

1. Immediate shutdown of business operations, confiscation of illegal earnings, blacklisting of involved individuals or entities, and imprisonment of eight (8) years.

E. Unauthorized Data Collection, Processing, or Disclosure in Violation of RA 10173 and this Act

1. Fine of not less than PhP 1,000,000 per affected individual, suspension of digital operations, mandatory takedown of any associated loan app or website, and imprisonment under the Data Privacy Act of 2012, if warranted.

F. Violation of Any Other Provision of this Act

1. For any act or omission in breach of this Act not specifically covered above, the offender shall be liable to:
 - a. A fine of not less than PhP 250,000 but not more than PhP 1,000,000, or
 - b. Imprisonment of not less than one (1) year but not more than five (5) years, or
 - c. Both, at the discretion of the court.

If the offender is a juridical entity, such as a corporation or partnership, the penalty shall be imposed on its responsible officers, directors, managing partners, or any person acting in behalf of the entity who committed or authorized the violation.

SECTION 17. ENFORCEMENT AND TAKEDOWN POWERS.

The DICT and NTC shall be empowered to block and remove digital platforms or apps in violation of this Act. Social media sites must cooperate to take down harassing or defamatory content used in debt collection.

SECTION 18. SEPARABILITY CLAUSE.

If any provision of this Act is declared unconstitutional, the remainder shall remain in full force and effect.

SECTION 19. REPEALING CLAUSE.

All laws, orders, and issuances inconsistent with this Act are repealed or amended accordingly.

SECTION 20. EFFECTIVITY.

This Act shall take effect fifteen (15) days after publication in the Official Gazette or in two national newspapers of general circulation.

Approved,