

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City



TWENTIETH CONGRESS
First Regular Session

HOUSE BILL No. 572

Introduced by
ACT Teachers Party-List Rep. ANTONIO L. TINIO
and **KABATAAN Party-List Rep. RENEE LOUISE M. CO**

AN ACT
PROVIDING FOR LIMITATION OF LOAN INTEREST RATES,
ITEMIZATION OF LOAN CONTRACTS AND FOR OTHER PURPOSES

EXPLANATORY NOTE

“The State of Banking and Financial Wellness in Asia Pacific,” a survey commissioned by banking software solutions company Backbase and conducted by Forrester Consulting, noted that “managing debt was the main concern of Filipinos; more so than the rest of APAC.” According to the 2021 study, 67% of the Filipino respondents said that they feel overwhelmed by debt while 60% said that debt negatively impacts their abilities to pay bills—which leads to more debts. Meanwhile 63% said debt makes building savings difficult.¹

Perennially low salaries and high cost of living force many Filipinos to take loans from loan sharks despite the existence of rules that limit interest rates. Indeed, one can still easily be burdened by interest rates when one fails to promptly pay an installment or more, under current regulations.

Teachers are among the most heavily burdened by debts. According to the data of the Department of Education, in 2019, public school teachers collectively owe “a combined debt of at least ₱319 billion, an increase of ₱18 billion in just over two years.” Of this amount, teachers owed ₱157.4 billion to the Government Service Insurance System (GSIS) as of May 29 while ₱162 billion in outstanding loans to accredited private lenders as of June 6.

¹<https://www.backbase.com/press/16084/financial-wellness-and-money-management-apps-could-be-the-antidote-to-the-philippines-crippling-consumer-debt/>

In one instance, a private lending firm filed cases against 200 teachers in Central Luzon, leading to their unfortunate and unnecessary arrest. Public school teachers filed counter-charges against the said lending firm. Many teachers are dragged to the Professional Regulation Commission (PRC), their teaching licenses and source of livelihood in jeopardy, by lenders, loan sharks among them.

The entry of vulture-like big corporate debt collectors in the Philippines should also be a cause for alarm. Alongside the demands for higher wages and salaries, the Philippine government should ensure to protect the Filipino people from exorbitant interest rates and any form of harassment, filing of cases, and arrests.

Thus, the immediate passage of this Bill is earnestly sought.



Rep. ANTONIO L. TINIO
ACT Teachers Party-List



Rep. RENEE LOUISE M. CO
KABATMAN Party-List

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

SECTION 1. *Short Title.* - This Act shall be known as the “*Loan Interest Limitation and Itemization (LILIT) Law.*”

SEC. 2. *Declaration of State Policy.* - The policy of the State to protect citizens from exorbitant or usurious interest rates and oppressive debts is hereby affirmed, recognized and implemented.

The policy of the State to protect its citizens from a lack of awareness of the true cost of credit to the user by assuring a full disclosure of such cost, with a view of preventing the uninformed use of credit to the detriment of the national economy, is hereby reiterated.

SEC. 3. *Covered Firms.* - This Act shall cover all lending firms and institutions, banks, financial institutions, debt collection firms, government-owned and -controlled corporations, including the Social Security System, the Government Service Insurance System, the Home Development Mutual Fund, and other similar entities.

SEC. 4. *Covered Loans.* - The interest rates on the following types of loans shall be regulated to protect citizens from usurious rates:

- (a) personal loan;

- (b) salary loan;
- (c) housing loan;
- (d) multi-purpose loan;
- (e) educational loan;
- (f) credit card transactions, including cash advances; and
- (g) other similar loans as defined in the implementing rules and regulations.

SEC. 5. *Maximum Interest Rates for Covered Loans.* - The maximum interest rate on the covered loans is 1% monthly and 6% annually.

SEC. 6. *Itemization of Monthly or Annual Payments.* - All loan contracts shall include the following information:

1. the amount lent;
2. the amounts, if any, to be credited as down payment;
3. the difference between the amounts set forth under clauses (1) and (2);
4. a full schedule of monthly or annual payments and the monthly or annual interest rates;
5. any contract, claim, or obligation arising out of the loan at the time of signing, or that will arise therefrom in the future, and the terms and conditions thereof.

Provided, that this provision shall be without prejudice to the provisions of Republic Act 3765 or the "*Truth in Lending Act.*"

SEC. 7. *Non-revocation and non-suspension of licenses due to debts.* - In no case shall the Professional Regulation Commission revoke or suspend the license of an individual due to default, late payment, or failure to pay the latter's debts and/or interest or other charges.

SEC. 8. *Non-imposition of penalties due to debts.* - In no case shall an individual incur penalties under the Revised Penal Code due to late payment or failure to pay his or her debts and/or interest or other charges.

SEC. 9. *Prohibited Acts.* - Any covered firm who commits any of the following prohibited acts shall be held liable and be subjected to the penalties as prescribed in Section 10 of this Act:

- (a) Imposition of interest rates more than the maximum interest rate provided for in Section 5 of this Act;
- (b) Failure to include in loan contracts any of the information required in Section 6 hereof;
- (c) Withholding or non-issuance of the statement of account by the covered firms due to late payment or failure to pay debt;
- (d) Withholding or non-issuance of salaries, in cash or otherwise, or taking possession of the same as collateral for debts;
- (e) Imposition of charges on late payment of debt;
- (f) Imposition of additional charges on debt or interest rate; and

- (g) Filing of criminal charges against the debtors due to failure to pay or late payment of debts.

SEC. 10. *Penalties.* - A covered firm that commits any of the prohibited acts provided for in Section 9 of this Act shall be prosecuted and upon conviction shall suffer a fine of One Hundred Thousand Pesos (₱100,000.00) for the first offense; Two Hundred Thousand Pesos (₱200,000.00) for the second offense; and Five Hundred Thousand Pesos (₱500,000.00) and cancellation of business permit for the third offense.

The commission of any of the prohibited acts against at least five (5) persons shall warrant the imposition of a fine of Five Hundred Thousand Pesos (₱500,000.00) and cancellation of business permit in the first instance.

SEC. 11. *Implementing Rules and Regulations.* - The Bangko Sentral ng Pilipinas, in consultation with representatives of national teachers' organizations, consumer groups, covered firms and other stakeholders, shall promulgate the necessary implementing rules and regulations for the effective implementation of this Act no later than ninety (90) days upon the effectivity of this Act.

SEC. 12. *Separability Clause.* - If any part or provision of this Act is held invalid, illegal or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

SEC. 13. *Repealing Clause.* - All laws, decrees, executive orders, proclamations, rules and regulations, and other issuances, or parts thereof contrary to or inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 14. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any two (2) national newspapers of general circulation.

Approved,