

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

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 3557



Introduced by Hon. Faustino Michael Carlos T. Dy III

EXPLANATORY NOTE

While the amendments to the Anti-Usury Act opened the way for bankers and businessmen, and juridical and natural persons to enter into contracts of loans freely stipulating on the rates of interest, and thus stimulated the growth of commerce in the country, its effects vary among the different kinds of parties to such contracts.

Doubtless, there are those who have benefited from this development. It is not, however, difficult to imagine the various situations that may force a lowly individual, especially the less than highly educated, to enter into contracts that are disadvantageous to themselves. Sudden financial need brought about by life events both happy and sad, natural catastrophes, opportunities, etc., may push such a person to accept almost any terms offered or made available to him.

The humble farmer is no stranger to such situations. He finds himself not infrequently with his back against the wall especially when nature ruthlessly punishes his toil to naught; sometimes, when his fellow men commit acts that enrich themselves at the expense of others. He then finds himself at the mercy of loan sharks, and often resorts to using his land as collateral. Sometimes, sadly, he loses it; and with it go his dreams of a better life.

A piece of land, hard-won over many years of struggle against the prevailing class, lost for any reason is one piece too many.

Where the government can help to prevent this from happening, it should do so as a matter of duty. Among others, legislation or lack thereof that serve to do injustice to our farmers should be accordingly addressed.

The Filipino farmer, for centuries the symbol of industry in our country, belongs to a class all his own. To him belong accolades for making possible the

growth and success of this nation's youth while sacrificing his own welfare. To him belong our overdue gratitude for enabling us to be nourished while he languishes in misery and many a time goes hungry.

It is therefore a travesty of justice when this hero becomes victim to the effects of fluctuating, usually high, interest rates, a situation that this government has permitted. While on the one hand this government seems to be extending compassion to this sector, on the other it allows others to oppress it. Such is the effect of the removal of interest rate ceilings, prescribed by the Anti Usury Law, on our farmers.

Admission and evidence of the less than positive – nay, nefarious, effects of such act are statements by our learned Supreme Court justices in landmark cases, with words describing the interest rates in such agreements as: "unconscionable," "onerous," "immoral," etc. While the law left the determination of what was usurious to our judges, such admission of the nature of interest rates and agreements clearly leave a bad taste in the mouth – that we have left our people vulnerable to the whims of the strong.

This bill seeks to impose a cap on interest rates that may be imposed on small farmers' loans – they who have very little to their name, who cannot to prevent the loss of his property, to prevent the deterioration of his situation, to help him survive and enable him to live decently.

Through this measure, it is hoped that concrete, measurable changes in our farmers' lives may become apparent and felt. And with prayers that it is not yet too late for most of those for whom this measure is meant.

In view of this representation's burning desire to correct the neglect of this sector and restore their dignity, immediate approval of this bill is earnestly sought.



FAUSTINO MICHAEL CARLOS T. DY III
5th District, Isabela

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INTRODUCED BY REP. FAUSTINO MICHAEL CARLOS T. DY III

AN ACT TO PROHIBIT USURIOUS LENDING TO FARMERS, APPROPRIATING FUNDS THEREFOR 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."

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. 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. 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. 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. Penal Provision. – 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 PhP 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 PhP 200,000.00.

Any juridical person who violates any provision of this Act shall be punished with a fine of PhP 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.