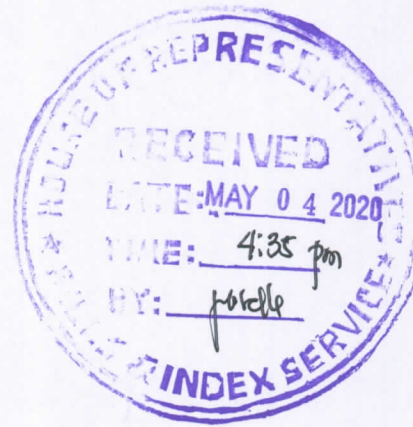


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 6678

Introduced by Representative FLORIDA "RIDA" P. ROBES

EXPLANATORY NOTE

The COVID-19 pandemic has caused an unprecedented human and health crisis. It has likewise triggered an economic downturn that will likely cause a recession in many countries around the world, including the Philippines. Bangko Sentral ng Pilipinas Governor Benjamin Diokno had earlier made a GDP forecast for the country of -1% to 0 percent as a result of the health emergency. Even with the modification or lifting of the Enhanced Community Quarantine, many Filipinos are expected to lose their jobs as a result of many businesses closing or slowing down as a result of the pandemic.

Indeed there is great uncertainty for everyone. To help cushion the impact of the financial instability for all Filipinos and businesses, especially Micro, Small and Medium Enterprises (MSMEs), there is need to put a limit on interest rates on loans, credits and all forbearances.

The country's "Usury Law" under Republic Act No. 2655 which caps interest rate to not more than 12% per annum has been suspended by the Bangko Sentral ng Pilipinas when it issued Circular No. 902 Series of 1982 which removed the ceiling on interest rates. This enabled banks and other lending institutions to freely impose higher interest rates that would cause the amount of the debt to balloon to an outrageous amount, more than three times the principal debt.

A report by the Securities and Exchange Commission (SEC) showed that because of the suspension of the Usury Law, lending and financing companies charge as much as 2.5% interest per day on top of the other fees and charges.

In these tough times, the imposition of usurious and unconscionable interest rates should be made illegal because it has oftentimes led to abuse and more sufferings to hapless borrowers.

In other countries, their interest rates are capped. In the United States, where regulations on interest rates vary across states, several jurisdictions put a limit in their interest rates like New York (25%), New Jersey (30%), Arkansas (17%), among others.

In these extraordinary and difficult times when every Filipino struggle to survive and get out of the physical, emotional, psychological and financial quagmire caused by Covid-19, there is an urgent need to limit the interest rates to provide support to cash-strapped individuals and protect them from excessive interest rates. This will likewise give relief to businesses, especially MSMEs, by making loans affordable and accessible to enable them to jumpstart their operations.

Putting a ceiling on interest rates will put an end to unconscionable and oppressive loan arrangements especially in these trying times. This will likewise discourage predatory lending and punish unscrupulous lending firms and individuals who take advantage of the desperation of people and their misfortunes.

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


Rep. FLORIDA "RIDA" P. ROBES

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**AN ACT
PUTTING A CEILING ON INTEREST RATES UPON LOANS AND
FORBEARANCES AND PRESCRIBING PENALTIES FOR VIOLATION THEREOF**

SECTION 1. Short Title. – This Act shall be known as the “Interest Rates Ceiling Act of 2020.”

SECTION 2. Declaration of Policy. – It is the policy of the State to promote a just and dynamic social order that will ensure the prosperity and independence of the country 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. Toward this end, this Act seeks to set a reasonable and conscionable ceiling on interest rates charged by lending and financing institutions on loans or forbearance of any money, goods or credit.

SECTION 3. Ceiling on Interest Rates on Business Transactions. – All lending institutions and financing companies shall charge an interest of not more than point five percent (.5%) per month or six percent (6%) per annum on loans or any forbearance of money, goods or credit.

Charges for late payment and other fees charged by the lending and financing institutions shall not exceed point five percent (.5%) per month or six percent (6%) per annum on such loans or any forbearance of money, goods or credit.

For purposes of this Act, lending institutions shall include, but not limited to, banks, credits card companies, pawnshops, savings and loan associations, brokerage firms, mortgage companies, investment companies, insurance firms, credit unions, cooperatives, partnerships, lenders or private individuals engaged in lending.

SECTION 4. Penalties. – Any person who shall violate Section 3 of this Act shall be punished by imprisonment of not less than six (6) months but not more than six (6) years or a fine of not less than One Hundred Thousand pesos (P100,000.00) but not more than Two Million pesos (P2,000,000.00) or both, at the discretion of the court.

If the offender is corporation, partnership, association or any juridical person, the penalty shall be imposed upon the president, treasurer or any other officer or person responsible for the violation. In addition, the license to operate the business establishment shall be canceled or revoked.

If the offender is an alien, he/she shall, after service of sentence, be deported immediately without further proceedings.

SECTION 5. Implementing Rules and Regulations. – To implement provisions of this Act, the National Committee on the Filipino Family, shall promulgate the rules and regulations within ninety (90) days after the effectivity of this Act.

SECTION 6. Separability Clause. – If any part or provision of the Act shall be held unconstitutional or invalid, other Provisions hereof which are not affected hereby shall continue to be in full force and effect.

SECTION 7. Repealing Clause. – All laws, decrees, rules and regulation inconsistent with the provision of this Act hereby repealed or modified accordingly.

SECTION 12. Effectivity. – This shall take effect after fifteen (15) days from its publication in two (2) national newspaper of general circulation.

Approved.