

### Title:

**\*\*Advocates for Truth in Lending, Inc. and Eduardo B. Olaguer vs. Bangko Sentral Monetary Board: A Test on the Authority to Enforce the Suspension of the Usury Law\*\***

### Facts:

The case initiated by the petitioners, Advocates for Truth in Lending, Inc. (AFTIL), a non-profit corporation focused on money lending issues, and Eduardo B. Olaguer, its president, directly approached the Supreme Court under a Petition for Certiorari. They sought to challenge the Bangko Sentral ng Pilipinas Monetary Board's (BSP-MB) authority to continue enforcing the Central Bank Circular No. 905, which effectively "suspended" the Usury Law (Act No. 2655 of 1916). This Circular was initially issued by the Central Bank Monetary Board (CB-MB) in 1982 under the governance of the Central Bank (CB) of the Philippines established by R.A. No. 265 in 1948.

The circular removed interest rate ceilings on loans and was maintained by the BSP-MB, the successor of CB-MB, under the new central banking system established by R.A. No. 7653 in 1993. Petitioners contended that such enforcement lacked legal basis and challenged its validity on grounds of constitutional rights and statutory authority. They cited public interest and the significant societal impact as the basis for direct Supreme Court intervention, bypassing lower courts. The petition highlighted previous legislative attempts to probe and control high interest rates and the lack of public hearing prior to the Circular's promulgation.

### Issues:

1. Whether the CB-MB had the statutory or constitutional authority under R.A. No. 265 and/or P.D. No. 1684 to prescribe maximum interest rates beyond those prescribed by the Usury Law.
2. If so, whether the CB-MB exceeded this authority by issuing CB Circular No. 905, which removed all interest rate ceilings.
3. Whether the BSP-MB, under R.A. No. 7653, can continue to enforce CB Circular No. 905.

### Court's Decision:

The Supreme Court dismissed the petition, concluding that:

- The petition is procedurally infirm for prematurely invoking the Supreme Court's jurisdiction as certiorari is directed against bodies exercising judicial or quasi-judicial functions, which the BSP-MB does not.
- Petitioners lack locus standi as they did not demonstrate direct injury from the

enforcement of CB Circular No. 905 nor a misuse of public funds.

- The issues were not of transcendental importance as required for bypassing procedural rules, especially since the claim of high-interest rates pertained to periods long past and not directly related to current economic conditions.

### ### Doctrine:

The Central Bank or BSP has the authority to suspend the effectivity of the Usury Law following P.D. No. 1684, thus allowing parties to freely contract on interest rates. Such circulars do not repeal the law but suspend its operation, acknowledging the legislative intention for a flexible monetary policy responsive to economic conditions. Nonetheless, the power to define usurious transactions remains within the legislative domain.

### ### Class Notes:

- Locus Standi: Parties challenging a law must demonstrate a personal and substantial interest in the case.

- Transcendental Importance: The dire necessity for direct Supreme Court intervention must be evident, considering societal impact and absence of alternative legal remedies.

- The suspension of the Usury Law exemplifies regulatory flexibility intended to adapt to economic changes, but it does not allow for unconscionable, excessive interest rates.

- Legislative Authority on Monetary Policy: The BSP's deregulatory actions on interest rates fall within the bounds of powers conferred by law, highlighting the separation of powers and the specificity of legislative delegation.

### ### Historical Background:

The issuance of CB Circular No. 905 in 1982 was a significant move towards liberalizing financial markets in the Philippines, marked by a transition from strict regulation of interest rates to a market-oriented approach. This regulatory shift sought to invigorate the Philippine economy during the period of economic instability in the early 1980s by allowing for more dynamic responses to global and local economic conditions. The challenge to this circular, decades later, underscored the ongoing debate on the balance between regulatory oversight and market freedom, a matter of enduring relevance in Philippine monetary policy and economic planning.