

AMENDING FURTHER CERTAIN SECTIONS OF ACT NUMBERED TWO THOUSAND SIX HUNDRED FIFTY-FIVE, AS AMENDED, OTHERWISE KNOWN AS **THE USURY LAW**;

PRESIDENTIAL DECREE NO. 116, January 29, 1973

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WHEREAS, the interest rate, together with other monetary and credit policy instruments, performs a vital role in mobilizing domestic savings and attracting capital resources into preferred areas of investment;

WHEREAS, the monetary authorities have recognized the need to amend the present Usury Law to allow for more flexible interest rate ceiling that would be more responsive to the requirements of changing economic conditions; and

WHEREAS, the availability of adequate capital resources is, among other factors, a decisive element in the achievement of the declared objective of accelerating the growth of the national economy;

NOW, THEREFORE I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree the amendment of Act No. 2655, as amended, as follows:

SECTION 1. Section one of Act Numbered Two Thousand six hundred fifty-five is hereby amended to read as follows:

“SEC. 1. The rate of interest for the loan or forbearance of any money, goods, or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall be six per centum per annum or such rate as may be prescribed by the Monetary Board of the Central Bank of the Philippines for that Purpose in accordance with the authority hereby granted.”

SEC. 2. The same Act is hereby amended by adding the following section immediately after section one thereof, which reads as follows:

“SEC. 1-a. The Monetary Board is hereby authorized to prescribe the maximum rate or rates of interest for the loan or renewal thereof or the forbearance of any money, goods or credits, and to change such rate or rates whenever warranted by prevailing economic and social conditions: Provided, That such changes shall not be made oftener than once every twelve months.

"In the exercise of the authority herein granted, the Monetary Board may prescribe higher maximum rates for consumer loans or renewals thereof as well as such loans made by pawnshops, finance companies and other similar credit institutions although the rates prescribed for these institutions need not necessarily be uniform.

SEC. 3. Section two of the same Act is hereby amended to read as follows:

"SEC. 2. No person or corporation shall directly or indirectly take or receive in money or other property, real or personal, or choses in action, a higher rate of interest or greater sum or value, including commissions,

premiums, fines and penalties, for the loan or renewal thereof or forbearance of money, goods, or credits, where such loan or renewal or forbearance is secured in whole or in part by a mortgage upon real estate the title to which is duly registered, or by any document conveying such real estate or an interest therein, than twelve per centum per annum or the maximum rate prescribed by the Monetary Board and in force at the time the loan or renewal thereof or forbearance is granted: Provided, That the rate of interest under this section or the maximum rate of interest that may be prescribed by the Monetary Board under this section may likewise apply to loans secured by other types of security as may be specified by the Monetary Board."

SEC. 4. Section three of the same Act is hereby amended to read as follows:

"SEC. 3. No person or corporation shall directly or indirectly demand, take, receive or agree to charge in money or other property, real or personal, a higher rate or greater sum or value for the loan or forbearance of money, goods, or credits, where such loan or forbearance is not secured as provided in Section two hereof, than fourteen per centum per annum or the maximum rate or rates prescribed by the Monetary Board and in force at the time the loan or forbearance is granted."

SEC. 5. Section four of the same Act is hereby amended to read as follows:

"SEC. 4. No pawnbroker or pawnbroker's agent shall directly or indirectly stipulate, charge, demand, take or receive any higher rate or greater sum or value for any loan or forbearance than two and one-half per centum per month when the sum lent is less than one hundred pesos; two per centum per month when the sum lent is one hundred pesos or more, but not exceeding five hundred pesos; and fourteen per centum per annum when it is more than the amount last mentioned; or the maximum rate or rates prescribed by the Monetary Board and in force at the time the loan or forbearance is granted. A pawnbroker or pawnbroker's agent shall be considered such, for the benefits of this Act, only if he be duly licensed and has an establishment open to the public.

"It shall be unlawful for a pawnbroker or pawnbroker's agent to divide the pawn offered by a person into two or more fractions in order to collect greater interest than that permitted by this section."

"It shall also be unlawful for a pawnbroker or pawnbroker's agent to require the pawner to pay an additional charge as insurance premium for the safekeeping and conservation of the article pawned."

SEC. 6. The same Act is hereby amended by adding the following section immediately after Section four thereof, which reads as follows:

"SEC. 4-a. In the exercise of its authority to fix the maximum rate or rates of interest under this Act, the Monetary Board shall be guided by the following:

- "1. The existing economic conditions in the country and the general requirements of the national economy;
- "2. The supply of and demand for credit;
- "3. The rate of increase in the price levels; and
- "4. Such other relevant criteria as the Monetary Board may adopt."

SEC. 7. Section five of the same Act is hereby amended to read as follows:

"SEC. 5. In computing the interest on any obligation, promissory note or other instrument or contract, compound interest shall not be reckoned, except by agreement: Provided, That whenever compound interest is agreed upon, the effective rate of interest charged by the creditor shall not exceed the equivalent of the maximum rate prescribed by the Monetary Board, or, in default thereof, whenever the debt is judicially claimed, in which last case it shall draw six per centum per annum interest or such rate as may be prescribed by the Monetary Board. No person or corporation shall require interest to be paid in advance for a period of more than one year: Provided, however, That whenever interest is paid in advance, the effective rate of interest charged by the creditor shall not exceed the equivalent of the maximum rate prescribed by the Monetary Board."

SEC. 8. Section seven of the same Act is hereby amended to read as follows:

"SEC. 7. All covenants and stipulations contained in conveyances, mortgages, bonds, bills, notes, and other contracts or evidences of debts, and all deposits of goods or other things, whereupon or whereby there shall be stipulated, charged, demanded, reserved, secured, taken, or received, directly or indirectly, a higher rate or greater sum or value for the loan or renewal or forbearance of money, goods, or credits than is hereinbefore allowed, shall be void: Provided, however, That no merely clerical error in the computation of interest, made without intent to evade any of the provisions of this Act, shall render a contract void: Provided, further, That parties to a loan agreement, the proceeds of which may be availed of partially or fully at some future time, may stipulate that the rate of interest agreed upon at the time the loan agreement is entered into, which rate shall not exceed the maximum allowed by law, shall prevail notwithstanding subsequent changes in the maximum rates that may be made by the Monetary Board: And provided, finally, That nothing herein contained shall be construed to prevent the purchase by an innocent purchaser of a negotiable mercantile paper, usurious or otherwise, for valuable consideration before maturity, when there has been no intention on the part of said purchaser to evade the provisions of this Act and said purchase was not a part of the original usurious transaction. In any case, however, the maker of said note shall have the right to recover from said original holder the whole interest paid by him thereon and, in case of litigation, also the costs and such attorney's fees as may be allowed by the court."

SEC. 9. The same Act is hereby amended by adding the following section immediately after Section nine thereof, which reads as follows:

"SEC. 9-a. The Monetary Board shall promulgate such rules and regulations as may be necessary to implement effectively the provisions of this Act."

SEC. 10. Section ten of the same Act is hereby amended to read as follows:

"SEC. 10. Without prejudice to the proper civil action, violation of this Act and the implementing rules and regulations promulgated by the Monetary Board shall be subject to criminal prosecution and the guilty person shall, upon conviction, be sentenced to a fine of not less than fifty pesos nor more than Five hundred pesos, or to imprisonment for not less than thirty days nor more than one year, or both, in the discretion of the court, and to return the entire sum received as interest from the party aggrieved, and in the case of non-payment, to suffer subsidiary imprisonment at the rate of one day for every two pesos: Provided, That in case of corporations, associations, societies, or companies, the manager, administrator or gerente or the person who has charge of the management or administration of the business shall be criminally responsible for any violation of this Act."

SEC. 11. All acts and parts of acts inconsistent with the provisions of this Decree are hereby repealed.

SEC. 12. This Decree shall take effect immediately.

Done in the City of Manila, this 29th day of January, in the year of Our Lord, nineteen hundred and seventy-three.

(Sgd.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.) ALEJANDRO MELCHOR

Executive Secretary

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