

AMENDING FURTHER ACT NUMBERED TWO THOUSAND SIX HUNDRED FIFTY-FIVE, AS AMENDED OTHERWISE KNOWN AS “THE USURY LAW.”

PRESIDENTIAL DECREE No. 1684, March 17, 1980

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WHEREAS, while the interest rate is an important monetary and credit policy instrument, changes in interest rate ceilings should not cause undue hardships on the various sectors of the economy;

WHEREAS, there may be a need under certain circumstance to effect changes in interest rate ceilings on a staggered basis;

WHEREAS, contractual stipulations providing for adjustments in the interest rate agreed upon in the event that there is a change in the legal rate of interest should benefit Both the creditor and the debtor:

NOW, THEREFORE , I, FERDINAND E. MARCOS , President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby declare and order the amendment of Act No. 2655, as amended, as follows:

SECTION 1. Section 1-a of Act No. 2655, as amended, is hereby amended to read as follows:

"SEC. 1a . The Monetary Board is hereby authorized to prescribe the maximum rate or rates of interest for the loan or renewal; therefore 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 changes in such rate or rates may be effected gradually on scheduled dates announced in advance.

"In the exercise of the authority herein granted, the Monetary Board may prescribe higher maximum rates for loans of low priority, such as 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. The Monetary Board is also authorized to prescribe different maximum rate or rates for different types of borrowings, including deposits and deposit substitutes, or loans of financial intermediaries."

SEC. 2. The same Act is hereby amended by adding a new section after section 7, to read as follows: amended by follows:

"SEC. 7-a. Parties to an agreement pertaining to a loan or forbearance of money, goods or credit may stipulate that the rate of interest agreed upon may be increased in the event that the applicable maximum rate of interest is increased by law or by the Monetary Board: Provided, That such stipulation shall be valid only if there is also a stipulation in the agreement that the rate of interest agreed upon shall be reduced in the event that the applicable maximum rate of interest is reduced by law or by the Monetary Board: Provided, further, That the adjustment in the rate of interest agreed upon shall take effect on or after the effectivity of the increase or decrease in the maximum rate of interest."

SEC. 3. All Acts and part of Acts inconsistent with the provisions of this Decree are hereby repealed or modified accordingly.

SEC. 4. This Decree shall take effect immediately.

Done in the City of Manila, this 17th day of March, in the year of Our Lord, nineteen hundred and eighty.

(SGD.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(SGD.) JUAN C. TUVERA

Presidential Assistant

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