

AN ACT FIXING RATES OF INTEREST UPON LOANS AND DECLARING THE EFFECT OF RECEIVING OR TAKING USURIOUS RATES, AND FOR OTHER PURPOSES.

Act No. 2655., February 24, 1916

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By authority of the United States, be it enacted by the Philippine Legislature, that:

SECTION 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.

SEC. 2. No person or corporation shall directly or indirectly take or receive in money or greater sum or value for the loan or forbearance of money, goods, or credits, where such loan 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. Mutual building and loan societies incorporated under the Corporation Act may, however, charge eighteen per centum per annum but not more, directly or indirectly, including premiums, interest and fines.

SEC. 3. No person or corporation shall directly or indirectly take or receive 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.

SEC. 4. No pawnbroker or pawnbroker agent shall directly or indirectly take or receive any higher or greater sum or value for any loan or forbearance than three 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. A pawnbroker or pawnbroker's agent shall be considered such, for the benefits of this Act only if he be duly licensed and has further an establishment open to the public.

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, or, in default thereof, whenever the debt is judicially claimed, in which last case it shall draw six per centum per annum interest.

SEC. 6. Any person or corporation who, for any such loan or forbearance, shall have paid or delivered a higher rate or greater sum or value than is hereinbefore allowed to be taken or received, may recover the whole interest paid or delivered with costs and attorney's fees in such sum as may be allowed by the court in an action against the person or corporation who took or received it, if such action is brought within two years after such payment or delivery: Provided, however, That the creditor shall not be obliged to return the interest collected by him in advance when the debtor shall have paid the obligation before it is due, provided such interest does not exceed from ten to twelve per centum per annum, according as it falls under section two or section three of this Act.

SEC. 7. All conveyances, mortgages, bonds, bills, notes, and other contracts or evidences of debt, and all deposits of goods or other things, whereupon or whereby there shall be reserved, secured, taken, or received, directly or

indirectly, a higher rate or greater sum or value for the loan or forbearance of money, goods, or credits than is hereinbefore allowed, shall be void: Provided, however, That no clerical error in the computation of interest, made Without intent to evade any of the provisions of this Act shall render a contract void: And provided further, That nothing herein contained shall be construed to prevent the purchase by an innocent purchaser of negotiable mercantile paper, usurious or otherwise, for valuable consideration before maturity, when there has been no intent 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. 8. All loans under which payment is to be made in agricultural products or seed or in any other kind of commodities shall also be null and void unless they provide that such products or seed or other commodities shall be appraised at the time when the obligation falls due at the current local market price and any person or corporation having paid otherwise shall be entitled in case action is brought within two years after such payment or delivery to recover all the products or seed delivered as interest, or the value thereof, together with the costs and attorney's fees in such sum as may be allowed by the court. Nothing contained in this section shall be construed to prevent the lender from taking interest for the money lent, provided such .interest be not in excess of the rates herein fixed.

SEC. 9. The person or corporation sued shall file its answer in writing under oath to any complaint brought or filed against said person or corporation before a competent court to recover the money or other personal or real property, seeds or agricultural products, charged or received in violation of the provisions of this Act. The lack of taking an oath to an answer to a complaint will mean the admission of the facts contained in the latter.

SEC. 10. Without prejudice to the proper civil action, violations of this Act shall be subject to criminal prosecution and the guilty person shall, upon conviction, be sentenced to a fine equivalent to the total interest stipulated or to the value of the products or seed agreed upon as interest, and in case of insolvency, subsidiary imprisonment shall be imposed: 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 the one to suffer the subsidiary imprisonment provided by this Act in the case of a sentence of conviction.

SEC. 11. All Acts and parts of Acts inconsistent with the provisions of this Act are hereby repealed.

SEC. 12. This Act shall take effect on the first day of May, nineteen hundred and sixteen.

Enacted, February 24, 1916.

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