

PENALTY ON PAST DUE LOANS

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The Monetary Board, in its Resolution No. 1032 dated September 28, 1990, approved the amendment of Subsection 3304.5 a(1) of Book III of the Manual of Regulations for Banks and Other Financial Intermediaries, to read as follows:

“3304.5 Penalty on past due loans

a. Coverage

1. Rural Banks may impose penalty on past due loans of borrowers: Provided, That their failure to pay their loans on time is due to inexcusable neglect: Provided further, That the penalty shall be reasonable and not unconscionable.

For purposes of this subsection, the term inexcusable neglect shall mean the failure of the borrower to pay the loan on its due date for any reason except (1) natural calamities such as typhoons and floods, or (2) grave illness or death of the borrower or any immediate member of his family, or (3) any other similar emergency beyond the control of the borrower: Provided, That such calamities or emergencies are the direct cause of non-payment of the loan on its due date.

2. To delete Subsection 3304.5, a (2), of the Manual.”

This Circular shall take effect immediately.

Adopted: 12 Oct. 1990

(SGD.) JOSE L. CUISIA, JR.

Governor

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