

AN ACT TO AMEND SECTIONS TWO, FOUR, FIVE, SIX, AND SEVEN OF ACT NUMBERED TWENTY-SIX HUNDRED AND FIFTY-FIVE, COMMONLY KNOWN AS THE USURY LAW

Act No. 3291, December 02, 1926

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Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

SECTION 1. Section two of Act Numbered Twenty-six hundred and fifty-five, commonly known as the Usury Law, 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, a higher rate of interest or greater sum or value, including commissions, 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. Mutual building and loan societies incorporated under Act Numbered Fourteen hundred and fifty-nine, known as the Corporation Act may, however, charge in addition a premium the percentage of which shall be fixed from time to time by their boards of directors but shall in no case exceed two per centum per annum, computed in annual payments from the date when the loan was made until the day when the obligation is totally extinguished."

SEC. 2. Section four of Act Numbered Twenty-six hundred and fifty-five is hereby amended to read as follows:

"SEC. 4. No pawnbroker or pawnbroker's agent shall directly or indirectly 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.

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.

"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 pawn broker's agent to require the pawner to pay an additional charge as insurance premium for the safekeeping and conservation of the article pawned."

SEC. 3. Section five of Act Numbered Twenty-six hundred and fifty-five, commonly known as the Usury Law, 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, or, in default thereof, whenever the debt is judicially claimed, in which last case it shall draw six per centum per annum interest. No person or corporation shall require interest to be paid in advance for a period of more than one year."

SEC. 4. Section six of Act Numbered Twenty-six hundred and fifty-five, commonly known as the Usury Law, is hereby amended to read as follows:

"SEC. 6. Any person or corporation who, for any such loan or renewal thereof 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, commissions and premiums paid or delivered in excess, 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 and commissions for a period of not more than one year collected by him in advance when the debtor shall have paid the obligation before it is due, provided such interest and commissions do not exceed the rates fixed in this Act."

SEC. 5. Section seven of Act Numbered Twenty-six hundred and fifty-five, commonly known as the Usury Law, 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 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 of greater sum or value for the loan or renewal thereof or forbearance of money, goods, or credits, than is herein- before 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: 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. 6. This Act shall take effect on its approval; but it shall not apply to pending transactions or obligations contracted prior to its approval, except renewals thereof made after the date on which this .Act takes effect.

Approved, December 2, 1926.

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