



ADVISORY ON RESPONSIBLE BORROWING AND LOAN INTEREST

The **SECURITIES AND EXCHANGE COMMISSION** (“Commission”) advises the public to observe responsible borrowing and to be mindful of the imposable interest, penalties and other charges before entering into a loan/financing contract or other credit arrangement. This Advisory is issued in view of the complaints received by the Commission against lending and financing companies for the allegedly high interest, penalties and other charges imposed by such companies.

The public is cautioned to transact only with legitimate lending and financing companies which have been issued Certificates of Authority to operate as such by the Commission.

Furthermore, the public is apprised that pursuant to Central Bank (“CB”) Circular No. 905, series of 1982, interest rates are currently not regulated, hence, are subject to the agreement of the lender and borrower. The said circular lifted the ceiling on interests, fees and other charges on loans and other forbearance of money previously prescribed under the Usury Law. The parties to a loan agreement are therefore bound by the interest and other charges they agreed upon, unless the same are otherwise declared null and void by the courts. The jurisdiction to resolve disputes relating to the validity of interest and other charges on loans lies with the courts and not the Commission.

In view of the foregoing, the public is entreated to exercise prudence when entering into loan and other credit agreements, and to closely examine interest rates and other charges in relation to their expected cash flow and ability to pay. The public should carefully scrutinize this information, which are required to be provided by lending and financing companies to their borrowers under Republic Act No. 3765, otherwise known as the Truth in Lending Act.

Should you have any information regarding the individuals/entities engaging in lending and financing business without a Certificate of Authority or in violation of the Truth in Lending Act, please contact the Corporate Governance and Finance Department of the Commission at telephone numbers 818-5476 or 818-5516, or report the same via e-mail: imessagemo@sec.gov.ph.

Pasay City

10 May 2019