



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M - 2008 - 020

To : **ALL BANKS AND FINANCIAL INSTITUTIONS
UNDER BSP SUPERVISION**

Subject : **R. A. No. 3765 (Truth in Lending Act)**

Pursuant to Monetary Board Resolution No. 356 dated 27 March 2008, all banks and financial institutions under BSP supervision are hereby enjoined to strictly comply with the provisions of R.A. No. 3765, otherwise known as the "Truth in Lending Act" as provided in Sec. X307 of the Manual of Regulations for Banks (MORB) and Secs. 4309Q, 4101N and 4307S of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) which require, among other things, that:

Any creditor shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear statement in writing setting forth, to the extent applicable and in accordance with rules and regulations prescribed by the Monetary Board, the following information:

- 1) the cash price or delivered price of the property or service to be acquired;
- 2) the amounts, if any, to be credited as down payment and/or trade-in;
- 3) the difference between the amounts set forth under items (1) and (2);
- 4) the charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;
- 5) the total amount to be financed;
- 6) the finance charge expressed in terms of pesos and centavos; and
- 7) the percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation.

PANANALAPING MATATAG, BANSANG PANATAG

The contract covering the transaction or any other document to be acknowledged and signed by the debtor, shall indicate the above seven (7) items of information. In addition, the contract or document shall specify additional charges, if any, which will be collected in case certain stipulations in the contract are not met by the debtor.

The entities concerned shall post in conspicuous places in their principal place of business and branches, the following:

- a. an abstract of the provisions of R.A. No. 3765 in the form prescribed by the Monetary Board which shall be reproduced in a format sixty (60) cm. wide and seventy-five (75) cm. long (Annex "A"); and
- b. information regarding interest and other charges on loans such as:
 - 1) type of loan;
 - 2) simple annual rate of interest;
 - 3) manner of interest payment; i.e., whether collected in advance or otherwise; and
 - 4) other fees and charges imposed by the bank in connection with the loan.

Pursuant to Section 6 of said Act, "Any creditor who in connection with any credit transaction fails to disclose to any person any information in violation of this Act or any regulation issued thereunder shall be liable to such person in the amount of ₱ 100 or in an amount equal to twice the finance charged required by such creditor in connection with such transaction, whichever is greater, except that such liability shall not exceed ₱ 2,000 on any credit transaction. x x x"

For strict compliance.


AMANDO M. TETANGCO, JR.
Governor

14 May 2008

**ABSTRACT OF "TRUTH IN LENDING ACT"
(Republic Act No. 3765)**

Section 1. This Act shall be known as the "Truth in Lending Act."

Sec. 2. Declaration of Policy. It is hereby declared to be the policy of the State to protect its citizens from a lack of awareness of the true cost of credit to the user by assuring a full disclosure of such cost with a view of preventing the uninformed use of credit to the detriment of the national economy.

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Sec. 3. As used in this Act, the term

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(3) "Finance charge" includes interest, fees, service charges, discounts, and such other charges incident to the extension of credit as the Board may by regulation prescribe.

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Sec. 4. Any creditor shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear statement in writing stating forth, to the extent applicable and in accordance with rules and regulations prescribed by the Board, the following information:

- (1) the cash price or delivered price of the property or service to be acquired;
- (2) the amounts, if any, to be credited as down payment and/or trade-in;
- (3) the difference between the amounts set forth under clauses (1) and (2);
- (4) the charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;
- (5) the total amount to be financed;
- (6) the finance charge expressed in terms of pesos and centavos; and
- (7) the percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation.

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Sec. 6. (a) Any creditor who in connection with any credit transaction fails to disclose to any person any information in violation of this Act or any regulation issued there under shall be liable to such person in the amount of P100 or in an amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is greater, except that such liability shall not exceed P2,000 on any credit transaction.

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(c) Any person who willfully violates any provision of this Act or any regulation issued thereunder shall be fined by not less than P1,000 nor more than P5,000 or imprisonment for not less than 6 months, nor more than one year or both.

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(e) Any final judgment hereafter rendered in any criminal proceeding under this Act to the effect that a defendant has wilfully violated this Act shall be *prima facie* evidence against such defendant in an action or proceeding brought by any other party against such defendant under this Act as to all matters respecting which said judgment would be an estoppel as between the parties thereto.

Sec. 7. This Act shall become effective upon approval.

Approved, 22 June 1963.