



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1098

Series of 2020

Subject: Ceiling on Interest or Finance Charges for Credit Card Receivables

The Monetary Board, in its Resolution No. 1185 dated 17 September 2020, approved the following amendments to the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on the ceiling on interest or finance charges for credit card receivables.

Section 1. Section 312 of the MORB is hereby amended to read, as follows:

312 CREDIT CARD OPERATIONS

X X X

Information to be disclosed xxx

Banks shall notify the cardholder at least ninety (90) calendar days prior to any change in the manner of computation of the outstanding balance and the amount of fees to be imposed on the cardholder.¹ xxx

xxx

Method of computing and imposition of interest or finance charges.

Banks shall impose an interest or finance charge on all credit card transactions not to exceed an annual interest rate of 24 percent, except credit card installment loans which shall be subject to monthly add-on rate not exceeding one (1) percent: *Provided*, That in the case of credit card cash advances, aside from the foregoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of Php200.00 per transaction. Such maximum processing fee and interest rates or finance charges shall be subject to review by BSP every six (6) months.

Banks shall only charge interest or finance charges arising from the non-payment in full or on time of the outstanding balance based on the unpaid amount of the outstanding balance as of statement cut-off date, xxx:

X X X

^{1/} Pursuant to MB Res No. 1185 dated 17 September 2020, banks need not notify their cardholders of the change in interest or finance charges imposed on all credit card transactions and the change in processing fees for credit card cash advances. The said waiver of notice requirement shall

only apply to the change in interest or finance charges and the change in processing fees brought about by the imposition of the cap on interest or finance charges on all credit card transactions and the imposition of the maximum amount of processing fee on credit card cash advances which will take effect on 03 November 2020 in accordance with the said MB Resolution.

Section 2. Section 107-CC of the MORNBFIs is hereby amended to read, as follows:

107-CC IMPOSITION OF INTEREST OR FINANCE CHARGES

Credit card issuers shall impose an interest or finance charge on all credit card transactions not to exceed an annual interest rate of 24 percent, except credit card installment loans which shall be subject to monthly add-on rate not exceeding one (1) percent: *Provided*, That in the case of credit card cash advances, aside from the foregoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of Php200.00 per transaction. Such maximum processing fee and interest rates or finance charges shall be subject to review by BSP every six (6) months.

Credit card issuers shall only charge interest or finance charges arising from the non-payment in full or on time of the outstanding balance based on the unpaid amount of the outstanding balance as of statement cut-off date, xxx:

x x x

Section 3. Section 115-CC of the MORNBFIs is hereby amended to read, as follows:

115-CC INFORMATION TO BE DISCLOSED

Credit card issuers shall disclose to each of their existing and potential credit cardholders the following information:

- a. xxx
- i. to the extent practicable, a detailed explanation and a clear illustration of the manner by which all interest, charges and fees are computed.

The credit card issuer shall notify the cardholder at least ninety (90) calendar days prior to any change in the manner of computation of the outstanding balance and the amount of fees to be imposed on the cardholder.¹ xxx

xxx

^{1/} Pursuant to MB Res No. 1185 dated 17 September 2020, credit card issuers need not notify their cardholders of the change in interest or finance charges imposed on all credit card transactions and the change in processing fees for credit card cash advances. The said waiver of notice requirement shall only apply to the change in interest or finance charges and the change in processing fees brought about by the imposition of the cap on interest or finance charges on all credit card transactions and the imposition of the maximum amount of processing fee on credit

card cash advances which will take effect on 03 November 2020 in accordance with the said MB Resolution.

Section 4. Section 305 of the MORB is hereby amended to read, as follows:

305 INTEREST AND OTHER CHARGES

The rate of interest, including commissions, premiums, fees and other charges, on any loan, or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured, shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and installment purchases and for the maximum processing fee for credit card cash advances, as provided under Sec. 312 (*Method of computing and imposition of interest or finance charges*).

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Section 5. Section 304-Q of the MORNBF1 is hereby amended to read, as follows:

304-Q INTEREST AND OTHER CHARGES

xxx

Rate Ceilings. The rate of interest, including commissions, premiums, fees and other charges, on any loan, or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured, shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and installment purchases and for the maximum processing fee for credit card cash advances, as provided under Sec. 107-CC (*Method of computing and imposition of interest or finance charges*).

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Section 6. This Circular shall take effect on 03 November 2020 following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

24 September 2020