



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1133

Series of 2021

Subject: Ceiling/s on Interest Rates and Other Fees Charged by Lending Companies (LCs), Financing Companies (FCs), and their Online Lending Platforms (OLPs)

The Monetary Board, in its Resolution No. 1717 dated 16 December 2021, approved the prescription of ceiling/s on interest rates and other fees charged by Lending Companies (LCs), Financing Companies (FCs), including their respective Online Lending Platforms (OLPs).^{1,2} This is pursuant to the provisions of Section 7 of Republic Act (RA) No. 9474 or the Lending Company Regulation Act of 2007 and Section 5 of RA No. 8556 or the Financing Company Act of 1998, which empower the Monetary Board of the Bangko Sentral ng Pilipinas (Bangko Sentral) to prescribe maximum interest rates that could be charged by LCs and FCs, in consultation with the Securities and Exchange Commission (SEC) and the industry, if warranted by prevailing economic and social conditions.

Section 1. Prescribed ceiling on interest rates and other fees for specific loans offered by LCs, FCs, and their OLPs.

Policy Statement. The Bangko Sentral recognizes the significant contribution of the LCs, FCs, and their OLPs in promoting access to credit of the unbanked and underserved segment of the population. It is therefore in the country's best interest for the Bangko Sentral to support an enabling environment for LCs, FCs, and their OLPs, with limited regulatory distortions to maintain the viability of the business operations of the concerned lenders, thereby ensure continued access to credit by the subject borrowers. However, the Bangko Sentral is also cognizant of the challenging economic environment brought about by the COVID-19 pandemic that has directly and indirectly affected the paying capacity of borrowers in the unbanked and underserved segment of the population. In this respect, it is the Bangko Sentral's thrust to provide protection for borrowers from predatory lending, excessive charges, and falling into excessive debt while ensuring continued access to credit. Such a balanced approach was considered by the Bangko Sentral in the determination of the ceiling/s on interest rates and other fees charged by LCs, FCs, and their OLPs.

¹ The definitions, rights, and powers of LCs and FCs shall be based on those provided by the SEC as published on their website <https://www.sec.gov.ph/lending-companies-and-financing-companies-2/lending-companies-and-financing-companies/>.

² Consistent with SEC Memorandum Circular No. 10 series of 2021, OLPs shall refer to mobile lending applications, websites, and other FinTech-enabled programs or systems where the services and products of FCs and LCs are made available. See <https://www.sec.gov.ph/mc-financing-lending-companies/mc-no-10-s-2021moratorium-on-new-online-lending-platforms/>.

Loans covered by the ceilings. This policy intends to cover short term, small value, and high-cost consumer credit targeting primarily the low-income borrowers. Therefore, unsecured, general-purpose loans offered by LCs, FCs, and their OLPs, that do not exceed the amount of ₱10,000 and loan tenor of up to four (4) months shall be subject to the prescribed ceilings on interest rates and other fees under this Circular.

Applicable ceiling/s on interest rates and other fees for specific loans offered by LCs, FCs, and their OLPs. As this policy aims to provide relief to the unbanked and underserved segment of the population, which are the most vulnerable amid the pandemic, the Monetary Board is prescribing the following applicable ceiling/s on interest rates, and other fees for covered loans:

1. **A nominal interest rate ceiling equivalent to 6 percent per month (~0.2 percent per day).**
2. **An effective interest rate ceiling equivalent to 15 percent per month (~0.5 percent per day),** which shall include the nominal interest rate along with all other applicable fees and charges (i.e., processing fees, service fees, notarial fees, handling fees and verification fees, among others), but excluding fees and penalties for late payment or non-payment.
3. **A cap on penalties for late payment or non-payment at 5 percent per month** on outstanding scheduled amount due.
4. **A total cost cap of 100 percent of total amount borrowed (applying to all interest, other fees and charges, and penalties)** regardless of time the loan has been outstanding.

Section 2. Review of the policy. As the policy is intended as a time-bound relief measure for the unbanked and underserved segment of the population amid the pandemic, the aforementioned ceilings on interest rates and other fees for covered loans offered by LCs, FCs, and their OLPs shall be subject to the periodic review by the Bangko Sentral, in consultation with the SEC and the industry.

As part of the Bangko Sentral's review, the SEC shall submit to the Bangko Sentral a report on the compliance of LCs, FCs, and their OLPs as well as a comprehensive impact evaluation report on the effectiveness of the said caps, within one (1) year from the effectivity date of the SEC's issuance of the implementing rules and regulations, pursuant to Section 3 herein, and every year thereafter.

Section 3. Implementing Rules and Regulations. The SEC, as primary regulator of LCs, FCs, and their OLPs, shall formulate and promulgate the necessary issuance providing for the rules and regulations implementing the provisions of this Circular within 60 business days from the Circular's effectivity date. The SEC shall be responsible for ensuring compliance of LCs, FCs, and their OLPs with the provisions of this Circular and imposing the appropriate penalties and/or actions.

Section 4. Effectivity. This Circular shall take effect on 3 January 2022 following its publication in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



BENJAMIN E. DIOKNO
Governor

22 December 2021