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SENATE
S. B. No. 2173

RECEIVED BY: 

Introduced by Senator Maria Lourdes Nancy S. Binay

AN ACT CLARIFYING THE RULE ON IMPOSITION OF INTEREST ON OBLIGATIONS
CONSISTING OF LOAN OR FORBEARANCE OF MONEY

EXPLANATORY NOTE

In *Nacar vs. Gallery Frames and/or Felipe Bordey, Jr.* (G.R. No. 189871, August 13, 2013) the Supreme Court modified the landmark case of *Eastern Shipping Lines, Inc. v. Court of Appeals* (G.R. No. 97412, July 12, 1994) to embody *Bangko Sentral ng Pilipinas* ("BSP") Monetary Board ("MB") Circular No. 799 by imposing that the rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of an express contract as to such rate of interest, shall be six percent (6%) *per annum*.

On the other hand, Article 1956 of the New Civil Code provides that no interest shall be due, unless it has been expressly stipulated in writing, thus:

Art. 1956. No interest shall be due unless it has been expressly stipulated in writing.

In order provide a definitive legislative clarification on what would seem to be conflicting provisions of the BSP-MB Circular and the New Civil Code, this bill seeks to clarify the rule on interest on loan or forbearance of money by providing that there shall be no interest due on loan or forbearance of money unless it has been expressly stipulated in writing. The rate of interest shall be that is stipulated by the parties in writing, in the absence of a written agreement, the legal rate of interest shall be 6% per annum.

The proposed bill seeks to provide stability to commercial undertakings by providing a clear rule on obligations of parties as to payment of interest, as well as the rate thereof in the absence of stipulation.

The passage of this bill is therefore earnestly requested.


MARIA LOURDES NANCY S. BINAY
Senator



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3

4 *Be it enacted by the Senate and House of Representatives of the Philippines in Congress*
5 *assembled:*
6

7 **SECTION 1.** No interest shall be due on obligations consisting of loans or forbearance of
8 money unless it has been expressly stipulated in writing. The rate of interest for the loan or
9 forbearance of any money, goods or credits and the rate allowed in judgments, in the absence
10 of an express written agreement as to such rate of interest, shall be six percent (6%) *per*
11 *annum*.

12
13 **SECTION 2. Repealing Clause.** All laws, decrees, orders, rules and regulations, other
14 issuances, or parts thereof inconsistent with the provisions of this Act are hereby repealed or
15 modified accordingly.
16

17 **SECTION 3. Effectivity.** This Act shall take effect fifteen (15) days after its publication in at
18 least two (2) newspapers of general circulation.
19
20

21 Approved,