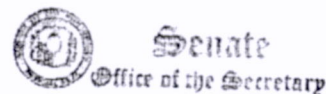


SEVENTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Third Regular Session)



'18 AUG -9 A10 :17

SENATE
S.B. NO. 1927

RECEIVED

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. 97414, 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 definite legislative clarification on what would seem to be conflicting provisions of the BSP-MP 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

SEVENTEENTH CONGRESS OF THE REPUBLIC)
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Senate
Office of the Secretary

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

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

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

6

7 Sec. 2. *Repealing Clause.* – All laws, decrees, orders, rules and
8 regulations, other issuances, or parts thereof inconsistent with the provisions of
9 this Act are hereby repealed or modified accordingly.

10

11 Sec. 3. *Effectivity Clause.* – This Act shall take effect fifteen (15) days
12 after its publication in at least two (2) newspapers of general circulation.

Approved,