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S E N A T E

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INTRODUCED BY SENATOR VILLAR

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**RESOLUTION**

**URGING THE COMMITTEE ON BANKS, FINANCIAL INSTITUTIONS AND CURRENCIES TO REVIEW, IN AID OF LEGISLATION, THE EXISTING STATUTES, POLICIES AND JURISPRUDENCE REGARDING CREDIT CARD INTEREST RATES AND PENALTIES**

*Whereas*, Section 6 Article XII of the 1987 Constitution states that, “The use of property bears a social function, and all economic agents shall contribute to the common good. Individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands”;

*Whereas*, the State through the Bangko Sentral ng Pilipinas shall provide policy direction in the areas of money, banking, and credit and shall have supervision over the operations of banks and exercise such regulatory powers as may be provided by law over the operations of finance companies and other institutions performing similar functions;

*Whereas*, there is an estimated 5.5 million estimated number of credit card holders in the Philippines for 2006<sup>1</sup>;

*Whereas*, the Supreme Court ruled in *Macalinao vs Bank of the Philippine Islands*<sup>2</sup> that the interest rate and penalty charge of 3% per month or 36% per annum should be reduced to 2% per month or 24% per annum;

*Whereas*, according to the same case, the Supreme Court stated that “We need not unsettle the principle we had affirmed in a plethora of cases that stipulated interest rates of 3% per month and higher are excessive, iniquitous, unconscionable and exorbitant;

*Whereas*, the Bangko Sentral ng Pilipinas Financial Consumer Affairs Group maintains that the Supreme Court decision and benefit thereof applied only to the *Macalinao* case to the exclusion of other cardholders in the same situation<sup>3</sup>;

*Whereas*, according to the Credit Card Association of the Philippines, “The wording of Justice Velasco indicates that it is indeed case-to-case: ‘In exercising this power to determine what is iniquitous and unconscionable, courts must consider the circumstances of each case, since what may be iniquitous and unconscionable in one may be totally just and equitable in another” and that “An

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<sup>1</sup> <http://eofw.net/stats-and-facts/credit-card-statistics/>

<sup>2</sup> G.R. No. 175490 September 17, 2009

<sup>3</sup> Gotcha by Jarius Bondoc, Philippine Star, September 22, 2010

across-the-board directive to lower interest and penalties of credit cards cannot be implied from the decision because the SC does not have power to fix interest rates”;<sup>4</sup>

*Whereas*, there is an apparent conflict of views in applying the said ruling by the Supreme Court;

*Whereas*, there is a need to establish a clear, categorical and an unequivocal rule respecting and establishing credit card interest rates and penalties;

*Whereas*, it is the responsibility of the State to regulate banking practices not only for the benefit of the credit card holders but of banking institutions as well in pursuit of a healthy and progressive national economy;

**NOW THEREFORE BE IT RESOLVED**, as it is hereby resolved, to urge the Committee on Banks, Financial Institutions and Currencies to review, in aid of legislation, the existing statutes, policies and jurisprudence regarding credit card interest rates and penalties.

Adopted,

  
**MANNY VILLAR**  
Senator

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<sup>4</sup> Gotcha by Jarius Bondoc, Philippine Star, September 27, 2010