News & Views

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DOF releases Bayanihan Act IRR on 30-day extension for loan payments

The Department of Finance (DOF) has issued the implementing rules and regulations (IRR) of a provision in the Bayanihan To Heal As One Act directing all lenders to grant a 30-day grace period or extension for the payment of all loans, including credit card payments and pawnshop loans, falling due within the enhanced community quarantine (ECQ) period, without slapping interest or any additional charges and fees on the borrowers.

Finance Secretary Carlos Dominguez III said this provision, as stated under Section 4 (aa) of Republic Act (RA) No. 11469 or the Bayanihan Law, covers banks, quasi- banks, non-stock savings and loan associations, credit card issuers and pawnshops.

Other credit granting financial institutions under the supervision of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and Cooperative Development Authority (CDA), whether public or private, including the Government Service Insurance System (GSIS), Social Security System (SSS) and Pag-IBIG Fund, are also covered by this provision, he added.

"All Covered Institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. The initial 30-day grace period shall automatically be extended if the ECQ period is extended by the President of the Republic of the Philippines pursuant to his emergency powers under the Bayanihan to Heal as One Act," states Section 3.01 of the IRR signed by Dominguez.

The IRR shall take effect immediately upon publication.

It will be published tomorrow (April 2, 2020) in a newsdaily.

Under the IRR, the ECQ covers the period from March 17, 2020 to April 12, 2020 as cited in Proclamation No. 929 issued by President Duterte last March 16.

Section 3,02 of the IRR also states that: "All Covered Institutions shall not charge or apply interest on interest, fees and charges during the 30-day grace period to future payments/amortizations of the individuals, households, micro, small and medium enterprises (MSMEs) and corporate borrowers."

All lenders are prohibited from requiring their clients to waive the application of the provisions of the Bayanihan Law, including among others, the mandatory 30-day grace period.

“No waiver previously executed by borrowers covering payments falling due during the ECQ Period shall be valid. Nonetheless, the grant of grace period by the above-mentioned Covered Institutions shall not preclude the borrowers from paying their obligations as they fall due during the period of ECQ should they so desire,” the IRR added.

The mandatory 30-day grace period also applies to each of the multiple loans of borrowers with the principal and/or interest falling due within the ECQ period.

Under Section 5.01 of the IRR, borrowers whose loans fall due within the ECQ period are spared from paying an additional documentary stamp tax (DST) as a consequence of the relief granted. Also, no DST shall be imposed on “credit extensions and credit restructuring, micro-lending including those obtained from pawnshops and extensions thereof during the ECQ period.”

As for the accrued interest for the 30-day grace period, this may be paid by the borrower on a staggered basis over the remaining life of the loan.

“Nonetheless, this shall not preclude the borrower from paying the accrued interest in full on the new date following the application of the 30-day grace period or extended grace period, as the case may be,” the IRR states.

Violators of the IRR provisions shall be subject to the appropriate penalties under RA 11469, as well as existing laws, rules and regulations.

This set of IRR is in sync with Section 4 (n) of RA 11469, which provides that the President shall have the power to “ensure the availability of credit to the productive sectors of the economy especially in the countryside through measures such as, but not limited to, lowering the effective lending rates of interest and reserve requirements of lending institutions.”

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