Securities and Exchange Commission
PHILIPPINES

BAGONG PILIPINAS

SEC MEMORANDUM CIRCULAR NO. 14
Series of 2025

TO: **FINANCING COMPANIES AND LENDING COMPANIES**

SUBJECT: **RECALIBRATED CEILINGS ON INTEREST RATES AND OTHER FEES CHARGED BY FINANCING COMPANIES AND LENDING COMPANIES**

WHEREAS, the Securities and Exchange Commission (SEC or Commission) exercises regulatory and supervisory authority over financing companies (FCs) and lending companies (LCs) under Republic Act No. 8556 or the Financing Company Act of 1998 (FCA), and Republic Act No. 9474 or the Lending Company Regulation Act of 2007 (LCRA), respectively;

WHEREAS, Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act (FCPA), as implemented by SEC Memorandum Circular No. 05, Series of 2023[1] provides that it is the State's policy to ensure that appropriate mechanisms are in place to protect the interest of consumers of financial products and services under the conditions of transparency, fair and sound market conduct, and fair, reasonable, and effective handling of financial consumer disputes, which are aligned with global best practices. The State shall likewise implement measures to protect the rights of financial consumers to (a) equitable and fair treatment; (b) disclosure and transparency of financial products and services; (c) protection of consumer assets against fraud and misuse; (d) privacy and protection; and (e) timely handling and redress of complaints;

WHEREAS, Section 6(a) of the FCPA further provides that the Commission shall have the authority to formulate its own standards and rules for the application of the provisions of the Act to specific financial products or services within its jurisdiction, guided by internationally accepted standards and practices. The Commission may determine the reasonableness of the interest charges or fees which a financial service provider may demand, collect, or receive for any service or product offered to a financial consumer. The Commission may also issue rules of procedure concerning administrative actions arising from the implementation of the FCPA;

WHEREAS, to uphold consumer protection while ensuring the continued viability and competitiveness of legitimate FCs and LCs operating within the regulated sector, and promote financial inclusion, the Commission finds it necessary to recalibrate the imposed ceiling on interest rates and other fees charged by FCs and LCs that would better reflect current socioeconomic realities and ensure that financial consumers are adequately protected from unconscionable interest rates and predatory lending practices;

WHEREFORE, IN VIEW OF THE FOREGOING, the Commission hereby issues this Circular, which sets the ceilings on interest rates and other fees charged by FCs and LCs.

Section 1. Applicability and Coverage. - This Circular shall apply to all unsecured, general-purpose loans offered by FCs and LCs that do not exceed the amount of Ten Thousand Pesos (PhP10,000.00) and loan tenor of up to four (4) months that are entered into, restructured, or renewed beginning 01 April 2026.

Section 2. Definition of Terms. – For purposes of this Circular, the following definitions shall apply:

a. *Financing Company* shall refer to a corporation primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises (1) by direct lending or by discounting or by factoring commercial papers or accounts receivable; (2) by buying and selling contracts, leases, chattel mortgages, or other evidence of indebtedness; or (3) by financial leasing of movables as well as immovable property. It does not include banks, investment houses, savings and loan associations, insurance companies, cooperatives, and other financial institutions organized or operating under other special laws.

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[1] SEC Rules and Regulations of the Financial Products and Services Consumer Protection Act of 2022

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b. *Lending Company* shall refer to a corporation engaged in granting loans from its own capital funds or from funds sourced from not more than nineteen (19) persons. It shall not be deemed to include banking institutions, investment houses, savings and loan associations, financing companies, pawnshops, insurance companies, cooperatives, and other credit institutions already regulated by law. The term shall be synonymous with lending investors.

c. *Nominal Interest Rate* (NIR) refers to the contractual rate or the price paid for the use of money and is expressed as a percentage of the total amount borrowed without considering other fees and charges.

d. *Effective Interest Rate* (EIR) refers to the total nominal interest paid plus other fees and charges, excluding penalty and late payment fees, expressed as the rate that exactly discounts estimated future cash flows throughout the life of the loan to the net amount of loan proceeds. It shall follow the calculation models implemented in the Truth in Lending Act.[2]

e. *Unsecured Loans* shall refer to loans that do not require any collateral.

f. *General-purpose Loans* shall refer to loans where the proceeds can be used for any type of expenses. These expenses may include, but are not limited to, paying bills, purchasing appliances or gadgets, and other similar costs for personal consumption or small business needs.

g. *Loans Covered by the Ceiling* refers to unsecured, general-purpose loans offered by FCs and LCs that do not exceed the amount of Ten Thousand Pesos (PhP10,000.00) and loan tenor of up to four (4) months that are entered into, restructured, or renewed beginning 01 April 2026.

h. *Other Fees and Charges* shall refer to additional fees imposed on top of the nominal interest charges. Examples of these are processing fees, service fees, notarial fees, origination fees, transfer charges, documentary stamp tax, and disbursement fees, among others, but excluding fees and penalties for late payment and non-payment.

i. *Penalties* shall refer to the fees imposed by FCs and LCs in case the borrower defaults on payment or pays an amount less than the scheduled due amount.

j. *Loan Tenor* refers to the length of time to repay the principal loan amount with total interest and other fees and charges.

Section 3. Prescribed Ceilings. Applicable ceilings on interest rates and other fees for specific loans offered by FCs and LCs are imposed for the covered loans:

1. An NIR ceiling equivalent to 6 percent per month (equivalent to approximately 0.20% per day).

2. An EIR ceiling equivalent to or not more than 12 percent per month (equivalent to approximately 0.40% per day), for loans that do not exceed the amount of Ten Thousand Pesos (PhP10,000.00) with a tenor of up to four (4) months which shall include the NIR 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 and non-payment.

3. A cap on penalties for late payment or non-payment at 5 percent per month on the outstanding scheduled amount due.

4. A total cost cap of 100 percent of the total amount borrowed (applying to all interest, other fees and charges, and penalties) regardless of the time the loan has been outstanding.

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[2] Republic Act No. 3765 An Act to Require the Disclosure of Finance Charges in Connection with Extensions of Credit

Section 4. Administrative Sanctions. Non-compliance with the prescribed ceilings under Section 3 of this Circular shall be subject to the following penalties:

Frequencies	Administrative Penalty
First Offense	PhP50,000.00
Second Offense	Subject to the facts, circumstances, and gravity of the offense, the Commission, at its discretion, may impose a fine of not less than twice the penalty for the first offense but not more than One Million Pesos (PhP1,000,000.00); and/or Suspension of financing and lending activities for a period of sixty (60) days.
Third Offense	Revocation of the Certificate of Authority and Certificate of Incorporation

Section 5. Anti-Circumvention. – Any form of circumvention or attempt to circumvent the ceilings and regulatory coverage prescribed under this Circular, whether by restructuring, repackaging, splitting of loan amounts, recharacterization of fees, shifting of loan tenor, simulated collateral, sham guaranty arrangements, imposition of disguised charges, or any analogous scheme, shall constitute a violation.

Such conduct shall, upon due notice and proper investigation, subject the concerned FC or LC, and responsible officers, to administrative sanctions under the FCA, LCRA, and FCPA, without prejudice to criminal, civil, and other regulatory actions available under existing laws and applicable jurisprudence.

Section 6. Policy Review. – This policy on ceilings on interest rates and other fees shall be subject to periodic review to ensure it remains current with changes in law, industry needs, and regulatory requirements.

Section 7. Separability Clause. – If any portion or provision of the Circular is held unconstitutional or invalid, all other provisions not thereby affected shall remain valid.

Section 8. Repealing Clause. – All rules, regulations, orders, circulars, and issuances of the Commission that are inconsistent with this Circular, unless otherwise herein indicated, are hereby amended and/or repealed accordingly.

Section 9. Effectivity. This Circular shall take effect on 01 April 2026. This Circular shall be published in two newspapers of general circulation at least thirty (30) days before 01 April 2026.

Signed this 10th of December 2025, Makati City.

For the Commission:

FRANCISCO ED. LIM
Chairperson