



21 May 2020

SEC REITERATES MANDATORY GRACE PERIOD FOR ALL LOANS, WARNS ERRING LENDERS OF LEGAL CONSEQUENCES

The Securities and Exchange Commission (SEC) has reiterated its directive for all financing and lending companies to provide borrowers more time to settle loans falling due within the enhanced community quarantine (ECQ) and modified enhanced community quarantine (MECQ) period.

In an [advisory issued on May 20](#), the Commission reminded financing and lending companies to strictly comply with Section 4(aa) of Republic Act No. 11469, or the Bayanihan to Heal As One Act, its implementing rules and regulations (IRR), and other applicable laws, rules and regulations.

Section 4(aa) of the Bayanihan Act provides the President the power to implement a minimum 30-day grace period for the payment of all loans while the country battles the COVID-19 pandemic.

On April 1, the Department of Finance issued the IRR directing all lenders, including those under the supervision of the SEC, to apply an initial 30-day grace period to all loans with principal and/or interest falling due during the ECQ period.

The initial 30-day grace period shall automatically be extended if the ECQ period is extended by the President pursuant to his emergency powers.

Accordingly, all financing companies, lending companies and microfinance NGOs shall apply the mandatory grace period to all loans with principal and/or interest falling due between 17 March 2020 and 31 May 2020.

On May 6, meanwhile, the Inter-Agency Task Force for the Management of Emerging Infectious Diseases issued Resolution No. 33, Series of 2020 directing all banks, quasi-banks, financing companies, lending companies, and other financial institutions to count the grace period from the respective due dates of qualified loans or until such time that the community quarantine is lifted, whichever is longer.

Under the IRR, all covered institutions shall not impose interest on interest, fees and other charges to future payments or amortizations. Borrowers may also pay the interest accrued during the grace period on a staggered basis over the remaining life of the loan.



All covered institutions are further prohibited from requiring their borrowers to waive the application of the mandatory grace period. Nonetheless, borrowers may still choose to pay their obligations during the ECQ.

Under the Bayanihan Act, refusal to provide thirty-day grace period shall be punishable with imprisonment of two months or a fine of not less than P10,000 but not more than P1 million or both, at the discretion of the court.

“Any violation or noncompliance shall be dealt with to the full extent of the law,” the SEC warned, noting that it is currently investigating financing and lending companies that allegedly refuse to comply with the Bayanihan Act, its IRR and other applicable laws, rules and regulations.

END