

MALACAÑANG  
Manila

## **PRESIDENTIAL DECREE No. 114 January 29, 1973**

### **REGULATING THE ESTABLISHMENT AND OPERATION OF PAWNSHOPS**

WHEREAS, pawnshops provide an additional source of credit especially for small borrowers left unserved by the banking and other financial institutions in the country;

WHEREAS, there is no specific law in the Philippines that governs pawnshop establishments, particularly providing definite and uniform standards for their operation;

WHEREAS, the recommendations contained in a report on the financial system which have been accepted, with modifications, by monetary authorities, strongly advocate the enactment of a law regulating pawnshops;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree and make as part of the law of the land the following:

Section 1. Short Title. This Decree may be cited as the "Pawnshop Regulation Act".

Section 2. Declaration of policy. It is hereby declared the policy of the State to regulate the establishment of pawnshops and to place their operation on a sound and stable basis to derive the optimum advantages from them as an additional source of credit; to prevent and mitigate, as far as practicable, practices prejudicial to public interest; and to lay down the minimum requirements and standards under which they may be established and do business.

Section 3. Definitions. As used in this Decree, unless the context otherwise requires, the following terms shall have the following meanings:

"Pawnshop" shall refer to a person or entity engaged in the business of lending money on personal property delivered as security for loans and shall be synonymous, and may be used interchangeably, with pawnbroker or pawnbrokerage.

"Pawner" shall refer to the borrower from a pawnshop.

"Pawnee" shall refer to the pawnshop or pawnbroker.

"Pawn" is the personal property delivered by the pawner to the pawnee as security for a loan.

"Pawn ticket" is the pawnbrokers' receipt for a pawn. It is neither a security nor a printed evidence of indebtedness.

"Property" shall include only such personal property as may actually be delivered to the control and possession of the pawnshop: Provided, however, That certain specified chattels such as guns, knives and similar weapons whose reception in pawn is expressly prohibited by other laws or regulations shall not be included.

Section 4. Form of organization. A pawnshop may be established as a single proprietorship, partnership or corporation.

Section 5. Registration and licensing. Any person or entity desiring to engage in the pawnshop business shall (a) register with the Bureau of Commerce in the case of single proprietorship or the Securities and Exchange Commission in the case of a corporation or any other association and (b) secure a license from the appropriate city or municipality having territorial jurisdiction over the place of establishment and operation.

Section 6. Requirement of registration with the Central Bank. Any individual, corporation or association duly registered and licensed to engage in the pawnshop business shall file an information sheet, under oath, with the Central Bank before commencement of actual operations: Provided, however, That pawnshops duly licensed and operating before the approval of this Decree shall, within six months from the date of effectivity of the same, register with the Central Bank. For this purpose, the Central Bank shall furnish pawnshops, upon request, with necessary copies of the prescribed information sheet.

Section 7. Capital. The minimum paid-in capital of any pawnshop which may be established after the effectivity of this Decree shall be one hundred thousand pesos (P100,000.00): Provided, however, That pawnshops established and in operation prior thereto shall comply with the minimum capitalization required under the provisions of this section within such time as may be prescribed by the Monetary Board, which time shall, in no case, be less than three years from the date of effectivity of this Decree.

Section 8. Citizenship requirement. Upon the effectivity of this Decree, only Filipino citizens may establish and own a pawnshop organized in the form of a single proprietorship: Provided, however, That in the case of a partnership, at least seventy per cent (70%) of its capital shall be owned by Filipino citizens: Provided, further, That in the case of a corporation, at least seventy per cent (70%) of the voting capital stock shall be owned by citizens of the Philippines, or if there be no capital stock, at least seventy per cent (70%) of the members entitled to vote, shall be citizens of the Philippines.

The percentage of foreign-owned voting stock or non-citizens entitled to vote in any domestic pawnshop existing prior to the effectivity of this Decree, if such percentage is in excess of thirty per cent (30%) of the voting stock or members entitled to vote of the pawnshop shall not be increased but may be reduced, and once reduced, shall not be increased thereafter beyond thirty per cent (30%) of the voting stock, or number of members entitled to vote, of the pawnshop.

The percentage of foreign-owned voting stocks in any pawnshop shall be determined by the citizenship of the individual stockholders in that pawnshop. In the case of corporations owning shares in a pawnshop, the citizenship of the individual owners of voting stock in such corporations shall be the basis of computing the percentage.

Section 9. Amount of loan. Pawnshops may grant such amount of loans as may be agreed upon between the parties: Provided, That the amount of loan shall, in no case, be less than thirty per cent (30%) of the appraised value of the security offered for the loan unless the pawner manifests in writing the desire to borrow a lesser amount.

Section 10. Rates of interest. No pawnshop shall directly or indirectly stipulate, charge, demand, take or receive any higher rate or greater sum or value for any loan or forbearance than the rate allowed by the Usury Law for such transactions. It shall be unlawful for a pawnshop to divide the pawn offered by a pawner in order to collect greater interest and/or to require the pawner to pay an additional charge as insurance premium for the safekeeping and conservation of the article pawned.

In addition to interest charges, pawnshops may impose a maximum service charge of five pesos (P5.00), but in no case to exceed one per cent (1%) of the principal loan.

Section 11. Maintenance of records. Every pawnbroker shall keep a memorandum book in which shall be entered, in ink, at the time of each loan or pledge, an accurate account and description, in Pilipino or English with corresponding translation in the local dialect of every pawn, the amount of money loaned thereon, the date of pawning or pledging the same, the rate of interest to be paid on the loan, and the name and residence of each pawner, together with a particular description of such pawner, including his or her nationality, sex, and general appearance, and no pawnbroker or other person shall alter or erase any entry made in such book. Every person pawning or pledging any article or thing with a pawnbroker shall sign his name and give his address to said pawnbroker and such name and address shall be made part of the record heretofore described in this section: Provided, That a person who is unable to write shall imprint his thumbmark, and his name shall be written by a competent person, who shall sign his own name as witness to said thumbmark.

Section 12. Pawn ticket. Every pawnbroker shall, at the time of every such loan or pledge, deliver to each person pawning or pledging any article or thing a memorandum or ticket signed by such pawnbroker and containing the substance of the record required to be kept in such pawnbroker's memorandum book in section eleven hereof, excluding the description of the person so pawning or pledging such article or thing, and no compensation of any kind whatsoever shall be received by any pawnbroker for any such memorandum or ticket.

Section 13. Redemption. The pawner who fails to pay his obligation on the date it falls due may, within ninety days from the date of maturity of the obligation, redeem the pawn by payment of the principal of the debt with interest: Provided, however, That for the purpose of computing interest due after maturity of the obligation, the basis shall be the sum of the principal of the obligation and interest earned at the time the obligation matured.

Section 14. Disposition of pawn on default of pawner. In the event the pawner fails to redeem the pawn within ninety days from the date of maturity of the obligation in accordance with the preceding section, the pawnbroker may sell or otherwise dispose of any article taken or received by him in pawn: Provided, however, That the pawner shall be duly notified of such sale on or before the termination of the ninety- day period, the notice particularly stating the date, hour, and place of sale.

Section 15. Public auction of pawned articles. No pawnbroker shall sell or otherwise dispose of any article or thing taken or received in pawn or pledge except at public auction in his place of business as such pawnbroker or in any other public place within the territorial limits of the municipality or city where the pawnshop has its place of business, under the control and direction of an auctioneer with license duly issued by the corresponding authorities, nor shall any such article or thing be sold or disposed of unless said pawnbroker has published a notice once in at least two daily newspapers printed in the city or municipality during the week preceding the date of such sale. In remote areas where the newspapers are neither published nor circulated notice by newspaper publication shall be substituted by posting notices in conspicuous public places within the territorial limits of the city or municipality where the pawnshop has its place of business. Said notice, whether published or posted, shall be in English, and either in Filipino or in the local dialect, and shall contain the name of the pawnshop, its owner, address of the establishment, hour, and date of the auction sale.

Section 16. Closing and removal of business period. No pawnbroker shall close or transfer his place of business within three months after the expiration of the period for which any article or thing shall have been taken or received by him at his place of business in pawn or pledge, or before any such article or thing shall have been sold or otherwise disposed of in accordance with the provisions of this Decree: Provided, however, That removal or transfer of a pawnbroker's place of business from one place to another within the territorial limits of the same city or municipality may be authorized on condition that the pawnbroker shall publish a notice of such removal in two local daily papers, one in English, another in Pilipino or in the local dialect, for a period of not less than three days, the last day of which shall take place five days before the removal, stating in the notice the date of removal, the address of the premises to be vacated and of the premises to which the pawnshop will transfer; and that he shall likewise post in a conspicuous place in both premises one copy of the notice in English and another in either Pilipino or the local dialect during the period of its publication in the said local papers.

Section 17. Grant of authority to the Central Bank. The Central Bank is hereby authorized

- (a) to issue rules and regulations to implement the provisions contained herein:
- (b) to require from pawnshops reports of condition and such other reports necessary to determine compliance with the provisions of this Decree:
- (c) to exercise visitatorial powers whenever deemed necessary; and
- (d) to impose such administrative sanctions including the imposition of fines for violations of this Decree and regulations issued by the Central Bank in pursuance thereto.

Section 18. Penalties. A fine of not less than one hundred pesos (P100.00) and not more than one thousand pesos (P1,000.00) or imprisonment for not less than thirty days and not more than one year, or both, at the discretion of the court, shall be imposed for violations of the provisions of this Decree and its implementing rules and regulations: Provided, That if the violation is committed by a corporation, partnership or an association, the penalty provided for in this Decree shall be imposed upon the directors,

officers, employees or persons therein responsible for the offense, without prejudice to civil liabilities arising from the criminal offense.

Section 19. Matters not covered by this Decree. The provisions of existing law, insofar as they are not in conflict with any provision of this Decree, shall apply in matters not otherwise specifically provided for in this Decree.

Section 20. Separability clause. If any provision or section of this Decree, or the application thereof to any person or circumstance, is held invalid, the other provisions or sections of this Decree, and the application of such provisions or sections to other persons or circumstances, shall not be affected thereby.

Section 21. Effectivity. This Decree shall take effect immediately.

Done in the City of Manila, this 29th day of January, in the year of Our Lord, nineteen hundred and seventy-three.