

## **“The unpaid creditor vs. the distressed debtor Proposals to balance their competing interest “**

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*“The only man who sticks closer to you in adversity than a friend is a creditor.” Unknown source.”*

### **I. General considerations**

Neither a borrower, nor a lender be; for loan loses both itself and friend, and borrowing dulls the edge of husbandry.

Despite the admonition of Shakespeare, people borrow. Have you ever wondered why?

In a recent internet poll on the question what pushes people to apply for a personal loan, these were the reasons given-

1. Because I could use the money for variety of reasons, i.e., buying personal assets such as houses and vehicles. ( 41% )
2. Personal emergency, e.g., paying tuition fees, hospital bills and other necessities (27% ).

In the US, student loans now comprise the second largest form of consumer debt behind home mortgages.

3. Easier to qualify compared to other loans. (5%)
4. Needed to consolidate and pay off other loans. (27%)

For business loans, the reasons often cited are-

1. Working capital – many entrepreneurs do not have their own money to start and operate a business, or expand an existing one. The pool of money in the banks and in private hands that are not



otherwise being used for other purposes is available to such entrepreneurs. It takes money to make money.

2. For investment – many people do not have the interest or ability to operate businesses, but are still interested in investments that yield passive income. Many of them do not have the money to do so. Like entrepreneurs who do not have working capital, they have access to idle money either in the banks or with private individuals. Borrowing this money and investing it is a good way to use it.
3. Managing perception - The appearance of being wealthy attracts business opportunities and creates other intangibles (reputation – better access to credit if the community views you to be wealthy; respect, fear, etc.). Borrowing money is one way to manage public perception.
4. Arbitrage - this is the practice of taking advantage of a price difference between two or more markets, in this case, the financial markets. In finance, it is taking advantage of lower lending rates from a certain lender and investing in business that yields higher than the rates at which the borrower borrowed money.

Lending data from the BSP showed that outstanding loans from universal and commercial bank amounted to P 3.08 trillion as of October last year.

### **Who can borrow?**

Do you know how the financial institutions decide whether to lend to you?  
By credit scoring.

Credit scoring is a system used by creditors to decide how much of a risk it is to lend to a particular individual. When you apply for credit, you complete an application form which tells the lender lots of things about you. Each fact about you is given points. All the points are added together to

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give a score. The higher your score, the more credit worthy you are. Creditors set a threshold level for credit scoring. If your score is below the threshold they may decide not to lend to you or to charge you more if they do agree to lend.<sup>1</sup>

Lenders consider: amount and sources of income, existing credit exposure, defaults in previous loans, even professions (it is harder to collect from judges, lawyers and police and military personnel), whether your spouse is gainfully employed, business reputation and assets.

Without a doubt, credit transaction mutually benefit the debtor and creditor. The debtor borrows to satisfy a financial need. The creditor lends for profit.

## II. Incident of default

In an ideal situation, the debtor realized the loan benefits and then, pays the creditor.

We know this is not the reality. Debtors actually do default.

What are the usual causes of default?

1. **Illiquidity** – assets are more than liabilities but not enough cash or properties cannot be readily converted to cash to pay off obligations
2. **Insolvency** – a “financial condition of a debtor that is generally unable to pay its or his liabilities as they fall due in the ordinary course of business or has liabilities that are greater than its or his assets. (*Republic Act No. 10142 [2010]*)
3. **Foreign exchange fluctuation** – where debtor’s money and the currency of payment are different, it may happen that the debtor’s money may not be enough to purchase the amount of currency required to pay the loan.
4. **Unreasonable refusal of the debtor to pay** - debtor, despite lack of valid reasons, simply refuses to pay.

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[http://www.adviceguide.org.uk/wales/debt\\_w/debt\\_borrowing\\_money\\_e/how\\_lenders\\_decide\\_whether\\_to\\_give\\_you\\_credit.htm](http://www.adviceguide.org.uk/wales/debt_w/debt_borrowing_money_e/how_lenders_decide_whether_to_give_you_credit.htm)

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Total non-performing loans for universal bank and commercial bank alone amount to 67.530 billion as of end of 2013.

In the US, the PEW Charitable Trusts reports that US\$4.7 billion in payday loans are outstanding.<sup>2</sup>

Famous people who were once bankrupt, insolvent or were in bankruptcy or insolvency court –

1. Kim Basinger (acting)
2. Mike Tyson (boxing)
3. Allen Iverson (basketball)
4. MC Hammer (music)
5. Walt Disney (at age 21 before he became rich and famous)
6. Mark Twain (literature)
7. Ulysses S. Grant and William McKinley (both US presidents)
8. Jerry Lee Lewis (music )

Because he is not paid, the creditor would file legal action to collect and enforce the security for the loan. He may foreclose mortgages or pledges on properties or, failing that, run after the surety or the guarantor<sup>3</sup>, if any. In a foreclosure proceeding, the properties are basically sold and

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<sup>2</sup> <http://www.pewstates.org/research>

<sup>3</sup> See new Civil Code, Art. 2047 (1950).

the sale proceeds applied against the loan. Generally, the lender is entitled to recover deficiency if the security is not enough to cover the loan.<sup>4</sup>

How much should the creditor recover? How much should the debtor pay or lose in property values assuming he cannot pay in cash?

### III. Proposition

While parties to a loan transaction have respective rights, fairness and equity should characterize their dealings. No doubt, the lender has the right to be paid and in case of non-payment, the right to resort to all legal remedies available to him.

Similarly, the debtor has the undeniable duty to pay a valid obligation. But, the creditor should not recover or gain more than what he is justly entitled to and the debtor should not be made to pay or lose properties more than what he justly owes the creditor. Adopting this mindset ensures fairness and equity.

In line with my proposition, I have various proposals which I believe will promote fairness and equity between the unpaid creditor and distressed debtor. I hope to provoke discussion and re-assessment of current rules and prevailing jurisprudence.

My proposals are, as follows.

**A. With the suspension of the Usury Law under CB Circular 905 (1982), contracting parties are free to stipulate the applicable interest rate for loan transactions. Nevertheless, under prevailing jurisprudence, stipulated interest rate may be nullified if it is unconscionable or excessive. The standards of reasonable or unconscionable interest, however, are not clear. To guide the contracting parties, standards should be set.**

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<sup>4</sup> The rule is settled that a mortgage creditor may, in the recovery of a debt secured by a real estate mortgage, institute against the mortgage debtor either a personal action for debt or a real action to foreclose the mortgage. (Bank of America NT & SA v. American Realty Corporation and Court of Appeals, 378 Phil. 1279, 1290-1291, (1999), 321 SCRA 659, 668).

- The Usury Law (Act No. 2655, as amended) gave the Central Bank (now the *Bangko Sentral ng Pilipinas*) the authority to prescribe different maximum rates of interest which may be imposed in loans or their renewals or the for forbearance of any money, goods or credits.
- In 1982, the Central Bank issued CB Circular No. 905, Series of 1982, which effectively removed the ceilings on interest rates on loans or forbearance of any money, goods or credits.
- The Supreme Court ruled as early as 1984 that usury has been legally non-existent and interest can now be charged as lender and borrower may agree upon.<sup>5</sup>
- However, the Supreme Court also ruled that the lifting of the ceilings for interest rates does not authorize stipulations charging excessive, unconscionable, and iniquitous interest. Accordingly, there is nothing in CB Circular No. 905 that grants lenders a *carte blanche* authority to raise interest rates to levels which will either enslave their borrowers or lead to a hemorrhaging of their assets.<sup>6</sup>
- There is, however, no clear-cut guideline on what constitutes unconscionable or excessive interest. The following cases illustrate this point.

In *Medel vs. Court of Appeals*, 299 SCRA 481, the Supreme Court ruled that while the interest rate of 5.5% per month on a P 500,000 loan is not usurious, the same must be equitably reduced for being iniquitous and exorbitant. In this case, the debtors obtained several loans over a period of time totaling PhP500,000, which loans were consolidated and covered by one promissory note. The note provided interest “at the rate of

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<sup>5</sup> *Liam Law v. Olympic Sawmill Co.*, L-30771, May 28, 1984, 129 SCRA 439; *Medel vs. Court of Appeals*, 299 SCRA 481 (1998); *Solangon vs. Salazar*, G.R. No. 125944, June 29, 2001; *Trade & Investment Development Corporation of the Philippines vs. Roblett Industrial Construction Corporation* G.R. No. 139290, 9 May 2006.  
<sup>6</sup> *Advocates for Truth in Lending, Inc. vs. Bangko Sentral Monetary Board*, G.R. No. 192986, January 15, 2013

5.5 PER CENT per month plus 2% service charge per annum..." plus an additional interest of "1% per month" as penalty charges in the form of liquidated damages in case of failure to pay an installment payment. In this case, the Court ruled that the 5.5% per month interest is "excessive, iniquitous, unconscionable and exorbitant" but "not usurious". Notwithstanding this, the Court held that an interest rate of 12% per annum, plus an additional 1% a month penalty charge (as liquidated damages) might be more reasonable and upheld the lower court's similar view.

In *Solangon vs. Salazar G.R. No. 125944, G.R. No. 125944, June 29, 2001*, the Supreme Court struck down an interest rate of 72% per annum and reduced it to 12% per annum. In this case, the debtors obtained apparently three different loans, one for PhP60,000.00 at 6% per month, and two loans totaling PhOP366,512.00. The debtors questioned the validity of the foreclosure since the underlying agreement on the interest rate is "unconscionable".

In holding that it is, the Court said, citing *Medel vs. CA*:

"The factual circumstances of the present case require the application of a different jurisprudential instruction. While the Usury Law ceiling on interest rates was lifted by C.B. Circular No. 905, nothing in the said circular grants lenders carte blanche authority to raise interest rates to levels which will either enslave their borrowers or lead to a hemorrhaging of their assets.<sup>5</sup> In *Medel v. Court of Appeals*, this court had the occasion to rule on this question - whether or not the stipulated rate of interest at 5.5% per month on a loan amounting to P500,000.00 is usurious. While decreeing that the aforementioned interest was not usurious, this Court held that the same must be equitably reduced for being iniquitous, unconscionable and exorbitant." As to what "factual circumstances" were different in this case the Court did not point out. What was clear was that if an interest rate is "iniquitous, unconscionable and exorbitant", it must be reduced to conform to the legal rate. In terms of numbers, the Court did

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not state what number is “iniquitous, unconscionable and exorbitant”, only that 72% and 66% (under *Medel*) per annum are.

But in *Silvestre and Celia Pascual vs. Ramos*, G.R. No. 144712, July 4, 2002, the Supreme Court held that the interest rate of 7% per month, or 84% per annum, was valid because it was voluntarily agreed upon by the parties and there is no allegation of fraud or that the debtors were at a disadvantage on account of handicap which would entitle them to the vigilant protection of the courts. In this case, the “debtors” signed a deed of sale of a parcel of land with a right of repurchase, which was subsequently treated as an equitable mortgage in the trial. When the “creditor” tried to consolidate his ownership, the debtors raised the fact that it was in fact an equitable mortgage for a loan of PhP150,000.00. The essence of this decision is that, the Court took note of the debtors’ apparent waiver of their right to question the rate of interest when they willingly paid amounts based on the 7% interest rate, a rate that was in fact not stated in the deed of sale, but admitted in an affidavit submitted to the trial court. The ratio in this case seems to be that, even if a rate is unconscionable, the debtor can lose the right to question it by estoppel or silence. Impliedly, if the debtor is vigilant and questions the rate consistently, then 84% per annum is an unconscionable rate of interest.

In *Spouses Bacolor vs. Banco Filipino Savings and Mortgage Bank and Marcelino C. Bonuan*, G.R. No. 148491, February 8, 2007, an interest of 24% per annum was held not excessive.

-In *Almeda vs. Court of Appeals*, G.R. No. 113412, April 17, 1996, 256 SCRA 292, the Supreme Court struck down a provision providing for a unilateral increase in the interest rate from 18% to 68%. The Court said:

“Escalation clauses are not basically wrong or legally objectionable so long as they are not solely potestative but based on reasonable and valid grounds. Here, as clearly

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demonstrated above, not only the increases of the interest rates on the basis of the escalation clause patently unreasonable and unconscionable, but also there are no valid and reasonable standards upon which the increases are anchored.”

“In the face of the unequivocal interest rate provisions in the credit agreement and in the law requiring the parties to agree to changes in the interest rate in writing, we hold that the unilateral and progressive increases imposed by respondent PNB were null and void. Their effect was to increase the total obligation on an eighteen million peso loan to an amount way over three times that which was originally granted to the borrowers. That these increases, occasioned by crafty manipulations in the interest rates is unconscionable and neutralizes the salutary policies of extending loans to spur business cannot be disputed.”

-In *Macalinao vs. Bank of the Philippine Islands, GR. No. 175490, September 17, 2009*, the Supreme Court ruled that three (3%) per month (and higher) interest rate and penalty charge for credit card charges are excessive, inequitable and exorbitant and reduced the interest rate and penalty charge to 24% per annum. In this case, the original interest rate was 111% per annum, later struck down by the lower courts (which the lender did not contest). Subsequently, the bank demanded 36% per annum, but the Supreme Court upheld the Court of Appeals' ruling of a reduction to 24% per annum.

The question here is: what rate of interest is now considered equitable and not unconscionable, “excessive,” “exorbitant” or “iniquitous”?

*Einstein once said, rather comically but pointedly, that “compound interest is the eighth wonder of the world. He who understands it earns it. He who doesn't pays it.*

Based on these cases, a rate of 36% per annum or higher is unconscionable and will be lowered to the legal rate. Recently, BSP lowered the legal interest rate in the absence of stipulation between

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the parties from 12% to 6% (CB Circular no. 799 series of 2013 effective July 1, 2013).

Although it is true that what is inequitable depends on the facts and surrounding circumstances of each case, I respectfully submit there must be a clear rule on the interest rates that parties may impose in commercial transactions involving loans, forbearance of money, goods or credit.

A fixed interest rate or range of acceptable interest for loans should be set by BSP but subject to periodic review at least annually. BSP has the authority to do so and should do so.

This will remove uncertainties in business deals which require payment of interest on loans.

- B. The rules on the adoption of dragnet clause in a security agreement should be re-examined. Specifically, secured creditor should not be allowed to hide behind a dragnet clause to conceal the true amount of the secured loan.**

**The use of dragnet clause may not be fair to other lenders who may extend credit to the same debtor based on their belief that the first loan is limited to that specified in the mortgage agreement or annotated on his property title.**

**Finally, sustaining the validity of the dragnet clause also gives rise to clever and insidious ways to reduce DST liability on loans/mortgages, as well as mortgage registration fees which effectively deprives the government of needed revenues.**

- What is a dragnet clause?

A dragnet clause purports to use the property under real estate mortgage, pledge or antichresis as security for all debts past, present and future, between the parties to a loan agreement.



- Thus, on the basis of the “dragnet clause“ future loans or additional loans incurred after execution of the loan and security agreement are deemed covered by the security regardless of the non-execution of an amendment or supplement to the loan/mortgage agreement.

- **Here is an example of a dragnet clause-**

**“For and in consideration of those certain loans, overdraft and/or other credit accommodations on this date obtained from the MORTGAGEE, and to secure the payment of the same, the principal of all of which is hereby fixed at FIVE HUNDRED THOUSAND PESOS ONLY (P500,000.00) Pesos, Philippine Currency, as well as those that the MORTGAGEE may *hereafter* extend to the MORTGAGOR, including interest and expenses or any other obligation owing to the MORTGAGEE, the MORTGAGOR does hereby transfer and convey by way of mortgage unto the MORTGAGEE, its successors or assigns, the parcel(s) of land ...x x x x**

- In a long line of decisions, the Supreme Court has consistently ruled that mortgages given to secure future advancements are valid and legal contracts, and the amounts named as consideration in said contracts do not limit the amount for which the mortgage may stand as security if from the four corners of the instrument the intent to secure future and other indebtedness can be gathered.”<sup>7</sup>

But a dragnet clause may be inequitable on certain grounds:

First, a creditor may include in the security clause loans and other obligations that the parties, or at least, the debtor, might not have

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7 (Tady vs PNB, 12 SCRA, Mojica vs Court of Appeals, 201 SCRA, Producers Bank of the Philippines vs. Excelsa Industries, Inc., G.R. No. 152071, May 8, 2009, Bank of Commerce vs. Spouses Flores, GR No. 174006, December 8, 2010 ))

contemplated. This violates the law on contracts, that it must be based on mutual consent. The most benign interpretation is that inclusion of loans not contemplated at the time of the celebration of the contract vitiates consent, either by mistake or fraud.

In one case, the Supreme Court held that a loan incurred 3 years after full payment of the original loan is nevertheless secured by the mortgage if it contains a dragnet clause sans the need of a new mortgage agreement.<sup>8</sup>

Second, it prevents full disclosure to other lenders of the debtor the actual amount of the secured loan and may discourage additional credit. Again, this seems to run counter to the principle that the debtor must know the facts of his loan, the same principle on which the Truth in Lending Act is based.

Third, on a taxation level, it deprives the government of documentary stamp taxes (DST) and income from mortgage registration fees. Contracting parties may simply peg the amount of the secured loan to the barest minimum, then pay the DST and registration fees corresponding to it and then obtain additional loans. Because future additional loans are covered anyway under the dragnet clause, amendments to the mortgage or a fresh mortgage contract to cover such loans, which would have earned additional DST and registration fees for the government, are dispensed with.

The rule upholding the validity of the dragnet clause should be revisited.

**C. If the mortgagee is a bank, quasi-bank or trust entity (“ banking institution” ), a minimum bid price during foreclosure sale equivalent to at least the appraised value of the property should be imposed.**

**The rationale that the lesser the price the easier it is for the owner to redeem the mortgaged property is not accurate**

**because for banking institution, the redemption price is fixed at an amount equivalent to the outstanding loan obligation plus the interest stipulated in the real estate mortgage agreement.**

In mortgage foreclosures, there are no minimum bid prices.

The Supreme Court has ruled in many cases that mere inadequacy of the bid price at a forced sale is immaterial and does not nullify the sale on the theory that when the law gives the owner the right to redeem as when a sale is made at a public auction, upon the theory that the lesser the price the easier it is for the owner to effect the redemption.<sup>9</sup>

For banking institutions, however, the redemption price is the outstanding amount of the loan plus interest stipulated in the agreement, regardless of the amount of the bid price.<sup>10</sup>

Nothing precludes the bank from making a low bid during the foreclosure sale (provided it is not unconscionable) because the redemption price anyway is pegged by law at a fixed amount.

Worse, the mortgagor is still liable to pay any deficiency.

To be fair and equitable, if the mortgagee is a banking institution, a minimum bid price during foreclosure sale should be set equivalent to at least the appraised value of the mortgaged property.

**D. An Academy or Institute for Rehabilitation Receivers should be organized and a system of accreditation be put in place to ensure that only reputable and competent persons are appointed to the position.**

The success or failure of a corporation under rehabilitation depends to a large extent on the appointed rehabilitation receiver.

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<sup>9</sup> BPI Family Savings Bank vs Spouses Avenido, GR No. 175816, December 7, 2011; Spouses Rabat vs. PNB, G.R. No. 158755 June 18, 2012)

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<sup>10</sup> Section 47 of the General Banking Law; Heirs of Burgos vs. Heirs of Trinidad, GR no. 185644, March 2, 2010 .

While the rehabilitation receiver represents all stakeholders to the corporate rehabilitation, in reality, he is naturally inclined to promote the interest of the party (the debtor or the creditor) who caused or proposed to the court his appointment.

Currently, there is no group of receivers from which to choose rehabilitation receivers.

In the case of corporate directors, there is the Institute of Corporate Directors which has a pool of individuals duly accredited and readily available to corporations to choose from.

An Academy or Institute for Rehabilitation Receivers should be organized composed of receivers duly accredited by the Supreme Court or one of its offices to provide trustworthy, competent, credible and readily available receivers at the disposal of relevant parties and the courts.

#### **E. The right of redemption should extend to personal property.**

There is no right of redemption when it comes to personal property. When it comes to personal property, only the equity of redemption, and not the right of redemption, is available to the debtor.<sup>11</sup> In *Gregorio Y. Limpin vs. Intermediate Appellate Court*, the Court said:

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<sup>11</sup> See *Limpin vs IAC*, 166 SCRA 87; see also, *Spouses Paray vs. Rodriguez*, G.R. No. 132287, January 24, 2006; 479 SCRA 571, where the Court held that “[T]here is no law in our statute books which vests the right of redemption over personal property. Act No. 1508, or the Chattel Mortgage Law, ostensibly could have served as the vehicle for any legislative intent to bestow a right of redemption over personal property, since that law governs the extrajudicial sale of mortgaged personal property, but the statute is definitely silent on the point. And Section 39 of the 1997 Rules of Civil Procedure, extensively relied upon by the Court of Appeals, starkly utters that the right of redemption applies to real properties, not personal properties, sold on execution.” Cited in *Rizal Commercial Banking Corporation vs. Royal Cargo Corporation*, GR No. 179756, October 2, 2009, which defined equity of redemption and right of redemption: “Unmistakably, the redemption cited in Section 13 partakes of an equity of redemption, which is the right of the mortgagor to redeem the mortgaged property after his default in the performance of the conditions of the mortgage but before the sale of the property to clear it from the encumbrance of the mortgage. It is not the same as right of redemption which is the right of the mortgagor to redeem the mortgaged property after registration of the foreclosure sale, and even after confirmation of the sale.” Citations omitted.

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"The equity of redemption is, to be sure, different from and should not be confused with the right of redemption.

"The right of redemption in relation to a mortgage – understood in the sense of a prerogative to re-acquire mortgaged property after registration of the foreclosure sale – exists only in the case of the extrajudicial foreclosure of the mortgage. No such right is recognized in a judicial foreclosure except only where the mortgagee is the Philippine National Bank or a bank or banking institution.

"Where a mortgage is foreclosed extrajudicially, Act 3135 grants to the mortgagor the right of redemption within one (1) year from the registration of the sheriff's certificate of foreclosure sale.

"Where the foreclosure is judicially effected, however, no equivalent right of redemption exists. The law declares that a judicial foreclosure sale 'when confirmed be an order of the court. . . shall operate to divest the rights of all the parties to the action and to vest their rights in the purchaser, subject to such rights of redemption as may be allowed by law.' Such rights exceptionally 'allowed by law' (i.e., even after confirmation by an order of the court) are those granted by the charter of the Philippine National Bank (Acts No. 2747 and 2938), and the General Banking Act<sup>12</sup> (R.A. 337). These laws confer on the mortgagor, his successors in interest or any judgment creditor of the mortgagor, the right to redeem the property sold on foreclosure — after confirmation by the court of the foreclosure sale — which right may be exercised within a period of one (1) year, counted from the date of registration of the certificate of sale in the Registry of Property.

"But, to repeat, no such right of redemption exists in case of judicial foreclosure of a mortgage if the mortgagee is not the PNB or a bank or banking institution. In such a case, the foreclosure sale, 'when confirmed by an order of the court. . . shall operate to divest the rights

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<sup>12</sup> Now Section 47 of Republic Act No. 8791.

of all the parties to the action and to vest their rights in the purchaser.' There then exists only what is known as the equity of redemption. This is simply the right of the defendant mortgagor to extinguish the mortgage and retain ownership of the property by paying the secured debt within the 90-day period after the judgment becomes final, in accordance with Rule 68, or even after the foreclosure sale but prior to its confirmation.”

### **Right of Redemption**

Under current rules, the right of redemption only applies in three cases.

First, it applies to extra-judicial foreclosures of real estate mortgage under Act No. 3135, as amended, as stated in *Limpin* above.<sup>13</sup>

Second, it also applies in execution sales of real property.<sup>14</sup>

Finally, it applies in judicial foreclosures of real estate mortgage if the mortgagee is a banking institution.<sup>15</sup>

The lack of redemption right abets low bids during auctions and foreclosure sales of personal property. Not only would the debtor lose his property at depressed values; he would also still be liable to pay any deficiency.

From a philosophical perspective, there is no real logical reason why personal properties cannot be redeemed after execution or foreclosure sales. And from a practical standpoint, some personal properties are worth more than some pieces of real property.

Finally, as a procedural and economic incentive, a fair valuation of personal property during auctions and foreclosure sales may be approximated if the creditor knows that the debtor may easily get back the property if creditor's bid is low. In practice, this operates to

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<sup>13</sup> *Huerta Alba Resort vs. Court of Appeals*, 339 SCRA 534 (2000).

<sup>14</sup> See Rules of Court, Rule 39, Sections 27 and 28 (1997).

<sup>15</sup> See *Limpin vs. IAC*, 166 SCRA 87; See also *Tolentino vs. Court of Appeals*, 517 SCRA 732 (2007)

real property being sold at public auctions or foreclosure sales. There is no reason the same principle cannot apply in auction or foreclosure sales of chattel.

#### **IV. Conclusion**

- Having fair and efficient systems for settling debts helps promote the recovery of stranded money, and in the long run, commerce. Money that is stuck and cannot be used is useless money, and creates lost or forgone profits, opportunities and solutions. Since financial stability is deeply rooted in the viability of free societies and free enterprises, it is imperative that our existing processes that promote the flow of money and the means through which money that is lent is recovered be as efficient, as fair and as reliable as they can be.
- On the other hand, oppressive processes of freeing distressed debtors from the burden of paying debts when they are incapable of doing or forcing them to pay based on unreasonable terms so discourage borrowing, which discourages free enterprise and economic growth
- Creditor-debtor relationship characterized by fairness and equity leads to efficient and responsible use of credit which in turn promotes economic development and prosperity.

Final words.

It is good to have money and the things that money can buy but it is good to check up once in a while and make sure you haven't lost the things that money can't buy. *George Lorimer*

