# *Ruiz v. Court of Appeals*: A Moral Hazard

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*SUBJECT(S):* *CIVIL LAW*
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The case of *Ruiz v. Court of Appeals*, which lays down the doctrine on unreasonable or exorbitant interest rates, is subject to analysis in this Article. The Article first lays down some definitions and then goes on to provide the facts of the subject case. *Ruiz* involved a default by the debtor where the creditor seeks to enforce a loan agreement. The Court in the said case ratiocinated that while the Usury Law was lifted by a Central Bank Circular, nothing in the said circular grants lenders blanket authority to raise interest rates to levels which will either enslave their borrowers or lead to a hemorrhaging of their assets. Interest rates must still be equitable. The Article then discusses the bases of the pronouncement of the Court. These bases are four cases namely *Medel v. CA*, *Garcia v. CA*, *Bautista v. Pilar Development Co.*, and *Solangon v. Salazar*. The Article discusses each one of the four cases. It then identifies problem areas in the imposition of interests. The Article concludes by saying that *Ruiz* presents many difficulties. First is that it did not consider existing market rates in determining the allowable range of interest rates. Second is that the invocation of the *contra bonus mores* principle is difficult to accept because this prompts the Court to exercise a sociological function. The Court must be able to establish a strong link between exorbitant rates and immorality, which is a difficult task.