

How to recover pawnshop overcharges and disputed appraisals

Last reviewed 2026-05-04 · 6 steps · <https://labanph.org/guide/how-to-recover-pawnshop-overcharges>

Pawnshops in the Philippines are regulated under Presidential Decree 114, the Pawnshop Regulation Act, and supervised by the Bangko Sentral ng Pilipinas. The decree caps pawnshop interest, mandates a written pawn ticket, and gives borrowers redemption rights. When a pawnshop charges fees that are not in the ticket, refuses to honour the ticket on redemption, or auctions an item before the redemption window expires, the borrower has three remedies: a BSP CAM complaint, a small-claims case for the difference, and where loss of an item is involved, a criminal estafa complaint.

1. Know what PD 114 caps and requires

PD 114 sets the regulatory frame. Section 12 requires every pawnshop to issue a pawn ticket containing the loan amount, the maturity date, the rate of interest, the description of the article pawned, and the appraisal value. Section 11 caps interest at the rate disclosed on the ticket. Section 13 requires a ninety-day redemption period after maturity before the article can be auctioned, with notice of auction in a newspaper of general circulation.

Fees not on the ticket are presumptively unauthorised. Renewal charges, "safekeeping" fees, or appraisal-update fees added at redemption time are recoverable if they were not disclosed up front.

[law] PD 114 — Pawnshop Regulation Act — <https://www.officialgazette.gov.ph/1973/01/29/presidential-decree-no-114-s-1973/>

2. Compute the overcharge

Lay the pawn ticket next to the redemption receipt. The principal is fixed; the interest is the disclosed monthly rate times the months elapsed (rounded by the pawnshop's stated rounding rule, usually to a full month). Service fees are valid only if printed on the ticket. Anything else is the overcharge.

For disputed appraisal cases — for example, an item declared lost or substituted at redemption — the loss is the difference between the appraised value on the ticket (or the fair market value of the original item, whichever is greater) and what you received back. Get a second appraisal from a different chain and keep the comparison.

TIP

When MLhuillier and Cebuana Lhuillier appraise the same item differently by ten percent or more, the gap is itself documentary evidence of an appraisal that may have been below fair market value.

3. Send a demand letter to the branch and head office

Send a dated, signed letter to the branch manager and to the chain's head office. Address the head-office letter to the Customer Service department. Reference the pawn ticket number, the date of pledge, the date of redemption, the line items disputed, and the refund amount demanded. Give the company fifteen calendar days to respond — the standard internal-resolution window under BSP Circular 1160.

Keep proof of mailing. Registered mail with return card from PHLPPost runs about ±65 and produces a court-admissible record. Email is acceptable as a parallel channel; do not rely on email alone for chains that route customer-service email through unmonitored shared mailboxes.

[circular] BSP Circular 1160 — internal resolution window — <https://www.bsp.gov.ph/Regulations/Issuances/2023/c1160.pdf>

4. File with BSP CAM if no resolution within fifteen days

If the company does not respond, or responds with a refusal that does not address your computation, escalate to the BSP Consumer Assistance Mechanism. File via consumeraffairs@bsp.gov.ph, BSP Online Buddy, or the paper CAS-1 form. Subject line: "Pawnshop Complaint — [Chain] — Ticket [number]."

Attach: the pawn ticket, the redemption receipt, your demand letter and proof of mailing, the chain's response (if any), and any second-appraisal documentation. Cite PD 114 Section 11 (interest cap), Section 12 (ticket disclosure), and Section 13 (redemption window) where applicable. Cite RA 11765 if the chain is denying you a clear written explanation.

5. File small claims for the refund and damages

BSP CAM mediates; it does not order refunds. For refunds and damages, file a small-claims case at the Metropolitan or Municipal Trial Court where you reside or where the chain's principal office is located. Claims up to ±400,000 require no lawyer.

For MLhuillier the principal office is in Cebu City; for Cebuana Lhuillier the principal office is in Quezon City. The Statement of Claim attaches the pawn ticket and redemption receipt as Exhibits A and B and the demand letter as Exhibit C. The court sets a hearing within thirty days; a decision issues the same day.

[court] Rules on Small Claims Cases (A.M. No. 08-8-7-SC) — <https://sc.judiciary.gov.ph/small-claims/>

6. Consider criminal estafa for substituted or missing items

If the item returned at redemption is not the item pledged, or the chain claims the item is lost without offering its appraised value, the conduct may constitute estafa under Article 315 of the Revised Penal Code. File a criminal complaint at the Office of the City Prosecutor where the branch is located. The criminal case is independent of the civil and administrative complaints — all three can run in parallel.

A prior NLRC ruling against a Lhuillier-family pawnshop (G.R. No. 105892, 1998) is illustrative on the structural-liability question: the chain remained civilly responsible for the conduct of branch personnel. Later civil and administrative cases have applied similar reasoning.

[law] Revised Penal Code Article 315 — Estafa — <https://www.officialgazette.gov.ph/1930/12/08/act-no-3815-december-8-1930/>

[court] Leiden Fernandez v. NLRC and Marguerite Lhuillier (G.R. No. 105892, 1998) — https://lawphil.net/jud-juris/juri1998/jan1998/gr_105892_1998.html

ACTION CHECKLIST

- Hold the pawn ticket and redemption receipt side by side; itemise differences.
- Get a second appraisal from a different chain.
- Send a dated demand letter by registered mail.
- Wait fifteen calendar days for a written response.
- File BSP CAM complaint with PD 114 paragraph citations.
- File small claims at the MTC where you reside.
- If the item was substituted or lost, file estafa with the City Prosecutor.

FREQUENTLY ASKED QUESTIONS

What interest rate is legal for a pawnshop?

PD 114 does not fix a numerical ceiling; it requires the rate to be disclosed on the pawn ticket. Major chains (MLhuillier, Cebuana, Palawan, Villarica) disclose monthly rates between 2.5 and 3.5 percent. Anything above the rate printed on your ticket is overcharge.

Can a pawnshop auction my item before ninety days?

No. PD 114 Section 13 fixes a ninety-day redemption period after maturity, plus public notice in a newspaper of general circulation before auction. Auction before that window is unlawful and the borrower is entitled to the appraised value.

Will BSP order a refund?

BSP CAM mediates; it does not order refunds directly. A favourable mediation often produces a voluntary refund. For a binding order, file small claims after BSP mediation has run its course.

REFERENCES

[law] PD 114 — Pawnshop Regulation Act — <https://www.officialgazette.gov.ph/1973/01/29/presidential-decree-no-114-s-1973/>

[circular] BSP Circular 1160 (2023) — <https://www.bsp.gov.ph/Regulations/Issuances/2023/c1160.pdf>

[law] RA 11765 — Financial Products and Services Consumer Protection Act — <https://www.officialgazette.gov.ph/2022/05/06/re-public-act-no-11765/>

[law] Revised Penal Code Article 315 — Estafa — <https://www.officialgazette.gov.ph/1930/12/08/act-no-3815-december-8-1930/>

[court] Rules on Small Claims Cases (A.M. No. 08-8-7-SC) — <https://sc.judiciary.gov.ph/small-claims/>

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