

# **MICROFINANCE**

## **Consumer Protection Guidebook**

**October 2007**

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## Foreword

Consumer protection is an issue that affects the daily lives of everyone regardless of race, class or profession. Consumers should get “what they pay for”, be guaranteed of the quality of goods and services they purchase and avail, and have recourse in cases of violations by businesses that provide those goods and services.

The government has always recognized the need to protect the rights and interests of consumers. The provisions of the Consumer Protection Act of 1991 and other relevant laws are testaments of the government’s unwavering support for the rights of the consumers. These laws provide the vehicle for people to secure protection against all forms of aberrations by businesses. More importantly, *these laws do provide provisions for the protection of the poor who will access or have accessed microfinancial services.*

The Microfinance Consumer Protection Guidebook comes opportunely. Access to microfinancial services by the poor from private financial institutions has been in the upswing, and this fact underscores the need to provide comprehensive information to serve as a guide to microfinance clients, providers and other stakeholders on how to behave in a rational manner.

This compendium of consumer protection laws, rules and regulations serves to enlighten the poor clients and providers of microfinance of their rights, privileges and responsibilities particularly on the current legal, regulatory and institutional policies on consumer protection. It also includes a comprehensive directory of regulatory agencies, through which consumers can file their complaints and grievances.

This Guidebook forms part of the government’s commitment under the Financial Literacy Program of the ADB-funded Microfinance Development Program. We hope that this Guidebook will contribute greatly to the greater education of the broader sector of our society, particularly microfinance clients, about their financial rights and obligations under Philippine laws.



**GIL S. BELTRAN**

Undersecretary, Department of Finance and  
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## Preface

The most striking aspect of current developments in Philippine microfinance is the rapid and sustained manner with which the sector has gathered momentum over the past few years. While many had viewed its beginnings with hesitation and uncertainty, Filipino microfinance has since flourished, and is now a recognized pillar of national development.

Only 12% of the country's poorest folk availed of credit in 1991. Those who did avail of credit borrowed mostly from relatives and friends, private money lenders, and small cooperatives. Very few obtained credit from formal institutions, with the government's largest provider of loans to the poor issuing only around P83 million through its credit lines that year. But it took less than two decades for the sector to manage a massive turn-around.

As of June this year, in fact, the country's microfinance services had issued small loans amounting to nearly P70 billion to some 2.7 million active clients throughout the nation. The Philippine government estimates that these loans have in turn generated some 1.2 million jobs throughout the archipelago.

There is little doubt that the country's expanded microfinance sector has had a positive impact on the lives of the poor. Around 32% of the country's active microfinance clients are small farmers; 27% are poor fisherfolk; another 24% are informal workers; while 15% belong to the urban poor. The Filipino youth and indigenous folk comprise the remainder.

Given the rate and quality of its growth, there have, of course, been many milestones along the way.

This guidebook, which informs small borrowers of the rights and protection accorded them by government, is yet another.

It represents pioneering effort to turn the tables and, this time, shed light on the capacity needs of borrowers rather than institutions, and describes relevant regulations and institutions with actual chronicles of consumer complaints to demonstrate the dynamics of consumer protection in microfinance.



**DOMINGO F. PANGANIBAN**  
Secretary & Lead Convener  
National Anti-Poverty Commission



## About the Guidebook

Consumer protection pertains to the means necessary to safeguard the interests of consumers and empower them to be aware of their rights and make prudent and educated decisions on products and services to be acquired or availed of. Its implications on the provision and sustainability of microfinance services underscore the need for a comprehensive reference for its effective implementation. This guidebook, therefore, compiles in a single source the legal, regulatory and institutional policies on consumer protection related to microfinance. It provides microfinance clients, microfinance institutions, community leaders, practitioners and regulators relevant information that will help them make informed decisions in pursuing not only the protection of users but also the integrity of service providers and financial stability of the microfinance sector.

The guidebook is divided into three main sections. Part 1 provides an introduction on consumer protection in microfinance and strategies to promote the practice. The legal basis, and the regulatory and institutional framework on consumer protection in microfinance in the Philippines are described in Part 2. Part 3 provides a guide on filing and handling consumer complaints and grievances related to microfinance services. The Appendices provide details of pertinent consumer protection regulations and directory of regulatory agencies in the Philippines.

The preparation of this guidebook was coordinated by the Department of Finance - National Credit Council and the National Anti-Poverty Commission. Concerned regulatory institutions and microfinance stakeholders were consulted in the development of the guidebook.

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## List of Acronyms

ADB	Asian Development Bank
BMBE	Barangay Micro Business Enterprise
BSP	Bangko Sentral ng Pilipinas
CDA	Cooperative Development Authority
DOF	Department of Finance
IC	Insurance Commission
MBA	Mutual Benefit Association
MFI	Microfinance Institution
MORB	Manual of Regulations for Banks
NAPC	National Anti-Poverty Commission
NBFI	Non-Bank Financial Intermediary
NCC	National Credit Council
NGO	Non-Government Organization
PAR	Portfolio-at-Risk
PD	Presidential Decree
PDIC	Philippine Deposit Insurance Corporation
RA	Republic Act
SEC	Securities and Exchange Commission

## Glossary of Terms

**Banks** - entities engaged in the lending of funds obtained from deposits; include (a) universal banks; (b) commercial banks; (c) thrift banks, composed of: (i) savings and mortgage banks, (ii) stock savings and loan associations, and (iii) private development banks; (c) rural banks; (d) cooperative banks; (e) Islamic banks as defined in RA No. 6848; and (f) other classifications of banks as determined by the Monetary Board of the Bangko Sentral ng Pilipinas (RA 8791 – General Banking Law)

**Capability building** - the process of enhancing the viability and sustainability of microfinance institutions through activities that include training in microfinance technologies, upgrading of accounting and auditing systems, technical assistance for the installation or improvement of management information systems, monitoring-of loans and other related activities.

**Collateral-free arrangement** – a financial arrangement wherein a loan is contracted by the debtor without the conventional loan security of a real estate or chattel mortgage in favor of the creditor. In lieu of these conventional securities, alternative arrangements to secure the loans and ensure repayment are offered and accepted.

**Consumer** – a natural person who is a purchaser, lessee, recipient or prospective purchaser, lessor or recipient of consumer products, services or credit (RA 7394 – Consumer Act of the Philippines); users of products or services; the largest economic group, affecting and affected by almost every public and private economic decision

**Consumer protection** – the means necessary to safeguard the interests of consumers and empower them to know their rights and make wise, informed decisions.

***Contract of insurance*** - an agreement whereby one undertakes for a consideration to indemnify another against loss, damage or liability arising from an unknown or contingent event.

***Cooperative*** - a duly registered association of at least fifteen (15) persons having a common bond of interest, who voluntarily join together to achieve a lawful common social and economic end. It is organized by the members who equitably contribute the required share capital and accept a fair share of the risks and benefits of their undertaking in accordance with universally accepted cooperative principles and practices.

***Corporation*** - an artificial being or juridical person created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence. Corporations which have capital stock divided into shares and are authorized to distribute to the holders of such shares dividends or allotments of the surplus profits on the basis of the shares held are stock corporations. All other corporations are non-stock corporations. Corporations created by special laws or charters shall be governed primarily by the provisions of the special law or charter creating them or applicable to them, supplemented by the provisions of the Corporation Code. Corporators are those who compose a corporation, whether as stockholders or as members. Incorporators are those stockholders or members mentioned in the articles of incorporation as originally forming and composing the corporation and who are signatories thereof.

***Disclosure*** – act of revealing or uncovering; laying out of facts

***Financial intermediaries*** - persons or entities whose principal functions include the lending, investing or placement of funds or evidences of indebtedness or equity deposited with them, acquired by them, or otherwise coursed through them either for their own account or for the account of others.

***Financing companies*** - include corporations (except banks, investments houses, savings and loan associations, insurance companies, cooperatives, and other

financial institutions organized or operating under other special laws) which are primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises, by direct lending or by discounting or factoring commercial papers or accounts receivable, or by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by financial leasing of movable as well as immovable property.

**Functional literacy**- an individual's ability to read, write and speak, and to compute and solve problems at levels of proficiency necessary to function on the job and in society, to achieve one's goals, and develop one's knowledge and potential.

**Lending company** - a corporation engaged in granting direct loans from their own funds or from other persons, not exceeding nineteen (19) at any one time, with interest and charges whether on a secured or unsecured basis, but shall not be deemed to include banking institutions, investment houses, savings and loan associations, financing companies, pawnshops, insurance companies, cooperatives and other credit institutions already regulated by law. The term shall be synonymous with lending investors (RA 9474 – Lending Company Regulation Act of 2007).

**Microfinance** - the provision of a broad range of financial services generally by the private sector to poor and low-income households engaged in livelihood and microenterprise activities using nontraditional and innovative methodologies and approaches (e.g. extension of small loans, simplified loan application procedures, group character loans, collateral-free arrangements, alternative loan repayments, minimum requirements for savings, and small denominated savers' instruments) aimed to improve their asset base and expand their access to savings (RA 8425 – Social Reform and Poverty Alleviation Act).

**Microenterprise** - any business entity or enterprise engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, whose total assets including those arising from loans but exclusive of the land on which the particular business entity's office,

plant and equipment are situated, shall not be more than three million pesos (P 3 million) (RA 9178 – Barangay Micro Business Enterprise Law and SMEDC).

***Microfinance-oriented banks/regular banks engaged in microfinance operations*** – banks that offer a broad range of financial services, such as deposits, loans, payment services and money transfers, to the poor and low income households for their microenterprises and small businesses.

***Microfinance institutions*** - institutions engaged in the delivery of microfinancial services such as credit, deposit-taking, insurance, money remittances and transfers.

***Microinsurance*** – a risk management tool providing protection and social security to low income households and workers in the informal sector against specific perils in exchange for small regular insurance premium payments proportionate to the likelihood and cost of risks involved.

***Microinsurance MBA*** - any mutual benefit association duly licensed by the Insurance Commission to wholly engage in the business of providing microinsurance to at least five thousand (5,000) member-clients (IC Circular 9-2006).

***Microsavings*** - deposit services that allow people to store small amounts of money for future use, often without minimum balance requirements. Savings accounts allow households to save small amounts of money to meet unexpected expenses and plan for future investments such as education and old age.

***Micro loan*** – a loan amounting to P150,000 and below (limit granted to microenterprise loans in order to be classified as microfinance) (RA 8425 & BSP Circular 272).

***Moral hazard*** - refers to situations where one side of the market cannot observe the actions of the other. Moral hazard arises when individuals in possession of

private information take actions which may adversely affect another party, rendering the latter to bear the consequences of those actions.

***Mutual benefit association*** - any society, association or corporation, without capital stock, formed or organized not for profit but mainly for the purpose of paying sick benefits to members, or of furnishing financial support to members while out of employment, or of paying to relatives of deceased members of fixed or any sum of money, irrespective of whether such aim or purpose is carried out by means of fixed dues or assessments collected regularly from the members, or of providing, by the issuance of certificates of insurance, payment of its members of accident or life insurance benefits out of such fixed and regular dues or assessments (Sec. 390 of PD 612).

***Non-Bank Financial Intermediaries*** - non-monetary financial institutions, classified into government and private sectors, with or without quasi-banking functions. They are primarily engaged in long-term financing for the expansion and modernization of productive ventures and, to a minor extent, for facilitating short-term placements in other financial institutions. Non-bank financial institutions consist of: (a) Investment House; (b) Financing Company; (c) Investment Company; (d) Securities Dealer; (e) Securities Broker; (f) Pawnshop; (g) Lending Investor; (h) Fund Manager; (i) Mutual Building and Loan Association; (j) Non-Stock Savings and Loan Association; (k) Private Insurance Company; (l) government non-bank financial institutions; and (m) Venture Capital Corporation.

***Non-government organization*** – a duly registered non-stock, nonprofit organization focusing on the upliftment of the basic or disadvantaged sectors of society by providing advocacy, training, community organizing, research, access to resources, and other similar activities (RA 8425)

***Portfolio-at-risk*** - outstanding principal amount of all loans that have at least one installment past due for one or more days. The amount includes the unpaid principal balance but excludes accrued interest. Loans are considered past due if a payment has fallen due and remained unpaid.

***Quasi-banking activities*** - means borrowing funds from twenty (20) or more personal or corporate lenders at any one time, through the issuance, endorsement, or acceptance of debt instruments of any kind other than deposits for the borrower's own account, or through the issuance of certificates of assignment or similar instruments, with recourse, or of repurchase agreements for purposes of relending or purchasing receivables and other similar obligations: Provided, however, that commercial, industrial and other non-financial companies, which borrow funds through any of these means for the limited purpose of financing their own needs or the needs of their agents or dealers, shall not be considered as performing quasi-banking functions.

***Reinsurance*** – an act by which an insurer procures a third person to insure him against loss or liability by reason of such original insurance. Where an insurer obtains reinsurance, he must communicate all the representations of the original insured, and also all the knowledge and information he possesses, whether previously or subsequently acquired, which are material to the risk.

***Remittances*** – domestic payments and those from one country to another that are not fees for anything (goods, services, assets, the use of capital, etc.); include income transfer, charitable contributions, gifts to family members, government aid and portions of migrant workers' earnings sent back to their country of origin during their working life or upon retirement.

***Regulation*** – binding rules or policies governing the conduct of legal entities and individuals, whether they are adopted by a legislative body or an executive body.

***State regulation*** – a measure that is drafted in a political process and made more or less binding by law, ordinance or a decree. These are implemented by government regulatory authorities.

***Self-regulation*** - refers to arrangements imposed by providers of microfinance services upon themselves usually in the form of standards and norms they develop

and enforce through a member-controlled council, coalition or federation of service providers.

***Service provider*** – an institution or group that provides financial or non-financial services to other entities either as part of its mandate or as a business endeavor.

***Supervision*** – external oversight aimed at determining and enforcing compliance with prudential regulation.

***Thrift banks*** - include savings and mortgage banks, private development banks, stock savings and loan associations. Thrift banks are engaged in accumulating savings of depositors and investing them. They also provide short-term working capital and medium- and long-term financing to businesses engaged in agriculture, services, industry and housing, and diversified financial and allied services, and to their chosen markets and constituencies, especially small-and medium-enterprises and individuals.

***Transparency*** - entails the disclosure of the terms and conditions of financial transactions (e.g., interest rates, payments and amortizations, cost recovery, taxes and other charges, etc.) in written product or service agreements, contracts or similar documents which are clearly understood by the clients upfront.

***Universal and commercial banks*** – comprise the largest single group, resource-wise, of financial institutions in the country. They offer the widest variety of banking services among financial institutions. In addition to the function of an ordinary commercial bank, universal banks are also authorized to engage in underwriting and other functions of investment houses, and to invest in equities of non-allied undertakings.



# Introduction to Consumer Protection

## What is consumer protection?

Consumer protection pertains to measures that promote the rights of clients, enable them to make informed choices and protect them from unscrupulous acts that deny them the true value and optimum benefits of microfinance services such as credit, deposits/savings, insurance, and remittances and transfers.

## Why is there a need for consumer protection in microfinance?

Consumer protection is necessary to safeguard the interests of consumers of microfinance services from adverse effects brought about by undesirable practices of providers.

## Why are there undesirable practices?

- Competition in the microfinance sector opens the market to providers who are less concerned with socially-responsible microfinance principles and may engage in aggressive and inappropriate marketing strategies.
- Vulnerable borrowers who lack access to information, functionally illiterate or insufficiently informed of their rights can be easily pressured into making poor transaction decisions.
- Interests of service providers and those of consumers may not be necessarily compatible. Those in possession of private information may take actions which may result in bad outcomes for the other party (asymmetric information and moral hazard problems).

## When can undesirable practices happen?

Undesirable practices can happen at any stage of a transaction. **Box A** contains examples of undesirable practices in microfinance.

**Box A**  
Examples of Undesirable Practices In Microfinance

Before Transaction	During Transaction	After Transaction
<ul style="list-style-type: none"> <li>▪ Giving high or false expectations on interest on loans &amp; deposits &amp; benefits from insurance</li> <li>▪ Hard selling through home visitation, door-to-door solicitations, limited-time offers &amp; intimidation</li> <li>▪ Inadequate orientation seminars or consultations</li> <li>▪ Unclear policies &amp; lack of written or oral information on the true costs &amp; benefits of the products/services being offered</li> <li>▪ Promises of hidden rewards</li> </ul>	<ul style="list-style-type: none"> <li>▪ Approval or denial of clients without clear basis or criteria</li> <li>▪ Clients are not given copies of contracts, records or other documents on their transactions</li> <li>▪ Inappropriate or deceitful contract wording; written documents do not reflect agreed upon terms and conditions before transaction was made</li> <li>▪ Forced terms of conditions (e.g., client's ability to repay or to amortize not considered)</li> <li>▪ Products cost higher than disclosed because of hidden charges</li> <li>▪ Withholding of funds or imposition of penalties on cancelled loans, deposits or insurance plans within a few days of transaction without proper disclosure to the client</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inaccurate recording of client's transaction</li> <li>▪ Illegal and abusive behavior in the conduct of transactions such as harassment to force clients to pay; imposition of unnecessary fees or surcharges &amp; consolidation of debts at a higher rate</li> <li>▪ Releasing borrower information to interested entities in violation of certain legal provisions (credit history can be shared but not personal information such as those related to deposits and other assets (Law on Secrecy of Bank Deposits) unless with consent of the client or as required under the Anti-Money Laundering Act)</li> <li>▪ Withholding of capital build-up or savings and insurance claims or benefits without valid reason or appropriate explanation or consent of the client</li> <li>▪ Misuse or diversion of funds by service providers</li> </ul>

## How can consumer protection be pursued?

Consumer protection can be ensured by —

- preventing irregularities or transactions which have negative impact on the consumers;
- empowering consumers to exercise informed choices and select value-for-money goods;
- providing fair access to microfinance products and services; and
- opening avenues to address consumer interests and concerns.

### Consumer protection measures include:

- transparency of transactions;
- implementation of regulations on financial practices;
- promotion of consumer literacy; and
- implementation of mechanisms for filing and handling consumer complaints and grievances.

## Policies on Consumer Protection Focusing on Microfinance

### What is the legal basis for consumer protection?

The Philippine government adopted RA 7394 (Consumer Act of the Philippines of 1991) as the legal basis for consumer protection in the country (see **Box B** for the objectives of the Act). The law embodies the state policy on the protection of consumers and establishes standards of conduct for business and industry in the country.

#### Box B Objectives of RA 7394 (Consumer Act of the Philippines of 1991)

The Act aims to protect the "interest of the consumer, promote his general welfare and establish standards of conduct for business and industry" by adopting the following measures:

- a) protection against hazards to health and safety;
- b) protection against deceptive, unfair and unconscionable sales acts and practices;
- c) provision of information and education to facilitate sound choice and the proper exercise of rights by the consumer;
- d) provision of adequate rights and means of redress; and
- e) involvement of consumer representatives in the formulation of social and economic policies.

### What provisions of the Consumer Act are related to microfinance?

- Title IV (Consumer Credit Transaction) of the Act states that the government shall "simplify, clarify and modernize the laws governing credit transactions and encourage the development of fair and economically sound consumer credit practices." To enhance consumer awareness on the true cost of financial services, the law requires the transparency or full disclosure of the true cost of credit transactions and determination of interest and finance charges.
- Said provision of the Act reiterates the intent of RA 3765 (The Truth in Lending Act) requiring creditors and providers of loans, as well as credit-

granting NGOs, to furnish their borrowers, prior to the consummation of any transaction, a clear written statement disclosing the amount, interest and other finance charges relative to their loan.

### *Policies Promoting Transparency*

#### What is transparency?

Transparency entails the disclosure of the terms and conditions of financial transactions (e.g., interest rates, payments and amortizations, cost recovery, taxes and other charges, etc.) in written product or service agreements, contracts or similar documents which are clearly understood by the clients.

#### What are the benefits from transparent actions or disclosure?

- Transparency or disclosure protects consumers by making information on financial transactions comparable and widely available, thus, allowing them to
  - make informed decisions;
  - judge their costs, risks, and returns or benefits in undertaking certain financial transactions; and
  - access their transaction records at any time.
  
- It also stimulates pricing competition that can lower transactions costs among providers and consumers.

## What policies require transparency?

Requirements for transparency in microfinance services are embodied in several laws, rules and regulations (see **Box C** for details).

<b>Box C</b> Policies Requiring Transparency in Microfinance Transactions	
<i>Laws, Rules &amp; Regulations</i>	<i>Details</i>
RA 7394 - Consumer Act of the Philippines of 1991 (Title IV- Consumer Credit Transaction)	> requires the full disclosure of the true cost of credit transactions and determination of interest and finance charges
RA 3765 - The Truth in Lending Act	> requires creditors to furnish their borrowers, prior to the consummation of their transactions, clear written statements on the amount, interest and other finance charges related to their loans
RA 8791 - General Banking Law (Article III, Sections 60 & 61)	> requires banks to submit to the supervising and examining department of the BSP their financial statements showing their actual financial condition and operations and other information as maybe required by the BSP (Section 60) > mandates banks to publish a statement of their financial condition understandable by the public at least once every quarter in a newspaper of general circulation (Section 61)
BSP Manual of Regulations for Banks (MORB)	> requires disclosure of information to the borrower pertinent to the loan between the borrower and the financial institution
SEC Memorandum Circular No. 2, Series of 2006	> requires non-stock, non-profit corporations including NGOs that intend to engage or currently engaged in microfinance activities to file with SEC their Articles of Incorporation and General Information Sheet (GIS) indicating their conduct of microfinance operations pursuant to RA 8425
SEC Memorandum Circular No. 9, Series of 2006	> requires the disclosure of information on non-stock, non-profit corporations in their revised GIS to be filed with the SEC
PD 612 – Insurance Code (Title 6, Section 51, Title 9, Chap VII Section 393)	> requires the approval of the form of application, rider, clause, warranty or endorsement of any policy, certificate or contract of insurance, membership certificate by the IC prior to its issuance or delivery > requires the transparency of insurance policies or certificates including the face amount, benefits and terms of the insurance
Insurance Memorandum Circular 9-2006	> specifies that all microinsurance policies shall clearly identify the face amount, benefits, and terms of the insurance coverage. Microinsurance providers shall ensure that: a) the contract provisions can be easily understood by the insured; b) the documentation requirements are simple; and c) the manner and frequency of premium collections coincides with the cash-flow of, or otherwise not onerous for, the insured.

## How can clients ensure transparency of transactions?

A client can undertake the following to ensure that his/her transactions are transparent —

- attend briefings and orientations on microfinance services/products being offered or acquired
- approach concerned staffs of service providers
- inquire or gather relevant information from other clients
- refer to pertinent documents on lending, deposits and insurance services & products
- consult persons or institutions with authority on these services/ products
- know basic information about the following:
  - o legal and other product or service documents (see **Box D**)
  - o basic or standard chart of accounts that service providers use to record financial transactions and report financial performance
  - o financial condition of the MFI through their audited financial statements or ratings such as the PESO standards for MFIs
  - o standard or structured forms which facilitate access to and comparability of information on financial transactions

<b>Box D</b> Documents Requiring Transparency	
Written product or service documents	Required information as applicable
<ul style="list-style-type: none"> <li>▪ contracts or agreements for loans;</li> <li>▪ records, bankbooks, receipts or slips for savings/deposits;</li> <li>▪ insurance policies or membership certificates; and</li> <li>▪ receipts for remittances or fund transfers</li> </ul>	<ul style="list-style-type: none"> <li>▪ eligibility and documentary requirements of the transaction</li> <li>▪ face amount transacted whether to be financed, deposited, insured, paid or transferred</li> <li>▪ interest rate, finance charges &amp; taxes to be paid</li> <li>▪ amount of amortization/premiums to be paid for loans and insurance, respectively</li> <li>▪ duration/maturity of contract/policy</li> <li>▪ penalties and other charges</li> <li>▪ benefits &amp; returns from the transaction</li> <li>▪ terms of payment including manner and frequency of payments, grace period</li> <li>▪ terms and conditions for claiming benefits</li> </ul>

## Laws, Rules and Regulations on Financial Practices

### What are the existing laws, rules and regulations that provide protection to consumers of various financial products and services?

Laws, rules and regulations listed below (see also **Appendix A** for details) set the governing principles of financial intermediation including requirements for entry and exit of microfinance service providers. They determine and limit businesses and products of service providers as well as specify the criteria and standards for their sound and sustainable operation.

- RA 8791 (General Banking Law of 2000)
- BSP Manual of Regulations for Banks (MORB)
- RA 7906 (Thrift Banks Act of 1995)
- RA 7353 (Rural Banks Act of 1992)
- RA 6938 (Cooperative Code of 1990)
- RA 3591; RA 3591 as amended (2004)(PDIC Charter)
- PD 612 (Insurance Code of 1974)
- IC Memorandum Circular 9-2006
- Batas Pambansa Bilang 68 (Corporation Code of 1980)
- RA 9474 (An Act Governing the Establishment, Operation and Regulation of Lending Companies of 2007)
- RA 8553 (Financing Company Act of 1998)
- related BSP Circulars and SEC Memorandum Circulars

**Boxes E, F and G** contain the authorized activities, prescriptions and other regulations on microfinance products and services and their providers based on the preceding laws, rules and regulations.

## PART TWO

### Box E Authorized Key Activities of Service Providers Based on Existing Laws, Rules & Regulations

Service Provider	Authorized Key Activities
Banks (rural, thrift & coop banks)	<ul style="list-style-type: none"> <li>✓ lending</li> <li>✓ deposit mobilization</li> <li>✓ remittance/funds transfer</li> </ul>
NBFIs (including financing & lending companies, pawnshops, SLAs)	<ul style="list-style-type: none"> <li>✓ lending</li> </ul>
Cooperatives	<ul style="list-style-type: none"> <li>✓ lending to members</li> <li>✓ savings/deposit mobilization from members</li> <li>✓ insurance</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>✓ lending</li> <li>✓ capacity building</li> </ul>
MBAs	<ul style="list-style-type: none"> <li>✓ insurance</li> <li>✓ microinsurance</li> <li>✓ reinsurance</li> <li>✓ lending to insured members</li> </ul>

### Box F Prescriptions on Microfinance Products & Services Based on Existing Laws, Rules and Regulations

Product	Prescriptions
Loans	<ul style="list-style-type: none"> <li>✓ Up to P150,000</li> <li>✓ No required collateral/financial statements; however, MFIs can impose collateral substitutes to safeguard their own interests</li> <li>✓ Terms &amp; conditions are based on client's cash flow</li> </ul>
Deposits	<ul style="list-style-type: none"> <li>✓ Imposition of withholding tax of 20% on interest on deposits</li> <li>✓ Entitlement to deposit insurance in case of bank closure; payment of the insured deposits shall be made by the PDIC as soon as possible either by cash or by making available to each depositor a transferred deposit in another insured bank in an amount equal to insured deposit of such depositor up to a maximum of P 250,000</li> </ul>
Microinsurance	<ul style="list-style-type: none"> <li>✓ Maximum amount of premium computed on a daily basis shall not exceed 10% of the daily minimum wage rate for non-agricultural workers in Metro Manila</li> <li>✓ Maximum amount of life insurance coverage shall not be more than 500 times the daily minimum wage rate for non-agricultural workers in Metro Manila</li> <li>✓ Entitlement to change of beneficiary or beneficiaries in accordance with the policies issued by the IC unless the client has expressly waived this right in the policy or membership certificate. Every MBA may, under such rules as it may adopt, limit the scope of beneficiaries and provide that no beneficiary shall have or obtain the proceeds of any certificate until it has become due and payable under the terms of the membership certificate.</li> </ul>

**Box G**  
**Other Regulations On Service Providers**

Service Provider	Specific Regulations
Banks	<ul style="list-style-type: none"> <li>✓ Registration &amp; licensing with the BSP before they can operate</li> <li>✓ License for bank branching; establishment of other banking offices allowed for lending &amp; collection only but not for deposit-taking</li> <li>✓ Regulation on minimum paid-up capital requirements</li> <li>✓ Regulations for the portfolio-at-risk (PAR) and loan loss provisions</li> <li>✓ Regular reporting to BSP following prescribed formats and documentary requirements on financial condition &amp; operations</li> <li>✓ Regular publication of status of financial performance</li> </ul>
NBFIs	<ul style="list-style-type: none"> <li>✓ Registration &amp; licensing with the BSP for NBFIs with quasi-banking functions &amp; with SEC for those without quasi-banking-functions</li> <li>✓ Regulation on minimum paid-up capital requirements</li> <li>✓ Regular reporting to BSP and SEC following prescribed formats and documentary requirements on financial condition &amp; operations</li> <li>✓ Regular publication of status of financial performance</li> </ul>
Cooperatives	<ul style="list-style-type: none"> <li>✓ Registration &amp; licensing with the CDA</li> <li>✓ Regulation on minimum paid-up capital requirements</li> <li>✓ Regular reporting to CDA following prescribed formats and documentary requirements on financial condition &amp; operations</li> </ul>
Insurance Companies/MBAs	<ul style="list-style-type: none"> <li>✓ Registration &amp; licensing with the IC and SEC</li> <li>✓ Regulation on minimum guarantee fund requirements</li> <li>✓ Regular reporting to IC following prescribed formats and documentary requirements on financial condition &amp; operations</li> <li>✓ Regulation on prescribed policy or membership certificate formats</li> <li>✓ Regular publication of status of financial performance</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>✓ Registration &amp; licensing with the SEC</li> <li>✓ Registration of Amended Articles of Incorporation to include microfinance activities</li> <li>✓ Regular submission of information on microfinance in their GIS</li> </ul>

### What other practices related to financial services are promoted to protect consumers?

Common standards, principles and norms also regulate financial practices and protect consumers (see **Box H**). Collective action, either through a member-controlled council, coalition or federation of service providers and with the close supervision of regulatory authorities, promotes implementation of these practices.

Box H  
Performance Standards to Gauge MFI Operations & Safeguard the Welfare of Clients

Service Provider	Performance Standards
Banks	<ul style="list-style-type: none"> <li>✓ Capital Adequacy</li> <li>✓ Asset Quality</li> <li>✓ Management</li> <li>✓ Earnings</li> <li>✓ Liquidity</li> <li>✓ Sensitivity to Market Risk</li> </ul>
MFIs	<ul style="list-style-type: none"> <li>✓ Portfolio quality</li> <li>✓ Efficiency</li> <li>✓ Sustainability</li> <li>✓ Outreach</li> </ul>
Cooperatives with Savings and Credit Activities	<ul style="list-style-type: none"> <li>✓ Compliance with administrative and legal requirements</li> <li>✓ Organization</li> <li>✓ Operation and management</li> <li>✓ Plans, programs and performance</li> <li>✓ Portfolio quality</li> <li>✓ Efficiency</li> <li>✓ Stability</li> <li>✓ Operations</li> <li>✓ Structure of Assets</li> </ul>

*Regulatory/Supervisory and Implementing Agencies*

There are five main institutions mandated by law to regulate and implement policies related to consumer protection in microfinance activities —

Institution	Legal Basis	Regulatory/Supervisory Functions	Implementing Unit for Ensuring Compliance to Policies Related to Consumer Protection
Bangko Sentral ng Pilipinas (BSP) www.bsp.gov.ph	New Central Bank Act; General Banking Law; Consumer Act	<ul style="list-style-type: none"> <li>&gt; supervises the operations of banks including those engaged in the provision of microfinancial services, and exercises regulatory powers over the operations of financing companies and other non-bank financial institutions performing quasi-banking functions</li> <li>&gt; issues the necessary rules and regulations for the safe and prudent operations of banks</li> <li>&gt; supervises and conducts regular examination of banks to ensure that financial practice regulations are effectively implemented</li> <li>&gt; DOJ Opinion # 69, Series of 1993 and # 32, Series of 1994 declares that based on the</li> </ul>	Microfinance Group (core group of examiners specialized in microfinance operations of banks) Consumer Affairs Group

## PART TWO

		Truth in Lending Act and General Banking Law, the BSP shall be the main implementing agency of the provisions of Title IV (Consumer Credit Transaction) of the Consumer Act	
Philippine Deposit Insurance Corporation (PDIC) <a href="http://www.pdic.gov.ph">www.pdic.gov.ph</a>	RA 3591; RA 3591 as amended (2004); Gen Banking Law	<ul style="list-style-type: none"> <li>&gt; settles claims for insured deposits in the event of bank closure</li> <li>&gt; undertakes failure resolution activities in coordination with the BSP</li> <li>&gt; provides financial assistance to distressed banks</li> <li>&gt; insures deposits with a maximum coverage of P250,000 per depositor</li> <li>&gt; investigates suspected fraud, irregularities &amp;/or anomalies committed in banks (PDIC Regulatory Issuance 2005-02)</li> <li>&gt; conducts bank examination in coordination with the BSP and with prior approval of the Monetary Board</li> <li>&gt; serves as statutory receiver and liquidator of closed banks</li> </ul>	Depositors Assistance Bureau
Cooperative Development Authority (CDA) <a href="http://www.cda.gov.ph">www.cda.gov.ph</a>	RA 6939 (CDA Charter); RA 6938 (Cooperative Code)	<ul style="list-style-type: none"> <li>&gt; supervises the registration and operations of cooperatives</li> <li>&gt; exercises regulatory powers as provided in the Cooperative Code</li> </ul>	Legal Division
Securities and Exchange Commission (SEC) <a href="http://www.sec.gov.ph">www.sec.gov.ph</a>	Securities Regulation Code; Presidential Decree No. 902-A; Corporation Code; Financing Company Act; Investment Houses Law	<ul style="list-style-type: none"> <li>&gt; has jurisdiction and supervision over all corporations, partnerships or associations issued primary franchises, licenses or permits by the Government</li> <li>&gt; maintains a regulatory system, based on international best standards and practices, that promotes the interests of investors in a free, fair and competitive business environment</li> </ul>	Compliance and Enforcement Department
Insurance Commission (IC) <a href="http://www.insurance.gov.ph">www.insurance.gov.ph</a>	RA 275; PD 612 (Insurance Code); RA 6938 (Cooperative Code)	<ul style="list-style-type: none"> <li>&gt; regulates and supervises the operations of life and non-life insurance companies, cooperative insurance entities, and MBAs to ensure that adequate insurance protection is available to the public at a fair and reasonable cost and to assure the financial stability of the insurance industry so that all legitimate claims of the insuring public are met promptly and equitably</li> <li>&gt; issues licenses to insurance agents, general agents, resident agents, underwriters, brokers, adjusters and accredits actuaries &amp; external auditors</li> <li>&gt; has the power to adjudicate claims and complaints involving any loss, damage or liability for which in insurer may be answerable under any kind of policy or contract of insurance</li> <li>&gt; has also the authority to suspend or revoke such licenses</li> </ul>	Public Assistance and Information Division  Claims Adjudication Division

A summary of the regulatory and institutional framework of microfinance service providers is found in **Box I**.

**Box I**  
**Summary of the Regulatory and Institutional Framework for Microfinance Service Providers**

Service Provider	Policy/Legal Basis	Target Market	Authorized Key Services/Products	Regulatory Agency
Thrift Banks	General Banking Law; Thrift Banks Act; Corporation Code; Manual of Regulations for Banks	Microenterprises; small businesses; individuals or groups	Deposits & loans; remittances	BSP; PDIC
Rural Banks	General Banking Law; Rural Banks Act; Corporation Code; Manual of Regulations for Banks	Microenterprises; small businesses; individuals or groups	Deposits & loans; remittances	BSP; PDIC
Non-bank Financial Intermediaries <i>with</i> quasi-banking functions	General Banking Law; Corporation Code; Financing Company Act; ; Manual of Regulations for Non-Bank Financial Institutions	Microenterprises; small businesses; individuals	Loans	BSP
Non-bank Finance Intermediaries <i>without</i> quasi-banking functions	Corporation Code; Financing Company Act; Lending Company Regulation Act	Microenterprises; small businesses; individuals	Loans	SEC
Cooperative Banks	General Banking Law; Rural Banks Act; Cooperative Code; Manual of Regulations for Banks	Microenterprises; small businesses; cooperatives; individuals or groups	Deposits & loans; remittances	BSP; PDIC
Cooperatives with Credit and Savings Operations	Cooperative Code	Individual members	Deposits & micro loans to members	CDA
NGO	Corporation Code	Individuals or groups	Microfinance loans	SEC
Insurance Companies/ Cooperative Insurance Societies/ MBAs	Insurance Code; Corporation Code; Cooperative Code	Individuals or groups	Insurance; microinsurance; reinsurance	IC

## *Promotion of Consumer Literacy*

### What is consumer literacy?

Consumer literacy teaches borrowers how to acquire the right information at different stages of their transactions so they can make intelligent choices and decisions.

### Why is it needed?

Consumer literacy can address the problem of consumer vulnerability to unsound financial practices and enable consumers to make informed choices and exercise their rights.

Consumer protection measures, such as disclosure requirements, rules and regulations on financial transactions, and complaint mechanisms, can only be effective if consumers are educated about the products and their rights. Educated consumers are not only less susceptible to risks or adverse effects of undesirable financial practices but are also better able to seek solutions and compensation if they have been mistreated.

### What information needs to be disseminated to consumers?

Dissemination of information on the following can enhance consumer awareness

- o financial products and services and their costs and benefits
- o rights and responsibilities of the clients and service providers
- o financial regulations
- o performance standards
- o consumer protection measures

## PART TWO

### Box J Checklist to Guide Clients Before Entering into Financial Transactions

#### Microfinance Loans

Why am I borrowing?	<input type="checkbox"/> productive purposes <input type="checkbox"/> consumption <input type="checkbox"/> education <input type="checkbox"/> emergency <input type="checkbox"/> others
How much do I need?	<input type="checkbox"/> below P5,000 <input type="checkbox"/> P5,000 <input type="checkbox"/> P20,000 <input type="checkbox"/> above P20,000 to P150,000
How much can I borrow?	<input type="checkbox"/> below P5,000 <input type="checkbox"/> P5,000 <input type="checkbox"/> P20,000 <input type="checkbox"/> above P20,000 to P150,000
What is the nature of my loan?	<input type="checkbox"/> individual <input type="checkbox"/> group loan
What requirements do I need to comply or submit?	<input type="checkbox"/> attendance to seminar <input type="checkbox"/> personal documents (e.g. ID, community tax certificate, birth or marriage certificates) <input type="checkbox"/> NBI, LGU or other types of clearances <input type="checkbox"/> others
What is the interest rate?	<input type="checkbox"/> less than or equal to 3 % per month <input type="checkbox"/> above 3 -5 % per month <input type="checkbox"/> above 5 % per month
What other charges do I need to pay?	<input type="checkbox"/> processing fee <input type="checkbox"/> MRI or other insurance fees <input type="checkbox"/> service charges <input type="checkbox"/> notarial fees <input type="checkbox"/> others
How much is the principal amount of my loan, interest and other deductions?	<input type="checkbox"/> principal amount of loan P _____ <input type="checkbox"/> interest P _____ <input type="checkbox"/> other deductions P _____ <input type="checkbox"/> take home amount P _____
What is the duration of my loan?	<input type="checkbox"/> 1 – 6 months <input type="checkbox"/> above 6 months <input type="checkbox"/> one year <input type="checkbox"/> more than one year
How much is my amortization? Does the payment coincide with my cash flow?	<input type="checkbox"/> daily P _____ <input type="checkbox"/> weekly P _____ <input type="checkbox"/> monthly P _____
Where and to whom do I pay?	<input type="checkbox"/> group leader <input type="checkbox"/> center chief <input type="checkbox"/> loan officer <input type="checkbox"/> directly to MFI
Are there incentives for advance or on-time payments?	<input type="checkbox"/> yes <input type="checkbox"/> no
How much is the penalty for late or delayed payment?	<input type="checkbox"/> less than 5 % of payment to be made <input type="checkbox"/> 5 – 10% of payment to be made <input type="checkbox"/> others
What are the terms and conditions for repeat loans or loan restructuring?	<input type="checkbox"/> same interest as previous/current loan <input type="checkbox"/> others

Savings/Deposits

Is the MFI authorized to mobilize deposits?	<input type="checkbox"/> yes (it is a bank or coop) <input type="checkbox"/> no (it is an NGO, pawnshop, financing company)
Is my savings secure?	<input type="checkbox"/> the MFI is government regulated and supervised <input type="checkbox"/> the MFI has a stable financial condition with positive income <input type="checkbox"/> it has an active core management group <input type="checkbox"/> it has a base/branch or automated system where I can access my savings anytime
What is the nature of my savings?	<input type="checkbox"/> compulsory <input type="checkbox"/> voluntary <input type="checkbox"/> individual <input type="checkbox"/> group
What is the interest rate for my deposit?	<input type="checkbox"/> 1 – 3% per annum <input type="checkbox"/> above 3 % per annum
What charges are imposed?	<input type="checkbox"/> withholding tax <input type="checkbox"/> insurance <input type="checkbox"/> others
Does the MFI issue a certificate/passbook/ bankbook for my deposit?	<input type="checkbox"/> yes <input type="checkbox"/> no. If not, what other proof of deposit does it give?
Can I withdraw my deposit anytime?	<input type="checkbox"/> yes <input type="checkbox"/> no (compulsory savings have certain conditions, e.g. cannot be withdrawn until the borrower withdraws his or her membership from the MFI, etc.)

Insurance/Microinsurance

Is the insuring entity authorized?	<input type="checkbox"/> yes, it has a license from the Insurance Commission <input type="checkbox"/> no, it has no license
What is the purpose of the insurance?	<input type="checkbox"/> health <input type="checkbox"/> death <input type="checkbox"/> accident <input type="checkbox"/> medical <input type="checkbox"/> non-life <input type="checkbox"/> others
What is the insurance scheme?	<input type="checkbox"/> group <input type="checkbox"/> individual
What are the documentation requirements that I need to comply?	<input type="checkbox"/> attendance to seminar <input type="checkbox"/> personal documents (e.g ID, community tax certificate, medical or birth certificates of beneficiaries) <input type="checkbox"/> proof of ownership in case of non-life insurance <input type="checkbox"/> others
How much is my insurance coverage/face amount of my insurance?	<input type="checkbox"/> below P10,000 <input type="checkbox"/> P10,000 <input type="checkbox"/> P50,000 <input type="checkbox"/> above P 50,000
What are the benefits from my insurance?	<input type="checkbox"/> hospital and related benefits <input type="checkbox"/> burial expenses or pensions <input type="checkbox"/> payment to property damage <input type="checkbox"/> others

## PART TWO

Insurance/Microinsurance	
How much is the premium that I need to pay on a daily/weekly/monthly/annual basis?	<input type="checkbox"/> daily P _____ <input type="checkbox"/> weekly P _____ <input type="checkbox"/> monthly P _____
Where and to whom do I pay my insurance premiums? Does the payment coincide with my cash flow?	<input type="checkbox"/> group leader <input type="checkbox"/> center chief <input type="checkbox"/> directly to MFI/MBA <input type="checkbox"/> directly to commercial insurance provider <input type="checkbox"/> others
Are there penalties for delayed payment of premium? How much?	<input type="checkbox"/> less than 5 % of payment to be made <input type="checkbox"/> 5 – 10% of payment to be made <input type="checkbox"/> others
What are the requirements for claiming my insurance upon maturity or when the need arises?	<input type="checkbox"/> certificate or policy <input type="checkbox"/> proof of death, accident or damage <input type="checkbox"/> others
Payment Services (Transfer & Remittances of Funds)	
Is the MFI authorized to undertake transfer & remittances of funds?	<input type="checkbox"/> yes (it is a bank so it is licensed to remit/transfer funds; for a non-bank (e.g. remittance agent), it is registered with BSP <input type="checkbox"/> no (it has no license/registration to remit /transfer funds)
Will my fund transfer/remittance be secure?	<input type="checkbox"/> the MFI is regulated and supervised <input type="checkbox"/> it has a stable financial condition <input type="checkbox"/> it has an accredited network to undertake payment services
What are the charges on my fund transfer/remittance?	<input type="checkbox"/> service charge <input type="checkbox"/> insurance <input type="checkbox"/> others
How long will the transfer/remittance be?	<input type="checkbox"/> one day <input type="checkbox"/> 2-3 days <input type="checkbox"/> more than 3 days
Do I get a receipt for the transfer/remittance?	<input type="checkbox"/> yes <input type="checkbox"/> no

### When is information disclosed or provided to clients?

Information needs to be disclosed prior to transaction, during period of transaction especially when there are updates on policies related to microfinance products or services availed of by the client, and upon termination or maturity of the transaction.

## Who are the providers and recipients of information?

Institution	Target Clientele
Policy, regulatory & supervisory bodies (DOF, BSP, PDIC, CDA, SEC, IC)	Banks, Coops, NGOs, coop federations/ associations, MFI associations, depositors, academe
Wholesalers (LBP, DBP, PCFC, SBC, private financial institutions)	Retailers of microfinance products and services
MFI networks	Member MFIs
Bank & coop associations	Member banks and cooperatives
Banks (RBs, TBs & CBs)	Individual & group clients
Cooperatives	Members
NGOs	Individual & group clients

There are also specific units of regulatory agencies which provide information, education and communication regarding the products and services under their jurisdiction. Usually, these units are the ones which undertake compliance and enforcement activities and also receive complaints on related concerns.

## Filing and Handling Consumer Complaints and Grievances

A vital part of consumer protection is a mechanism where consumer complaints and grievances on undesirable services can be aired and addressed effectively. An effective mechanism generally has the following elements: a) venue or institution that accepts and acts on complaints; b) means to receive the complaints; and c) measures to handle the complaints.

### When does one file a complaint?

One can file a complaint when there is —

- any violation of his/her rights as a consumer;
- willful neglect of duties of service providers that results in the loss or non-enjoyment of benefits of clients under the terms of agreement; or
- unjustifiable delay in processing of loans or claims that extends beyond the period agreed upon.

### Where can complaints be filed?

- Service providers usually have help desks, units or staffs which receive and handle complaints.
- Industry bodies may have ombuds offices or other agents to resolve issues that consumers cannot solve directly with member institutions or with concerned service providers.

- Regulatory agencies are mandated by law to handle complaints specific to their areas of jurisdiction. Complaints can be filed with units or staffs of these agencies at their local or higher level offices that specialize in handling consumer complaints and alleged abuses.
- At the last resort, the conventional court system can be tapped to handle consumer complaints. However, the courts may not be the most appropriate bodies to channel such complaints given the relative smallness of microfinance consumer-related issues and the time and processes involved in hearing related complaints.

### How does one file or air complaints?

- There are several means to air complaints as follows:
  - o by demand,
  - o by formal letter,
  - o by telephone call or through toll-free call centers, and
  - o via the internet.
- Clients should first approach the concerned staff or the next higher authority of the service provider for any complaint. The following steps can be undertaken —
  - o Setting a meeting to discuss the complaint
  - o Writing a letter or email on the complaint
  - o Walk in or phone in to discuss the complaint

- If complaints remain unresolved or unaddressed, they can be filed with the following units/agencies or their regional/district offices/branches (see also **Appendices B & C**) —

Area and Nature of Complaint	Where to File Complaints
Financial products and services offered by banks & NBFIs with quasi-banking functions	<p><b>Consumer Affairs Group</b>                      8<sup>th</sup> Floor Multi-Storey Bldg                      Bangko Sentral ng Pilipinas                      A. Mabini St. cor. P. Ocampo St.                      Malate Manila, Philippines 1004                      Tel. No. : 523-3631; 524-7011 loc 2584 &amp; 2780                      E-mail address: consumeraffairs@bsp.gov.ph</p>
Deposit accounts in live banks and claims against closed banks. It also provides information on queries about deposit insurance.	<p><b>Depositors Assistance Bureau</b>  <b>Philippine Deposit Insurance Corporation</b>                      PDIC Ayala Extension Office                      6/F SSS Building, Ayala Avenue corner                      V.A. Rufino St., Makati City                      Tel: 841-4631; 841-4642 Fax: 841-4637                      Email: dab@pdic.gov.ph</p>
Corporate activities that violate laws and regulations relating to the Securities Law, Corporation Code and other laws administered by the Commission; and complaints and tips on possible violations	<p><b>Complaints and Investigation Division or Compliance and Enforcement Department</b>  <b>Securities and Exchange Commission</b>                      5<sup>th</sup> Floor SEC Building EDSA, Greenhills                      Mandaluyong City, Metro Manila, Philippines                      Email: ced@sec.gov.ph</p>
Products and services of cooperatives	<p><b>Legal Division</b>  <b>Cooperative Development Authority</b>                      5th Floor Benlor Building                      1184 Quezon Avenue, Quezon City, Philippines                      Tel No. : (632) 373-6894 or (632) 373-6906/373-9953                      (Legal Unit) Fax : 371-2077                      Email : webmaster@cda.gov.ph</p>
Insurance activities	<p>a) <b>Public Assistance and Information Division;</b>                      b) <b>Regulation Division;</b>                      c) <b>Claims Adjudication Division</b>  <b>Insurance Commission</b>                      1071 United Nations Ave. Manila, Philippines                      P.O. Box 3589, Manila                      Tel. nos : 523-8462 up to 70 loc 102/103                      Direct Line: 4041758                      Email: oic@pltdsl.net/ pubassist_ic@yahoo.com.ph</p>
Microfinance products and services	<p><b>National Anti-Poverty Commission</b>                      3<sup>rd</sup> Floor Agricultural Training Institute Building                      Elliptical Road, Quezon City                      Tel No.: 426-5028                      Website: www.napc.gov.ph</p>



B.2 Details of Complaint/Inquiry (Please describe your complaint or transactions in as much detail as possible, including the full name(s) on the financial product; information on client's transaction (e.g. account number, loan contract, claims stub number for insurance, receipt numbers, amount & date transacted), the dates of specific transactions or conversations, the names of all the people/staff of the service provider involved and those you have contacted about this complaint.)

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**C. Information about the service provider/subject of this complaint**

Name of MFI \_\_\_\_\_  
 Type of Firm (please check)  bank  coop  NGO  others  
 Name of MFI Head \_\_\_\_\_  
 Address of MFI \_\_\_\_\_  
 \_\_\_\_\_  
 City \_\_\_\_\_  
 Province \_\_\_\_\_  
 Work Phone \_\_\_\_\_  
 Home Phone \_\_\_\_\_  
 FAX \_\_\_\_\_  
 E-mail \_\_\_\_\_  
 How did you get to know the MFI ? \_\_\_\_\_  
 How did you get to know about the service/product? \_\_\_\_\_

**D. What types of documents would you be able to provide us if requested?**

- record of transactions (e.g. bank book, receipts, loan agreements, etc.)
- cancelled checks
- correspondence to and from the service provider
- advertising or marketing materials
- notes of conversation with the service provider
- others \_\_\_\_\_

**E. Tell Us What Action You Have Taken**

Have you complained to the MFI?  yes  no  
 If yes, when did you file your complaint? \_\_\_\_\_  
 Have you contacted any other regulator or organization?  yes  no  
 If yes, whom?  
 Bangko Sentral ng Pilipinas (indicate branch or office) \_\_\_\_\_  
 Philippine Deposit Insurance Corporation  
 Securities and Exchange Commission (indicate branch or office) \_\_\_\_\_  
 Cooperative Development Authority (indicate branch or office) \_\_\_\_\_  
 Insurance Commission (indicate branch or office) \_\_\_\_\_  
 others (specify name of organization & address) \_\_\_\_\_  
 How did you file your complaint?  
 thru letter  
 thru phone call  
 thru the internet  
 thru a third party  
 others (specify) \_\_\_\_\_  
 Have you taken any action? If so, what type:  
 Mediation/Conciliation  
 Arbitration  
 Negotiation  
 Court Action  
 Others (specify) \_\_\_\_\_

### What are expected actions on complaints?

- Upon receipt of a complaint, acknowledgment letters or calls are made by the receiving unit of the service provider or concerned agency to the complainant within a designated period, ideally within 24 hours.
- Complaints are evaluated/ investigated by the service provider as a first line of resolution.
- If the complainant is not satisfied by the action/s of the service provider, he/she may go to the concerned regulatory agency for possible resolution.
- Action on the complaint will depend on the nature of the case and the means being employed by the unit or agency handling them.
- If the evaluation/ investigation of a complaint demonstrate that a violation has been committed, the regulatory agency may file administrative or criminal cases against the concerned service provider as necessary.
- Alternative dispute resolution (ADR) techniques may be employed to settle complaints (refer to **Box L** for types of these techniques that fall outside of the government judicial process).

#### Box L Types of Alternative Dispute Resolution (ADR) Techniques

a) negotiation – where participation of parties involved is voluntary and there is no third party who facilitates the resolution process or imposes a resolution;

b) mediation – where there is a third party, a mediator, who facilitates the resolution process (and may even suggest a resolution, typically known as a “mediator’s proposal”), but does not impose a resolution on the parties; and

c) arbitration – where participation is typically voluntary, and there is a third party who, as a private judge, imposes a resolution.

A fourth subtype of ADR is conciliation whereby the parties to a dispute agree to utilize the services of a conciliator, who then meets with the parties separately in an attempt to resolve their differences and offers concessions acceptable to both parties.

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# Appendix A

## Policies/Regulations Related to Microfinance Consumer Protection

Policy	Provisions
RA 8791 (General Banking Law of 2000)	<ul style="list-style-type: none"> <li>&gt; mandates the BSP to have regulatory jurisdiction over all financial intermediation including operations and activities of banks</li> <li>&gt; registers and licenses universal banks, commercial banks, thrift banks, non-stock savings and loan associations, rural banks, cooperative banks, finance companies, private lending investors and pawnshops directly and indirectly providing microfinance services before they can operate</li> <li>&gt; mandates the Monetary Board of the BSP to prescribe ratios, ceilings, limitations, or other forms of regulation on the different types of accounts and practices of banks and quasi-banks</li> <li>&gt; authorizes banks to undertake the following activities: receive different types of deposits (except demand deposits which are limited to universal and commercial banks); buy and sell foreign exchange; acquire marketable bonds and other debt securities; and extend credit</li> <li>&gt; prohibit banks to directly engage in insurance business as the insurer (Section 54)</li> <li>&gt; requires banks to submit to the supervising and examining department of the BSP their financial statements showing their actual financial condition and operations and other information as maybe required by the BSP (Section 60)</li> <li>&gt; mandates banks to publish a statement of their financial condition understandable by the public at least once every quarter in a newspaper of general circulation (Section 61)</li> </ul>
BSP Manual of Operations for Banks (MORB)	<ul style="list-style-type: none"> <li>&gt; Subsection X307.2 requires banks with lending operations to disclose information to the borrower pertinent to the loan between the borrower and the financial institution</li> </ul>
BSP Circulars	<ul style="list-style-type: none"> <li>&gt; No. 272 (issued on January 2001) sets the maximum principal amount of microfinance loans at P150,000; recognizes cash-flow based lending as a peculiar feature of microfinance, and provides for the exemption of microfinance loans from rules and regulations issued with regard to unsecured loans</li> <li>&gt; No. 273 (issued on February 2001) requires that at least 50% of the bank's gross loan portfolio at all times shall consist of microfinance loans; also lifts the moratorium on bank branching for those banks engaged in microfinance activities</li> <li>&gt; No.357 (issued on 2002) –regulates bancassurance activities by requiring banks to own at least 5 % of an insurance firm before it engages in marketing and sale of insurance banks</li> <li>&gt; No. 409 (issued on October 2003) - provides the rules and regulations for the portfolio-at-risk (PAR) of MFIs and the corresponding allowance for probable losses which depend on the number of days of missed payment</li> </ul>
RA 7906 (Thrift Banks Act of 1995) &RA 7353 (Rural Banks Act of 1992)	<ul style="list-style-type: none"> <li>&gt; regulates the organization, ownership and capital requirements, powers, supervision and general conduct of business of thrift banks and rural banks, respectively. The organization, ownership and capital requirements, powers, supervision and general conduct of business of Islamic banks shall be governed by special laws</li> </ul>
RA 6938 (Cooperative Code of 1990)	<ul style="list-style-type: none"> <li>&gt; regulates the organization, ownership and capital requirements, powers, supervision and general conduct of business of cooperatives and cooperative associations, including savings and credit cooperatives (including savings and credit activities of multipurpose cooperatives) which are outside the coverage of the General Banking Law and fall under the rules and regulations promulgated by the CDA</li> </ul>

Policy	Provisions
<p>RA 3591; RA 3591 as amended (2004) (PDIC Charter)</p>	<ul style="list-style-type: none"> <li>&gt; allows existing cooperatives to organize themselves into a cooperative insurance entity for the purpose of covering the insurance requirements of their members including their properties and assets</li> <li>&gt; a CDA Circular (2003) promotes the use of performance standards (COOP-PESOS) by credit unions</li> <li>&gt; provides the charter of the Philippine Deposit Insurance Corporation (PDIC) as the insurer of deposits</li> <li>&gt; provides regulations regarding deposits and deposit insurance of insured banks and related claims</li> <li>&gt; sets the maximum deposit insurance at P250,000</li> </ul>
<p>PD 612 (Insurance Code of 1978)</p>	<ul style="list-style-type: none"> <li>&gt; provides the regulations related to the provision of insurance including licensing of service providers, transparency of policy or contracts and operations of mutual benefit associations (MBAs) engaged in insurance activities</li> <li>&gt; requires MFIs and other entities (insurance agents, insurance brokers and MBA) providing insurance services to obtain a license as an insurance provider from the Insurance Commission (IC) before they can operate</li> <li>&gt; prohibits banks to directly engage in insurance business as an insurer</li> <li>&gt; requires a minimum capitalization for insurance firms and MBAs: For MBAs to get a license from the IC, they are required to establish with the IC a guarantee fund to answer for any valid benefit claim of any of its members. MBAs must also comply with certain reporting requirements as well as financial management standards.</li> <li>&gt; limits the insurance services of an MBA to the following: a) paying sick benefits to members; b) furnishing financial support to members while out of employment; c) paying to relatives of deceased members of fixed or any sum of money (irrespective of whether such aim or purpose is carried out by means of fixed dues or assessments collected regularly from the members); d) paying accident benefits; and e) paying life insurance benefits.</li> <li>&gt; requires the approval of the form of application, rider, clause, warranty or endorsement of any policy, certificate or contract of insurance, membership certificate by the IC prior to its issuance or delivery</li> <li>&gt; requires the transparency of insurance policies or certificates</li> <li>&gt; allows a life insurance company to lend to its policyholders upon the security of the value of its policy such sum as may be determined pursuant to the provisions of the policy. Loans granted upon the security of real estate for a period longer than five years can be amortized in monthly, quarterly, semi-annual or annual installments and have a maturity not to exceed twenty years</li> </ul>
<p>IC Memorandum Circular 9-2006</p>	<ul style="list-style-type: none"> <li>&gt; defines microinsurance MBAs and sets the specific requirements for microinsurance products and services</li> <li>&gt; limits the a) amount of premium computed on a daily basis which shall not exceed 10% of, and b) maximum amount of life insurance coverage which shall not be more than 500 times the daily minimum wage rate for non-agricultural workers in Metro Manila</li> <li>&gt; sets the initial minimum guarantee fund for microinsurance MBAs equivalent to 5 million pesos (12.5 million pesos for other MBAs per IC Memo 2-2006) which shall be increased until the amount reaches 12.5% (25 % for other MBAs) of the required capital for domestic life insurance companies currently set at not less than twenty five percent (25%) of the minimum paid-up capital required for new insurance companies or P 125 million</li> </ul>

Policy	Provisions
<p>Batas Pambansa Bilang 68 (Corporation Code of 1980)</p>	<ul style="list-style-type: none"> <li>&gt; subjects microinsurance MBAs to evaluation and monitoring by the IC based on a set of performance standards covering areas of solvency and stability, efficiency, governance, understanding of the product by the client, risk management, outreach, etc. as deemed critical to their continuing viability, growth, and development</li> <li>&gt; prescribes the rules and regulations for the establishment and operations of various types of corporations including ownership, capital stock requirements, articles of incorporation and powers and capacity of corporations.</li> <li>&gt; provides the SEC the power to register/accredit, regulate and supervise the operations of corporations</li> <li>&gt; limits the coverage of operations of the non-stock, non-profit corporations (e.g. NGOs, labor unions, trade unions, mutual savings banks and cooperatives) to charitable, religious, educational, professional, cultural, fraternal, literary, scientific, social, civic service, or similar purposes, like trade, industry, agricultural and like chambers, or any combination which do not derive profits thereof</li> <li>&gt; does not authorize NGOs to undertake deposit-taking activities unless they have been converted into banks or cooperatives</li> </ul>
<p>SEC Memorandum Circulars</p>	<ul style="list-style-type: none"> <li>&gt; No. 2, Series of 2006 requires non-stock, non-profit corporations including NGOs that intend to engage or currently engaged in microfinance activities to file with SEC their Articles of Incorporation and General Information Sheet (GIS) indicating their conduct of microfinance operations pursuant to RA 8425</li> <li>&gt; No. 9, Series of 2006 also requires the disclosure of information on non-stock, non-profit corporations in their revised GIS to be filed with the SEC</li> </ul>
<p>RA 8553 (Financing Company Act of 1998)</p>	<ul style="list-style-type: none"> <li>&gt; recognizes and aims to strengthen the critical role of financing and leasing companies in providing medium and long-term credit</li> <li>&gt; mandates the SEC to regulate and promote their activities to ensure their sound, competitive, stable and efficient operations, except financing companies licensed to perform quasi-banking functions which are under the supervisory authority of the BSP</li> <li>&gt; authorizes financing companies to engage in the following activities subject to the regulations and approval of the BSP: a) quasi-banking and money market operations; b) trust operations; c) issuance of bonds and other capital instruments; d) rediscounting with GFIs; e) participating in special loan or credit programs sponsored by or made available through GFIs; and f) lending and leasing to enterprises who earn foreign currency by exports or other means</li> </ul>
<p>RA 9474 (Lending Company Regulation Act of 2007)</p>	<ul style="list-style-type: none"> <li>&gt; governs the establishment, operation and regulation of lending companies</li> <li>&gt; requires compliance of lending companies to the minimum capitalization requirements</li> <li>&gt; allows lending companies to grant loans in such amounts and reasonable interest rates and charges as may be agreed upon between the lending company and the debtor, provided that the agreement shall be in compliance with the provisions of the Truth in Lending Act and the Consumer Act of the Philippines</li> <li>&gt; mandates SEC to supervise and regulate lending companies; however, lending companies which are subsidiaries and affiliates of banks and quasi-banks shall be subject to BSP supervision and examination in accordance with the New Central Bank Act</li> </ul>

# Appendix B

## Directory of Regulatory Agencies/Institutions

### **Bangko Sentral ng Pilipinas**

A. Mabini St. cor. P. Ocampo St.,  
Malate Manila, Philippines 1004  
Tel. No. : (632) 524.70.11 loc 2584 and 2780; 523-3631  
Fax No. : (632) 523.62.10  
E-mail: [bspmail@bsp.gov.ph](mailto:bspmail@bsp.gov.ph); [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph)  
Website: [www.bsp.gov.ph](http://www.bsp.gov.ph)

### **Philippine Deposit Insurance Corporation**

PDIC Bldg., 22228 Chino Roces Avenue  
1231 Makati City  
or  
PDIC Extension Office  
SSS Building, Ayala Avenue corner  
V.A. Rufino St., Makati City  
Tel: (632) 841-4000  
Email us: [info@pdic.gov.ph](mailto:info@pdic.gov.ph)  
Website: [www.pdic.gov.ph](http://www.pdic.gov.ph)

### **Cooperative Development Authority**

5th Floor Benlor Building  
1184 Quezon Avenue,  
Quezon City, Philippines  
Tel No. : (632) 373-6894 or (632) 373-6906; 373-9953 (Legal Unit)  
Fax : 371-2077  
Email : [webmaster@cda.gov.ph](mailto:webmaster@cda.gov.ph)  
Website : [www.cda.gov.ph](http://www.cda.gov.ph)

**Securities and Exchange Commission**

SEC Building, EDSA, Greenhills  
Mandaluyong City, Metro Manila, Philippines  
Tel nos (632) 726-0931 to 39  
Fax no (632) 725-5293  
Email: [mis@sec.gov.ph](mailto:mis@sec.gov.ph)  
Website : [www.sec.gov.ph](http://www.sec.gov.ph)

**Insurance Commission**

1071 United Nations Avenue Manila, Philippines P.O. Box 3589, Manila  
Telephone : (632) 523-8461 - 70  
Fax : (632) 522-1434  
Email : [oic@pltdsl.net](mailto:oic@pltdsl.net)  
Website : [www.insurance.gov.ph](http://www.insurance.gov.ph)

# Appendix C

## Regional Offices & Branches of Regulatory Agencies

### BSP Regional Offices and Branches Receiving Complaints

- **BSP Davao Regional Office**  
Quirino Avenue, Davao City  
Tel. No: (082) 300-3709 Fax No: (082) 226-4130
- **BSP Dagupan Branch**  
Tondaligan, Bonoan Guesset, Dagupan City  
Tel No: (075) 614-3027 Fax No: (075) 614-3026
- **BSP Cebu Regional Office**  
Cor. Osmena Blvd & P. del Rosario Sts., Cebu City  
Tel. No: (032) 254-0973 Fax No: (032) 254-0702

### CDA Extension Offices

#### Luzon Extension Offices

- **CDA-Cordillera Extension Office**  
3/F EONCP Bldg., 358 Magsaysay Ave, Baguio City 2600  
Tel No. (074) 300-2683 to 84 Telefax (074) 442-6731
- **CDA-Dagupan Extension Office**  
3/f Siapno Bldg Perez Blvd, Dagupan City 2400  
Telefax (075) 522-8285
- **CDA-Tuguegarao Extension Office**  
2<sup>nd</sup> Land Bank Bldg., Tuguegarao City 3500, Cagayan  
Tel No. (078) 844-1001 Telefax (078) 844-4473
- **CDA-Pampanga Extension Office**  
2/F CLK Bldg, Dolores City of San Fernando 2000, Pampanga  
Tel No. (045) 962-5107 Telefax (045) 963-5106
- **CDA-Manila Extension Office**  
6/F Ben-Lor Bldg., 1184 Quezon Ave 1103 Quezon City  
Tel No. (02) 373-6895 Telefax (02) 373-6896
- **CDA-Calamba Extension Office**  
Hectan Penthouse, Chipeco St., Halang 4027 Calamba City, Laguna  
Tel No. (049) 545-3420 Telefax (049) 545-1486
- **CDA-Naga Extension Office**  
J, Miranda Ave., City Hall Compound 4400 Naga City  
Tel No. (054) 811-2549 Telefax (054) 473-9053

#### Visayas Extension Offices

- **CDA-Iloilo Extension Office**  
92 Valencia St 5003 Leganes, Iloilo  
Tel No. (033) 337-9070 Telefax (033) 524-0460.
- **CDA-Cebu Extension Office**  
2E Cebu Lioc Kul Bldg, Humabon Ave, North Reclamation Area 6000 Cebu City  
Tel No. (032) 231-6547 Telefax (032) 231-6510; 231-7224
- **CDA-Tacloban Extension Office**  
783 Real St., Seaside Fatima Village 6500 Tacloban City  
Tel No. (053) 323-7158

### Mindanao Extension Offices

- **CDA-Pagadian Extension Office**  
Cerilles Bldg., B. Aquino St. Sta Lucia District, 7016 Pagadian City  
Tel No. (062) 214-1398    Telefax (062) 850-7221
- **CDA-Davao Extension Office**  
2/F G.B. CAM Bldg., Monteverde St. 8000 Davao City  
P.O. Box. 81241 Davao City  
Tel No. (082) 300-8433 to 34    Telefax (082) 222-7710
- **CDA-Caraga Extension Office**  
3/F Balebria Bldg., Pili Drive 8600 Butuan City  
Tel No. (085) 225-5613    Telefax (085) 815-4074; 342-5530
- **CDA-Cagayan de Oro Extension Office**  
G/F Trinidad Bldg., Yacapin St. 9000 Cagayan de Oro City  
Tel No. (088) 857-3900    Telefax (088) 231-3820; 857-6516
- **CDA- Kidapawan Extension Office**  
CHRLDC Bldg, Apo Sandawa Homes 19400 Kidapawan City, Cotabato  
Tel No. (064) 278-4255    Telefax (064) 288-1731
- **CDA-ARMM Extension Office**  
Door 1, Guiapai Bldg. 28 A. Badoy St. Poblacion II, 9600 Cotabato City  
Tel No. (064) 421-8723    Telefax (064) 421-9225

### SEC Extension Offices

- **Baguio City**  
SEC Building 76 General Luna Road Baguio City  
Tel No. (074) 4422507; 4428171    Telefax (074) 442-8756  
secbeo@mozcom.com
- **Legaspi City**  
2<sup>nd</sup> Floor Chiniel (Avon) Bldg. Rizal St., Albay District Legaspi City  
Tel No. (052)-245-5627; 820-3095    Telefax (052) 480-8272  
secleo@cats.edu.ph
- **Iloilo City**  
SEC Bldg. Gen. Hughes St. Iloilo City  
Tel. No. (033) 337-9984; 335-0025    Telefax (033) 337-2557  
sec-ieo@globelines.com.ph
- **Cebu City**  
SEC Bldg. V. Rama Ave. Guadalupe, Cebu City  
Tel No. (032) 253-5337; 253-6987; 253-7721    Telefax (032) 255-2874  
seccebu@cebu.weblinq.com
- **Davao City**  
SEC Bldg. Corner Luisa Drive and University Ave., Juna Subdv., Matina Davao City  
Tel No. (082) 298-2170; 298-1893; 298-1894    Telefax (082) 298-0012  
sec\_davao@pldtsl.net
- **Cagayan de Oro City**  
SEC Bldg. Corner 14th and Tomasaco del Lara Sts. Cagayan de Oro City  
Tel no. (08822) 857-4325; 857-7225; 857-2490    Telefax (0822) 726-948  
seccco@webgate.net.ph
- **Zamboanga City**  
SEC Bldg. San Jose Panigayan St. Zamboanga City  
Tel No. (062) 991-7163; 993-1437    Telefax (062) 991-2689  
sec9@jetlink.com.ph

Insurance Commission District Offices

- Cebu District  
Rm 204 Doy Bldg No. 219 Osmeña Blvd Cebu City  
Tel No. (032) 254-0861
- Davao District  
Door No. 4 2<sup>nd</sup> Floor ATU Bldg. Duterte St., Davao City  
Tel No. (082) 305-2451