



Office of the President of the Philippines
NATIONAL ANTI-POVERTY COMMISSION

MICROFINANCE INDUSTRY ADVISORY

on

Consumer Protection in Microfinance

Members, NAPC
Heads, Microfinance Institutions
Other Concerned Entities and Stakeholders
11 October 2007

Pursuant to the Social Reform and Poverty Alleviation Act of 1997 (Republic Act 8425), the National Anti-Poverty Commission (NAPC) is mandated to coordinate, oversee and monitor the implementation of poverty reduction policies and programs of the government, including those related to the strengthening of the microfinance industry. In support of the social reform agenda and in line with the objective of establishing an enabling environment for microfinance, the NAPC is issuing Industry Advisories to ensure that sound, viable and sustainable microfinance programs and practices are observed among microfinance institutions, concerned entities and other stakeholders in the delivery of microfinance services.

1. This advisory aims to disseminate information on consumer protection to safeguard the interests of the general public particularly microfinance clients, make them aware of their rights and be empowered to make prudent and informed decisions on financial products and services.
2. Definition of Consumer Protection

Consumer protection involves the implementation of measures that

- prevent irregularities or transactions which have negative impact on consumers;
- empower consumers to exercise informed choices and select value-for-money goods and services;
- provide fair access to basic goods and services; and
- open avenues to address consumer interests and concerns.

3. Measures to Implement Consumer Protection

Consumer protection can be pursued through the following measures:

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

These measures are embodied in various laws, rules and regulations as follows:

- R.A. 7394 (Consumer Act of the Philippines)
- RA 3765 (Truth in Lending Act)
- RA 8791 (General Banking Law of 2000)
- BSP Manual of Operations for Banks (MORB)
- BSP Circulars
- 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 1978)
- IC Memorandum Circular 9-2006
- Batas Pambansa Bilang 68 (Corporation Code of 1980)
- SEC Memorandum Circulars
- RA 8553 (Financing Company Act of 1998)
- RA 9474 (Lending Company Regulation Act of 2007)

4. Implementing Institutions

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

- Bangko Sentral ng Pilipinas – regulates and supervises banks (rural, thrift & coop banks) and non-bank financial intermediaries with quasi-banking functions
- Philippine Deposit Insurance Corporation – deals with concerns related to deposit accounts in live banks and claims against closed banks
- Cooperative Development Authority – supervises and regulates operations of cooperatives
- Securities and Exchange Commission - supervises all corporations, partnerships or associations (including NGOs, financing & lending companies, pawnshops, SLAs without quasi-banking functions) issued primary franchises, licenses or permits by the Government
- Insurance Commission - regulates and supervises the operations of life and non-life insurance companies, cooperative insurance entities, cooperative insurance programs and MBAs

5. Filing of Complaints

Microfinance clients may file their complaints for any

- violation of their consumer rights;
- willful neglect of duties of service providers that results in the loss or non-enjoyment of their benefits;
- unjustifiable delay in actions on claims; or
- delay in processing of loans or claims that extends beyond the period agreed upon

to the complaints, compliance and enforcement units of the concerned regulatory agencies for appropriate action. Complaints may also be filed online with NAPC at www.napc.gov.ph (Microfinance Section).

6. The NAPC, in coordination with the regulatory agencies mentioned above, enjoin all concerned entities to observe the provisions of the preceding laws, rules and regulations to safeguard the interests of consumers of microfinance services.
7. A more comprehensive information on consumer protection is contained in the Microfinance Consumer Protection Guidebook which can be accessed at www.napc.gov.ph (Microfinance Section).

Please be guided accordingly.



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