



HOUSE OF REPRESENTATIVES

H. No. 9054

BY REPRESENTATIVES ONG (H.), REVILLA, TEJADA, ORTEGA (P.), SIAO, BELARO,
TAMBUNTING, SY-ALVARADO AND NIETO, PER COMMITTEE REPORT NO. 1211

AN ACT
PROVIDING FOR THE PROTECTION OF FINANCIAL CONSUMERS, REPEALING FOR THE
PURPOSE ARTICLES 131 TO 147 OF REPUBLIC ACT NO. 7394, KNOWN AS THE
CONSUMER ACT OF THE PHILIPPINES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 *Section 1. Short Title.* - This Act shall be known as the "Financial Consumer
2 Protection Act".

3 *Sec. 2. Declaration of Policy.* - It is the policy of the State to ensure that appropriate
4 mechanisms are in place to protect the interest of financial consumers under conditions of
5 transparency, fair and sound market conduct, and just, reasonable and effective handling of
6 financial consumer disputes that are aligned with global best practices. The State recognizes
7 that these mechanisms reinforce confidence in the financial market and foster stability in
8 the Philippine financial system.

9 *Sec. 3. Definition of Terms.* - As used in this Act:

10 *a. Consumer* refers to a person who is a purchaser, lessee, recipient or prospective
11 purchaser, lessor or recipient of consumer products and services. A financial consumer
12 refers to a natural person or micro, small or medium-sized enterprise with past, current, or
13 prospective financial transactions with financial entities pertaining to financial products and
14 services;

15 *b. Financial consumer complaint* refers to an expression of dissatisfaction filed by a
16 financial consumer against a financial provider relative to a financial product or service in
17 which a response or resolution is expected;

18 *c. Financial education* refers to the process by which financial consumers improve
19 their understanding of financial products, concepts and risks; develop the skills and
20 confidence to become more aware of financial risks and opportunities to make informed
21 choices; and to take other effective actions to improve their financial well-being. This is

1 separate and independent from the financial information and advice given in a contractual
2 relationship between the financial provider and financial consumers.

3 *d. Financial provider* refers to a natural and juridical person that provides financial
4 products and are supervised or regulated by any of the implementing government agencies
5 enumerated in this Act. This term shall include investment advisers as defined under Section
6 7 of this Act.

7 *e. Financial literacy* refers to a combination of financial awareness, knowledge,
8 skills, attitude and behavior necessary to make sound financial decisions and ultimately
9 achieve financial well-being.

10 *f. Financial products or services* refer to products or services that are developed or
11 marketed by a financial provider including savings, credit, insurance, investments,
12 payments, remittances, pre-need plans, health maintenance, and similar products and
13 services.

14 *g. Financial regulators* refer to the implementing government agencies under this
15 Act namely, the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, Insurance
16 Commission, and Cooperative Development Authority.

17 *h. Marketing* refers to the act of communicating, offering, promoting, advertising
18 or delivering of financial products and services by financial entities.

19 *i. Micro, small or medium-sized enterprise (MSME)* refers to any business activity
20 or enterprise engaged in industry, agri-business and/or services whether single
21 proprietorship, cooperative, partnership, or corporation as defined under R.A. No. 9501, as
22 amended, or the Magna Carta for Micro, Small or Medium-sized Enterprise. Such definition
23 shall be subject to review and adjustment by the Magna Carta for Micro, Small or Medium-
24 sized Enterprise (MSMED) Council.

25 *Sec. 4. Scope and Coverage.* – This Act applies to all financial products and services
26 offered or marketed by any financial provider.

27 *Sec. 5. Financial Regulators.* – The Bangko Sentral Ng Pilipinas (SEC), Securities And
28 Exchange Commission (SEC) and Insurance Commission (IC) shall enforce the provisions of
29 this Act on all financial entities they supervise or regulate by virtue of their respective
30 charters or pertinent laws. The Cooperative Development Authority (CDA) shall oversee the
31 implementation of this Act by cooperatives offering financial services such as savings and
32 credit: *Provided*, That the implementation by insurance cooperatives shall be overseen by
33 the IC.

34 *Sec. 6. Powers of the Financial Regulators.* –

1 a. *Rulemaking.* –The implementing government agencies shall have the authority to
2 formulate their own standards and rules applicable to a specific financial product within
3 their jurisdiction. They may issue their respective rules of procedure to be observed in
4 administrative actions arising from the implementation of this Act.

5 b. *Surveillance and inspection.* – The implementing government agencies may
6 conduct off-site surveillance and on-site examination on their respective supervised
7 financial entities to ascertain that the provisions of this Act are complied with. The
8 examination for financial consumer protection compliance may be conducted separately
9 from the examination for prudential regulations compliance.

10 c. *Market monitoring.* –The implementing government agencies may require
11 supervised financial entities and their third party agents or service providers to submit
12 reports or documents as needed. The implementing government agencies may also access
13 relevant data about financial products, services, and markets from other government
14 agencies in connection with market monitoring.

15 d. *Enforcement.* –The implementing government agencies shall have the authority
16 to impose enforcement actions on their respective supervised financial entities for non-
17 compliance with this Act. Such enforcement actions may include the following:

- 18 1. Restriction on the ability of the supervised financial provider to collect fees
19 or charges in cases where excessive fees or charges are imposed by the
20 financial provider;
- 21 2. Disqualification of directors, officers or employees of the supervised
22 financial provider responsible for violations of the provisions of this Act and
23 its implementing rules and regulations;
- 24 3. Imposition of fines or penalties for non-compliance with or breach of this
25 Act and its implementing rules and regulations;
- 26 4. Issuance of a cease and desist order without the necessity of a prior hearing
27 if, in the judgment of the implementing agency, the act or practice unless
28 restrained may cause grave or irreparable injury or prejudice to the
29 consumer or in itself constitutes fraud or a violation of the provisions of this
30 Act and its implementing rules and regulations;
- 31 5. Suspension of operation of any supervised financial provider in relation to a
32 particular consumer financial product or service when, based on findings
33 and in the judgment of the financial regulator, such provider is operating in

1 violation of the provisions of this Act and its implementing rules and
2 regulations.

3 e. The financial regulators may exercise such other powers as may be provided by
4 law as well as those which may be implied from, or which are necessary or
5 incidental to the carrying out of the express powers granted the financial regulators
6 to achieve the objectives and purposes of this Act.

7 *Sec. 7. Investment Adviser.* – Investment advisers shall be subject to the rules and
8 regulations to be issued by the SEC. The term “investment adviser” shall mean any person
9 who, for compensation, engages in the business of advising others, either directly or through
10 publications, as to the value of investment products or the advisability of investing in,
11 purchasing, or selling investment products, or who, for compensation and as part of a
12 regular business, renders analyses or reports concerning investment products, but does not
13 include the following:

- 14 1. Trust Department /Unit of banks, insurance and pre-need companies;
- 15 2. Lawyer, accountant, engineer, or teacher who customarily perform these
16 services in the practice of their profession;
- 17 3. Any investment banker or broker dealer, and insurance agent or insurance
18 broker who performs these services in the ordinary course of business as
19 such investment banker or broker dealer, and insurance agent or insurance
20 broker without receiving special compensation for these services ;
- 21 4. The publisher of any *bona fide* newspaper, news magazine, or business or
22 financial publication of general and regular circulation;
- 23 5. Such other persons as the SEC may designate by rules and regulations or
24 order.

25 *Sec. 8. Duties and responsibilities of Financial Providers.* –

26 a. *Compliance Management System.* – To ensure conformity with this Act, the
27 board of directors and senior management of every financial provider shall formulate,
28 implement and oversee a Compliance Management System (CMS) which shall provide the
29 means by which a financial provider may identify, measure, monitor, and control consumer
30 protection risks inherent in its operations.

31 b. *Appropriate product design and delivery.* – The financial provider shall
32 continuously evaluate their financial products and services to ensure that these are
33 appropriately targeted to the needs, understanding, and capacity of their markets and
34 clients.

1 c. *Affordability and suitability assessments.* –The financial provider shall adopt
2 written procedures for determining whether a particular financial consumer product or
3 service is suitable and affordable for a client. These include a determination of the
4 affordability and profitability of investing in the financial product or service. For purposes of
5 extending credit, this assessment shall include measures to prevent over-indebtedness.

6 d. *Determination of a cooling-off period.* – Upon a determination that a cooling-off
7 period is necessary for a regulated product or service, the relevant financial regulator shall
8 adopt a clear cooling-off policy to allow a client to consider the costs and risks of investing in
9 the product or service, free of any pressure or interference from the financial provider, its
10 employees or agents. The length of the cooling-off period shall be individually determined
11 based on a reasonable expectation of the time required for a client to fully evaluate the
12 terms and risks of the financial product or service and to confer with family members and
13 business partners who may be affected by its terms and conditions, unless a period is fixed
14 or stipulated in the contract of a financial provider. No cooling-off period may be required
15 for a short period transaction or contract which condition shall be provided in the
16 regulations issued by financial regulators.

17 During the cooling-off period, the financial consumer may cancel or return the
18 contract without penalty: *Provided*, That the financial provider shall be allowed to recover
19 the processing fees incurred. A financial provider is prohibited from engaging in practices
20 that unreasonably burden the financial consumer in the event that the latter exercise the
21 right of cancellation during the cooling-off period. If the financial product is a contract of
22 insurance, the right of return cannot be exercised after the financial consumer has made a
23 claim under the contract of insurance.

24 e. *Transparency, disclosure and responsible pricing.* – Financial providers must
25 adopt disclosure principles in their communications with financial consumers using clear and
26 concise language understood by their target clients. These include disclosure of updated and
27 accurate information such as pricing or cost associated with the product or service. In order
28 to facilitate comparison between similar financial products and services across the country,
29 a standard disclosure statement shall be used by all financial providers in all announcements,
30 literature and advertisements.

31 Sufficient product disclosure must be provided prior to the contracting of the
32 product or service to afford the client sufficient basis and opportunity for review. The client
33 shall be notified of any change in the terms or conditions of a product or service.

1 In advertising their financial products or services, financial providers must disclose
2 their regulated status and the identity of the relevant financial regulator.

3 Financial providers are legally responsible for all statements made in the marketing
4 and sales materials used in relation to their products.

5 In addition to the requirements of Republic Act No. 3765, otherwise known as "The
6 Truth In Lending Act", a financial provider is required to document the reasons for setting
7 the price of each financial product or service. Where the pricing procedures of a financial
8 provider are inadequate or the price set is unreasonably high, the concerned implementing
9 government agency shall impose appropriate corrective actions thereon.

10 f. *Fair and respectful treatment of clients.* – Client selection and treatment shall
11 not involve discrimination on the basis of personal characteristics or personal affiliations:
12 *Provided, That,* financial entities are not precluded from instituting the necessary risk
13 mitigating measures applicable to specific financial products and services.

14 Personal characteristics refer to race, ethnicity, origin, gender, disability and sexual
15 orientation. Personal affiliation denotes religious affiliation or political affiliation.

16 g. *Privacy and protection of client data.* – Each financial provider must respect the
17 privacy and protect the data of their clients. Consistent with the provisions of Republic Act
18 No. 10173, otherwise known as the Data Privacy Act, financial regulators shall issue
19 regulations for the disclosure of client data to a third party.

20 Clients have the right to review their client data to ensure that inaccurate or
21 deficient data is corrected or amended.

22 h. *Financial consumer protection assistance mechanism.* – Each financial provider
23 must establish a single consumer assistance unit to assist financial consumers on financial
24 transactions concerns for free. This shall include the handling of complaints, inquiries, and
25 requests.

26 Financial consumers, who are unsatisfied with the financial provider's handling of
27 their complaints, inquiries and requests, may elevate their concerns to the financial
28 regulator supervising the financial provider concerned.

29 *Sec. 9. Prepayment of Loans and Other Credit Accomodation.* – A borrower may, at
30 any time prior to the agreed maturity date prepay, in whole or in part; *Provided, That* any
31 cost or fees charged to the borrower for such pre-payment shall be disclosed as required
32 under the preceding section.

33 *Sec. 10. Bundling of Products.* – When a borrower is obliged by the financial provider
34 to purchase any product that includes an insurance policy as a pre-condition for obtaining a

1 loan from the financial provider, the borrower should be informed of the right to choose the
2 insurance provider.

3 *Sec. 11. Training of Personnel of Financial Providers.* – Personnel of financial
4 providers who deal directly with consumers are required to acquire adequate training
5 suitable for the complexity of the products or services they sell.

6 *Sec. 12. Alternative dispute resolution.* – The redress mechanism of the financial
7 regulator shall be mediatory in nature. If the financial consumer is unsatisfied with the result
8 of the mediation conducted by the financial regulator, the financial consumer may bring the
9 matter before an arbitrator accredited by the financial regulator concerned, if any, prior to
10 the filing of the appropriate action in a court or tribunal, or quasi-judicial body.

11 *Sec. 13. No waiver of rights.* – No provision of a contract for a consumer financial
12 product or service shall be lawful or enforceable if such provision waives or otherwise
13 deprives a client of a legal right to sue the financial service provider, receive information,
14 have their complaints addressed and resolved, have their non-public client data protected,
15 or cancel the use of the consumer financial product or service without an unreasonable
16 penalty.

17 *Sec. 14. Non-exemption from compliance.* – Notwithstanding any stipulation in a
18 contract, financial providers shall not be exempted from compliance with the provisions of
19 this Act, or deprive financial consumers of their rights under this Act.

20 *Sec. 15. Liability of a Financial Provider for the Acts or Omissions of Authorized*
21 *Representatives.* – The financial provider shall be responsible for the acts or omissions of its
22 directors, officers, employees or agents, in transacting with financial consumers and
23 marketing of its financial products and services: *Provided,* That, the acts or omissions are not
24 beyond the authority granted by the financial provider. The directors, officers, employees or
25 agents shall be solely responsible for acts or omissions beyond the authority granted by the
26 financial provider.

27 *Sec. 16. Prescription.* – All actions or claims accruing under the provisions of this Act
28 and the rules and regulations promulgated pursuant thereto shall prescribe within five (5)
29 years from the time the financial consumer transaction was consummated, or within five (5)
30 years from the discovery of deceit or non-disclosure of material facts. For insurance
31 contracts, the prescriptive period for the commencement of action provided under the
32 insurance code shall apply.

33 *Sec. 17. Penalties.* – Whenever a financial provider willfully violates any provision of
34 this Act or any related rules, regulations, orders or instructions issued by the financial

1 regulators, the person or persons responsible for such violation shall be punished by
2 imprisonment of not less than one (1) year but not more than five (5) years, or by a fine of
3 not less than Fifty thousand (P50,000.) pesos but not more than Five hundred thousand
4 pesos (P500,000.), or both, at the discretion of the court. In addition, said violator shall be
5 subject to disgorgement of the amount obtained from the financial consumers/investors
6 plus interest.

7 A foreign national who violates any provision of this Act shall be deported without
8 further proceedings after service of sentence and/or payment of fine.

9 *Sec. 18. Administrative Sanctions.* – The provisions on administrative sanctions in
10 the respective charters of financial regulators shall be applied to any financial provider, its
11 directors, officers, employees or agents, without prejudice to the enforcement actions
12 provided under Section 6 (D) and the criminal sanctions provided under Section 16 for any
13 willful violation of this Act or any related rules, regulations, orders or instructions of the
14 financial regulators: *Provided, That*, in addition to the administrative sanctions that may be
15 imposed, the authority of the financial provider to operate may be suspended or cancelled
16 by the financial regulator which primarily regulates such financial person.

17 *Sec. 19. Implementing Rules and Regulations.* – The financial regulators shall issue
18 the necessary rules and regulations to implement the provisions of this Act within one (1)
19 year from its effectivity.

20 *Sec. 20. Separability Clause.* – If any section or part of this Act is held constitutional
21 or invalid, the other sections or provisions not otherwise affected shall remain in full force
22 and effect.

23 *Sec. 21. Repealing Clause.* – Articles 131 to 147 of Title IV of Republic Act No. 7394,
24 otherwise known as the Consumer Act of the Philippines, are hereby repealed. All laws,
25 executive orders, rules and regulations or parts thereof which are inconsistent with this Act
26 are hereby repealed or amended accordingly.

27 *Sec. 22. Effectivity.* – This Act shall take effect fifteen (15) days after its publication in
28 the Official Gazette or in a newspaper of general circulation.

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30 *Approved.*

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