

REPUBLIC OF THE PHILIPPINES
Congress of the Philippines
Metro Manila

Eighteenth Congress
Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-sixth day of July, two thousand twenty one.

[**REPUBLIC ACT NO. 11765, May 06, 2022**]

AN ACT AFFORDING MORE PROTECTION TO CONSUMERS OF FINANCIAL PRODUCTS AND SERVICES

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

Section 1. Short Title. - This Act shall be known as the "Financial Products and Services Consumer Protection Act".

Section 2. Declaration of Policy. - It is the policy of the State to ensure that appropriate mechanisms are in place to protect the interest of the consumers of financial products and services under the conditions of transparency, fair and sound market conduct, and fair, reasonable, and effective handling of financial consumer disputes, which are aligned with global best practices. These mechanisms reinforce their confidence in the financial market and foster the stability of the Philippine financial system. Towards this end, the State shall implement measures to protect the following rights of financial consumers:

- (a) Right to equitable and fair treatment;
- (b) Right to disclosure and transparency of financial products and services;
- (c) Right to protection of consumer assets against fraud and misuse;
- (d) Right to data privacy and protection; and
- (e) Right to timely handling and redress of complaints.

Section 3. Definition of Terms. - As used in this Act:

- (a) Financial consumer refers to a person or entity, or their duly appointed representative, who is a purchaser, lessee, recipient, or prospective purchaser, lessee or recipient of financial products or services. It shall also refer to any person, natural or juridical, who had or has current or prospective financial transaction with a financial service provider pertaining to financial products or services;
- (b) Financial consumer complaint refers to an expression of dissatisfaction submitted by a financial consumer against a financial service provider relative to a financial product or service in which a response or resolution is expected;
- (c) Financial product or service refers to financial products or services which are developed or marketed by a financial service provider which may include, but are not limited to, savings, deposits, credit, insurance, pre-need and health maintenance organization (HMO) products, securities, investments, payments, remittances and other similar products and services. This also includes digital financial products or services which pertain to the broad range of financial services accessed and delivered through digital channels;
- (d) Financial regulators refer to the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Insurance Commission (IC), and the Cooperative Development Authority (CDA);

(e) Financial service provider refers to a person, natural or juridical, which provides financial products or services that are under the jurisdiction of financial regulators as defined in this Act. This term shall include Investment Advisers as defined under Section 7 of this Act;

(f) Investment fraud refers to any form of deceptive solicitation of investments from the public. This includes Ponzi schemes and such other schemes involving the promise or offer of profits or returns which are sourced from the investments or contributions made by the investors themselves, boiler room operations, and the offering or selling of investment schemes to the public without a license or permit from the SEC, unless such offering or selling involves exempt securities or are considered as exempt transactions as provided for under existing laws;

(g) Market conduct refers to the manner by which a financial service provider designs and delivers its financial products or services and manages its relationships with its clients and the public;

(h) Marketing refers to the act of communicating, offering, promoting, advertising, or delivering of financial products or services by financial service providers; and

(i) Responsible pricing refers to the pricing, terms, and conditions of financial products and/or services that are set in a way that is both affordable to clients and sustainable for financial service providers by taking into account, among others, client needs and the pricing schemes of the competitors

Section 4. *Scope and Coverage.* - This Act applies to all financial products or services offered or marketed by any financial service provider.

Section 5. *Financial Regulators.* - The BSP, SEC, and IC shall enforce the provisions of this Act on all financial service providers under their jurisdiction by virtue of their respective charters, special laws and amendments thereto. The CDA shall be considered an implementing government agency of this Act only with respect to cooperative offering financial products or services, such as but not limited to, savings and credit, except insurance cooperatives which shall be under the jurisdiction of the IC, and cooperative banks and other BSP-supervised cooperative financial institutions, which shall be under the jurisdiction of the BSP.

Section 6. *Powers of the Financial Regulators.* - Financial regulations under this Act shall have the following powers:

(a) *Rulemaking.* - Financial regulators shall have the authority to formulate their own standard and rules for the application of the provisions of this Act to specific financial products or services within their jurisdiction guided by internationally accepted standards and practices. Financial regulators may also determine reasonableness of interest charges or fees which a financial service provider may demand, collect, or receive for any service or product offered to a financial consumer. Likewise, they may issue their respective rules of procedure concerning administrative actions arising from the implementation of this Act.

(b) *Market Conduct Surveillance and Examination.* - Financial regulators may conduct surveillance and examination, on-site or off-site, on their respective financial service providers, consistent with their respective risk-based supervision policies, to ascertain that the provisions of this Act are complied with. The examination for financial consumer protection compliance may be conducted separately from examination of prudential regulations compliance. The provisions on the conduct of examination and surveillance provided in the respective charters of financial regulators, and pertinent special laws shall be made applicable in the examination and surveillance activities authorized under this Act.

The department heads and the examiners of the financial regulators shall be authorized to administer oaths to any director, officer, or employee of the supervised financial service providers subject to the examination of their market conduct and compliance with this Act, and to compel the presentation of all books, documents, papers, or records in any form necessary in their judgment to ascertain compliance of financial service providers to this Act.

The supervised financial service provider shall afford to its respective financial regulator full opportunity to examine its records, and review its systems and procedures, at any time during business hours when requested to do so by the financial regulator.

(c) *Market Monitoring.* - Financial regulators shall have the authority to require their respective supervised financial service providers and their third party agents/service providers to submit reports or documents, as needed.

For purposes of market monitoring, the financial regulators may obtain relevant data about financial products, services and markets from other government agencies, which shall be duty-bound to furnish the same.

(d) *Enforcement.* - Financial regulators shall have the authority to impose enforcement actions on their respective supervised financial service providers for noncompliance with this Act and other existing laws pertinent to the jurisdiction and authority of the respective financial regulators. Such enforcement actions may include the following:

(1) Restriction on the ability of the supervised financial service provider to continue to collect excessive or unreasonable interests, fees or charges, including all other interests, fees and charges covered under Republic Act No. 10870, otherwise known as the "Philippine Credit Card Industry Regulation Law";

(2) Disqualification and/or suspension of directors, trustees, officers, or employees of the supervised financial service provider responsible for violations of the provisions of this Act, its implementing rules and regulations (IRR), or orders of the financial regulators;

(3) Imposition of fines, suspension, or penalties for any noncompliance with or breach of this Act, its IRR, or the orders of the financial regulators;

(4) Issuance of a cease and desist order to the financial service provider without the necessity of a prior hearing if in the financial regulator's judgment, the act or practice, unless restrained, amounts to fraud or a violation of the provisions of this Act and its IRR, or may unjustly cause grave or irreparable injury or prejudice to financial consumers. The financial service provider shall be afforded an opportunity to defend its act or practice in a summary hearing before the financial regulator or its designated body, upon request made by the financial service provider within five (5) calendar days from its receipt of the order. If no such hearing is requested within the said period, the order shall be final. If a hearing is requested by the financial service provider, the proceedings shall be conducted summarily without adhering to the technical rules of evidence, and all issues shall be determined primarily on the basis of records, after which the financial regulator may either reconsider or finalize and execute its order;

(5) Suspension of operation of any supervised financial service provider in relation to a particular financial product or service when in the financial regulator's judgment, based on findings, the financial service provider is operating in violation of the provisions of this Act, and its IRR; and

(6) In any proceedings in which the financial regulators may impose a penalty for noncompliance with or breach of this Act and other existing laws under their jurisdiction, the financial regulators, in addition to the imposed fine, may enter an order requiring accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of this Act and other existing laws, including reasonable interest. The financial regulators are authorized to adopt rules, regulations, and orders concerning the creation and operation of a disgorgement fund, payment to financial consumers, rate of interest, period of accrual, and such other matters as deemed appropriate to implement this provision.

(e) *Consumer Redress or Complaints Handling Mechanism.* - Financial regulators shall provide efficient and effective consumer redress or complaints handling mechanism such as mediation, conciliation or other modes of alternative dispute resolution to address conflict/dissatisfaction from financial consumers arising from financial products or services. The financial consumer may avail of the mechanism prior to adjudication.

(f) *Adjudication.* - Financial regulators shall have the authority to adjudicate all actions as provided under existing laws.

The BSP and SEC shall have the authority to adjudicate actions arising from or in connection with financial transactions that are purely civil in nature, and the claim or relief prayed for by the financial consumer is solely for payment or reimbursement of sum of money not exceeding the amount of Ten million pesos (P10,000,000.00). The decision of the financial regulators in the adjudication shall be final and executory, and may not be restrained or set aside by the court except on petition for certiorari on the ground of grave abuse of discretion, or lack or excess of jurisdiction of the financial regulators. The petition for certiorari may only be filed within ten (10) days from receipt by the aggrieved party of the decision: *Provided*, That in the case of BSP and SEC, the aggrieved party may file the petition with the Court of Appeals. The adjudicatory power shall be exercised by the Head of the concerned financial regulator or a duly authorized officer or body: *Provided*, That in the case of BSP and SEC, the decision of the authorized officer or body is not appealable to the Monetary Board or to the Commission en banc, respectively.

The BSP and SEC may order the payment or reimbursement of money which is subject to the action filed before them. In the exercise of their adjudicatory powers, they shall have the power to issue subpoena duces tecum and summon witnesses to appear in their proceedings and when appropriate, order the examination, search and seizure of all documents, and books of accounts of any entity or person under investigation as may be necessary for the proper disposition of the cases before them. Further, the BSP and SEC shall have the authority to punish for contempt, both directly and indirectly, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court.

(g) *Other Powers.* - Financial regulators may exercise such other powers as may be provided by their enabling laws or charters as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted to the financial regulators to achieve the objectives and purposes of these laws.

Section 7. *Investment Adviser.* - Investment advisers shall be subject to the provisions of Chapters VII, VIII, X and XIII of Republic Act No. 8799, and the rules and regulations to be issued by the SEC.

The term "investment adviser" shall mean any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of investment products or as to the advisability of investing in, purchasing, or selling investment products, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning investment products; but does not include the following:

- (a) Trust Department/Unit of Banks;
- (b) Stand-alone Trust Entities;
- (c) Lawyer, accountant, engineer, or teacher whose performance of such services is solely incidental to the practice of his profession;
- (d) Insurance agent whose performance of such services is solely incidental to the practice of his profession;
- (e) Any investment banker or broker dealer whose performance of such services is solely incidental to the conduct of his business as such investment banker or broker dealer and who receives no special compensation therefor;
- (f) The publisher of any bona fide newspaper, news magazine, or business or financial publication of general and regular circulation; and
- (g) Such other persons as the SEC may designate by rules and regulations, or appropriate order.

Section 8. *Duties and Responsibilities of Financial Service Providers.* -

(a) *Board and Senior Management Oversight.* - The Board of Directors and the members of senior management of financial service providers shall ensure conformity with this Act and shall provide the means by which they shall identify, measure, monitor, control, and manage consumer protection risk inherent in their operations, in accordance with the rules and regulations of their financial regulators.

(b) *Appropriate Product Design and Delivery.* - Financial service providers shall continuously evaluate their financial products or services to ensure that they are appropriately targeted to the needs, understanding and capacity of both their markets and their clients. This shall include among others, the following:

(1) *Affordability and suitability assessments.* - Financial service providers should have written procedures for determining whether a particular financial product or service is suitable and affordable for their clients. This shall include the determination of whether or not the amount and terms of the offered financial product or service allow various clients to meet their respective obligations with a low probability of serious hardship, and that there is a reasonable prospect that the financial product or service will provide value to its client. For the purpose of extending credit, this assessment will include measures to prevent over-indebtedness.

(2) *Cooling-off period.* - Financial service providers are expected to adopt a clear cooling-off policy, as may be prescribed by law or by rules and regulations issued by the relevant financial regulator upon its determination that a cooling-off period is necessary for a particular financial product or service that is subject to its regulation. Such policy should, among others, provide a cooling-off period that will allow a client to consider the costs and risks of a financial product or service, free from the pressure of the sales team of the financial service provider. The length of the cooling-off period should be individually determined by the financial service providers based on reasonable expectation of the time required for a client to fully evaluate all the terms and risks of the financial product or service and contact concerned parties who may be affected by its terms and conditions, unless a minimum or fixed period is prescribed by the financial regulator for compliance by the financial service provider or when stipulated in the terms of the financial product or service. Financial regulators may opt not to provide for cooling-off period for short-term transaction or contracts.

During the cooling-off period, the financial consumer may cancel or return the contract without penalty; however, nothing herein prevents the financial service providers from recovering the processing costs incurred, as may be approved by the financial regulators. Financial service providers are prohibited from engaging in practices that unreasonably burden the financial consumer in the exercise of the right of cancellation during the cooling-off period. If the financial product or service is a contract of insurance, a pre-need or a health maintenance organization (HMO) product, the right of return cannot be exercised after the financial consumer has made a claim.

(3) *Pre-payment of loans and other credit accommodations.* - A borrower may, at any time prior to the agreed maturity date, prepay a loan or other credit transactions in whole or in part: *Provided*, That costs or fees charged to the borrower for such pre-payment, if any, shall be disclosed to ensure transparency, disclosure, and responsible pricing as required under this section.

(c) *Transparency, Disclosure, and responsible Pricing.* - Financial service providers must ensure that they adopt disclosure principles in their communications and their contracts with financial consumers, including the use of clear and concise language to ensure that all information concerning the financial product or service is understood by the target clients. This shall also include updated and accurate disclosure of information such as pricing or any cost associated with the product or service, and should be made in a consistent manner to facilitate a comparison between similar financial products or services across the industry.

Sufficient product disclosure must be provided before the contracting of the financial product or service to give the client enough basis and time for review. Any change in the terms or conditions of a financial product or service shall be provided to the client.

In their advertising materials, financial service providers shall disclose the contact information of their consumer assistance unit providing consumer assistance and handling financial

consumer complaints. Financial service providers shall also disclose that they are regulated and the advertising materials must identify the relevant financial regulator.

Financial service providers are legally responsible for all statements made in the marketing and sales materials that they produce relative to their financial products or services. Disclosure of information on financial products or services shall be made available to the public by the financial service provider through printed materials, mass media, websites or digital platforms.

Financial service providers must have internal policies and procedures for setting prices for their products and services that take into consideration, among others, the principle of responsible pricing.

(d) *Fair and Respectful Treatment of Clients.* - Financial service providers shall have the right to select their clients: *Provided*, That they shall not discriminate against clients on the basis of race, age, financial capacity, ethnicity, origin, gender, disability, health condition, sexual orientation, religious affiliation, or political affiliation: *Provided*, further, That financial service providers may provide distinction, as necessary, when making a risk assessment on a specific financial product or service.

Financial Service providers are prohibited from employing abusive collection or debt recovery practices against their financial consumers.

(e) *Privacy and Protection of Client Data.* - Each financial service provider must respect the privacy and protect the data of their clients. Consistent with the provisions of Republic Act No. 10173, otherwise known as the "Data Privacy Act of 2012", the financial regulators shall issue regulations in coordination with the National Privacy Commission, governing the disclosure of client data to a third party.

Clients have the right to review their data to ensure that inaccurate or deficient data is corrected or amended, refuse the sharing of their information to a third party and request the removal of their data from the service provider's system if they no longer wish to use the provider's services.

(f) *Financial Consumer Protection Assistance Mechanism.* - Each financial service provider must establish a single consumer assistance mechanism for free assistance to financial consumers on financial transactions concerns. This shall include handling of complaints, inquiries and requests.

A financial service provider must provide clear information on the actions taken or to be taken on a complaint, inquiry or request from a financial consumer. In the case of alleged disputed amount or unauthorized transactions, a financial service provider, pending the result of its final investigation report, shall suspend the imposition of interest, fees and charges, or provide similar reasonable accommodations to the financial consumer.

Financial consumers who are unsatisfied with the financial service provider's handling of their complaints, inquiries and requests, may elevate their concerns to the financial regulator which has jurisdiction over the financial service provider concerned.

(g) *Information Security Standards.* - Financial service providers shall adopt and implement information security standards to ensure the safety and protection of the confidentiality, integrity, availability, authenticity, and non-repudiation of the client's information and financial transactions and to ensure the data privacy of their clients. The financial regulators shall prescribe the minimum information security standards for compliance by all financial service providers.

Section 9. Bundling of Products. - When a financial consumer is obliged by the financial service provider to purchase any product, including an insurance policy, as pre-condition for availing a financial product or service, the financial consumer shall have the option to choose the provider of such product subject to reasonable standards set by the financial service provider, and this information shall be made available to the financial consumer.

Section 10. Training. - Staff of financial service providers who deal directly with financial consumers, including those who are involved in financial consumer protection assistance mechanism or

cybersecurity, must receive adequate training suitable to the complexity of the financial products or services they offer. Financial service providers must be qualified as appropriate for the complexity of the financial product or service they offer.

Section 11. *Investment Fraud.* - It shall be unlawful for any person or persons to commit investment fraud as defined in this Act. Any person who commits investment fraud shall be subject to the penalties under Section 73 of Republic Act No. 8799 and the administrative sanctions under Section 16 of this Act.

Section 12. *No Waiver of Rights.* - No provision of a contract for a financial product or service shall be lawful or enforceable if such provision waives or otherwise deprives a client of a legal right to sue the financial service provider, receive information, have their complaints addressed and resolved, or have their non-public client data protected.

Section 13. *Liability of a Financial Service Provider on the Acts or Omission of its Authorized Representatives.* - The financial service provider shall be responsible for the acts or omissions of its directors, trustees, officers, employees, or agents in marketing and transacting with financial consumers for its financial products or services. The financial service provider shall be solidarily liable with accredited third-party service providers for their acts or omissions in marketing and transacting, which may include, but not limited to, debt collection, with financial consumers for its financial products and services.

Section 14. *Prescription.* - All actions or claims accruing under the provision of this Act, and the rules and regulations issued pursuant thereto, shall prescribe after five (5) years from the time the financial consumer transaction was consummated, or after five (5) years from the discovery of deceit or nondisclosure of material facts: *Provided*, That such actions shall, in any event, prescribe after ten (10) years from the commission of the violation: *Provided*, further, That for insurance contracts, the prescriptive period for the commencement of action provided under the Insurance Code shall apply...

Section 15. *Penalties.* - Any persons who willfully violates this Act or the rules, regulations, orders, or instructions issued by the financial regulators to implement this Act, shall be punished by imprisonment of not less than one (1) year, but not more than five (5) years, or by a fine of not less than Fifty thousand pesos (P50,000.00) but not more than Two million pesos (P2,000,000.00), or both, at the discretion of the court: *Provided*, That if the violation is committed by a corporation or a juridical entity, the directors, officers, employees, or other officers who are directly responsible for such violation shall be held liable thereto.

Section 16. *Administrative Sanctions.* - Without prejudice to the enforcement actions prescribed under Section 6(d) of this Act and the criminal sanctions provided under Section 15 of this Act, the administrative sanctions of the respective charters of the financial regulators shall be made applicable to a financial service provider, its directors, trustees, officers, employees or agents for violation of this Act or any related rules, regulations, orders or instructions of financial regulators; or to any persons found administratively liable for investment fraud: *Provided*, That for persons found responsible for investment fraud, the SEC may impose a fine of no less than Fifty thousand pesos (P50,000.00) nor more than Ten million pesos (P10,000,000.00) for each instance of investment fraud plus not more than Ten thousand pesos (P10,000.00) for each day of continuing violation in addition to the other administrative sanction under Section 54 of Republic Act No. 8799: *Provided*, further, That in case profit is gained or loss is avoided as a result of the violation of this Act or investment fraud, a fine not more than three (3) times the profit gained or loss avoided may also be imposed by the financial regulator: *Provided*, finally, That in addition to the administrative sanctions that may be imposed, the authority of the financial service provider to operate in relation to a particular financial product or service may be suspended or cancelled by the financial regulator.

Section 17. *Independent Civil Action.* - A financial regulator, consistent with public interest and protection of financial consumers, is authorized to institute an independent civil action on behalf of aggrieved financial consumers for violations of this Act and its IRR.

If any of these proceedings, the financial regulators obtain a civil penalty against any person or entity, or such person or entity agrees to settle such civil penalty, the amount of such civil penalty shall on the motion of the financial regulators, be added to and become part of a disgorgement fund or other fund established for the benefit of the aggrieved financial consumer.

Section 18. *Implementing Rules and Regulations.* - The financial regulators shall prepare the necessary rules and regulations to implement the provisions of this Act within one (1) year from its effectivity.

Section 19. *Separability Clause.* - If any provision of this Act is held unconstitutional or invalid, all other provisions not thereby affected shall remain valid.

Section 20. *Repealing Clause.* - Articles 131 to 147 of *Title IV* of Republic Act No. 7394 are hereby repealed. All other laws, executive orders, rules and regulations or parts thereof which are inconsistent with this Act are hereby repealed or amended accordingly.

Section 21. *Effectivity.* - The Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,

(SGD.) **LORD ALLAN JAY Q. VELASCO**
Speaker of the House of Representatives

(SGD.) **VICENTE C. SOTTO III**
President of the Senate

This Act was passed by the Senate of the Philippines ad Senate Bill No. 2488 on February 2, 2022 and adopted by the House of Representatives as an amendment to House Bill No. 6768 on February 2, 2022.

(SGD.) **MARK LLANDRO L. MENDOZA**
Secretary General
House of Representatives

(SGD.) **MYRA MARIE D. VILLARICA**
Secretary of the Senate

Approved: MAY 06 2022

(SGD.) **RODRIGO ROA DUTERTE**
President of the Philippines