Financial Consumer Protection

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Use of informal and formal credit and saving services

Use of credit products: informal, formal and micro

- Informal & micro & formal, 5
- Micro & formal, 1
- Micro only, 13
- Formal only, 4
- Informal & micro, 10
- Informal only, 56
- Informal & formal, 12

Use of savings products: informal and formal

- Informal & formal, 20
- Informal only, 19
- Formal only, 61

The BSP Financial Consumer Protection Framework

- Circular No. 857 dated 21 Nov 2014; Effective on 11 Dec 2014
- The Framework visualizes an engaged stakeholder in an inclusive financial system and an enabling environment that protects the interest of financial consumers

- Consumer Assistance
- Financial Education
- Policy

- Standards of Conduct
- On-site Assessment
- Off-site Surveillance
- Market Monitoring
- Enforcement Actions
52% or about 22 million adults report that their households borrow for basic necessities.

52% of those who currently have loans report that they can afford borrowing more while 28% say that they have borrowed to the limit and 20% that they have borrowed more than they can afford.
Primary Consumer Protection Issues

- Fair Treatment

- Over-indebtedness
- Treatment of clients
- Collection practices
- Affordability of product/service offered
- Presentation of the product
- Sales techniques
Low Propensity to Resolve Disputes

- **Approached legal courts**: 1%
- **Submitted claim to government authority**: 3%
- **Stopped using service before contract expiration**: 44%
- **Approached provider through family and friends**: 50%

Sources:
- Too much time
- Financial providers are too powerful
- Government authorities are not efficient

Primary Consumer Protection Issues

Effective Recourse

- Consumer assistance or complaint handling
- Response/resolutions to complaint
- Correction of errors, mistakes and or deficiencies
- Customer service
WB Survey Results Are NOT Encouraging

**World Bank Financial Literacy Quiz**

- Filipino adults were able to answer **3.2** out of **7** finlit questions correctly
- **ONLY 2%** answered all 7 questions correctly
- **10%** with no correct answer

*Source: WB Financial Capability Survey, Philippines 2014*
Self-Assessments May be Over-Rated

Financial Literacy Rating & Scores

- 20% rated themselves as “expert” and only 34% said they considered themselves as a “novice”

- Yet, 92% scored worse than 80

- No one scored better than 90

Lifted from: SOLAR FLARE Financial Literacy Advocacy Report
Primary Consumer Protection Issues

Financial Education and Awareness

- Knowledge and understanding of rights and responsibilities, basic information and risks of availing a product/service
- Financial decision
- Money management skills
- Basic financial activities and protection against fraud.
Primary Consumer Protection Issues

Disclosure and Transparency

- Fees and charges
- Terms of contracts
- Advertising materials
- Fundamental benefits and risks
- Access to information
- Notification
- Literacy limitations
- Statement of Account

Protection of Client Information

- Identity theft
- Sharing of personal information to third parties
- Data security platform and processes
- Confidential documents
Thank You