



# COOPERATIVE DEVELOPMENT AUTHORITY

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## MEMORANDUM CIRCULAR NO. 2023 - 14 Series of 2023

### SUBJECT: IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 11765, OTHERWISE KNOWN AS THE “FINANCIAL PRODUCTS AND SERVICES CONSUMER PROTECTION ACT”

Pursuant to Section 6 (a) and Section 18 of Republic Act (RA) No. 11765 or the “Financial Products and Services Consumer Protection Act (FCPA)”, the following Implementing Rules and Regulations are hereby promulgated.

The Authority may revise and supplement this Rules and Regulations and issue related guidelines, circulars, and other subsidiary issuances as it deems necessary for the effective implementation of the relevant provisions of the FCPA.

#### RULE I PRELIMINARY PROVISIONS

##### **SEC 1. TITLE OF RULES**

These Rules shall be referred to as the “CDA Implementing Rules and Regulations of the Financial Products and Services Consumer Protection Act” or the “CDA FCPA IRR”.

##### **SEC 2. DECLARATION OF POLICY**

It is the policy of the State to ensure that appropriate mechanisms are in place to protect the interest of 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.



The implementation and application of this Rules shall adhere as closely as possible to the attainment of the foregoing policy objectives.

### **SEC 3. SCOPE AND COVERAGE**

These Rules shall apply to all financial products and/or services offered or marketed by all types of cooperatives as authorized in its Articles of Cooperation and By-Laws, except insurance cooperatives and cooperative banks.

### **SEC 4. DEFINITION OF TERMS**

For the purposes of the CDA FCPA IRR, the operational definition of the following terms shall be:

- (a) **Authority** refers to the Cooperative Development Authority, a government agency created by virtue of RA No. 6939, as amended by Republic Act No. 11364, in compliance with the provisions of Section 1, Article XIII of the 1987 Constitution which mandates Congress to create an agency to promote the viability and growth of cooperatives as instruments of equity, social justice and economic development.
- (b) **CDA-Regulated Entities (CDAREs)** refers to cooperatives registered, regulated, and/or supervised by the Authority, as provided under existing laws, rules, and regulations, who offer or market financial products and/or services, excluding insurance cooperatives and cooperative banks.
- (c) **Cooling-off** refers to the policy or agreement that allows a financial consumer to consider the costs and risks of a financial product or service, free from the pressure of the CDARE and to cancel the agreement without penalty of any kind upon his or her written, electronic or other form of valid notice to the CDARE during the given period.
- (d) **Cooperative** refers to an autonomous and duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve their social, economic, and cultural needs and aspirations by making equitable contributions to the capital required, patronizing their products and services and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.
- (e) **Examination** refers to the assessment and monitoring of a CDARE to determine compliance with the FCPA and other applicable laws, rules and regulations issued by the Authority.

- (f) **Financial consumer or client** 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 a current or prospective financial transaction with a CDARE regulated by the Authority.
- (g) **Financial consumer complaint** refers to an expression of dissatisfaction submitted by a financial consumer relative to a financial product or service regulated by the Authority in which a response and/or resolution is expected.
- (h) **Financial product or service** refers to financial products or services which are offered, developed, and/or marketed by CDAREs which may include, but are not limited to credit, savings, investment, 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.
- (i) **Investment fraud** refers to any form of deceptive solicitations of investments from the public. It shall be unlawful for any person or persons to commit investment fraud as defined herein.
- (j) **Market conduct** refers to the manner by which a CDARE designs and delivers its financial products or services and manages its relationships with its clients and the public.
- (k) **Marketing** refers to the act of communicating, offering, promoting, advertising, or delivering of financial products or services by CDAREs.
- (l) **Member** refers to a person, either natural or juridical, who adheres to the universally-recognized principles of cooperation and in the Articles of Cooperation and By-Laws, and has been admitted by the cooperative as member.
- (m) **National Alliance of Cooperatives (NAC)** refers to a recognized association of Sectoral Apex Organizations at the national level, acting as the primary advocacy and overall consultative and coordinating body for national issues and concerns of cooperatives.
- (n) **Responsible pricing** refers to the pricing, terms, and conditions of financial products and/or services that are set in a way that is transparent, affordable to clients, and sustainable for CDAREs.
- (o) **Senior Management** refers to the management involved in the financial and/or credit operations of the cooperative, such as Chief Executive Officer,

Chief Operating Officer, Department Head of Loan Administration/Operations, or its equivalent.

- (p) **Surveillance** refers to the collection and analysis of information from varied sources to inform the assessment of risks to consumers and the market of financial products, services and practices of CDAREs.

## RULE II DUTIES AND RESPONSIBILITIES OF CDAREs

### **A. FAIR AND EQUITABLE TREATMENT OF CONSUMERS**

#### **SEC 1. General Provisions**

A CDARE shall have the right to select their clients from the members of the cooperative: *Provided*, That it shall not discriminate against clients on the basis of race, age, financial capacity, ethnicity, origin, gender, disability, health condition, sexual orientation, religious or political affiliation: *Provided, further*, That CDAREs may provide distinction, as necessary, when making a risk assessment on a specific financial product or service.

However, it is also the right of every financial consumer to be treated fairly, honestly, and professionally at all stages of the transaction.

A CDARE demonstrates the principle of fair and equitable treatment toward financial consumers if its policies and practices observe the following:

- a. Terms and conditions are not unfair in that there is significant imbalance in the parties' rights and obligations arising under the contract, to the detriment of the financial consumer. In any agreement with the financial consumer, a term should be deemed to be unfair if it exempts or absolves a CDARE from acting with skill, care, diligence or professionalism towards a financial consumer in connection with the provision of any product or service and/or liability for failing to do so. Ambiguities in contractual terms and conditions should be construed in favor of the financial consumer.
- b. The CDARE does not employ abusive collection or debt recovery practices against its financial consumers. It shall resort to all reasonable and legally permissible means to collect amounts due them. However, in doing so, they must observe good faith and reasonable conduct and refrain from engaging in unscrupulous or untoward acts.

Both the Authority and the CDAREs shall ensure that mechanisms are in place to safeguard the interests of consumers.

## **SEC 2. Code of Conduct**

In ensuring that financial consumers are treated with professional competence and in a manner that is fair and responsible, CDAREs are required to establish a Code of Conduct applicable to all staff and authorized agents containing the following:

- a. The organizational values and standards of professional conduct adopted by the CDARE that uphold consumer protection; and
- b. The procedures followed by the CDARE in detecting violations of consumer protection standards, as well as responding to and enforcing sanctions relative to such violations.

The Code of Conduct shall serve as an integral part of CDAREs' recruitment and training policies for officers and staff involved in the financial and/or credit operations of the cooperative.

## **SEC 3. Training and Recruitment of CDARE Staff**

CDAREs shall align its recruitment and training policies around professional, fair, and responsible treatment of clients, compliance with FCPA requirements, and mitigation of consumer risks, for instance:

- (a) CDARE officers and staff must receive adequate training suitable for the complexity of the financial products or services they sell to ensure understanding of their key features, risks, terms and costs, relevant FCP standards and requirements, including statutory and regulatory requirements and related internal policies and procedures that might impact their financial consumers, including those pertaining to consumer risks arising from cybersecurity and/or digital financial products and services. Aside from trainings for frontline service personnel, trainings shall also be made available to compliance and internal audit officers and staff.
- (b) CDARE officers and staff, as well as authorized third-party agents or representatives contracted for sales and marketing purposes, do not use deceptive or high pressure/aggressive sales techniques and should not force clients to sign contracts or rush into a financial deal without shopping around;

## **B. PRODUCT DESIGN AND DELIVERY**

### **SEC 1. Suitability and Affordability Assessments**

In ensuring that financial products and services are offered with skill, due care and diligence, while at the same time considering the consumer's financial situation, needs, capabilities and overall risk profiles, CDAREs shall conduct assessments to determine the affordability and suitability of a financial product and/or service for consumers.

CDAREs should have written procedures for determining whether a particular financial product or service is suitable and affordable to their consumers. This shall include the determination of whether or not the amount and terms of the offered financial product or service allow the members to meet their respective obligations with a low probability of a serious hardship, and that there is a reasonable prospect that the financial product or service will provide value to its consumers. For the purpose of extending credit, this assessment shall include measures to prevent over-indebtedness.

If, as a pre-condition for availing a financial product or service, a financial consumer is obliged by the CDARE to purchase another product, the consumer shall have the option to choose the provider of said product subject to reasonable standards that may be set by the CDARE. The CDARE is required to inform the consumer of said right prior to availing a financial product or service.

### **SEC 2. Evaluation of Financial Products and Services**

In ensuring that the financial products or services offered are appropriately targeted to the needs, understanding, capacity and risk appetite of financial consumers, CDAREs shall continuously evaluate their financial products and services, and implement internal policies and procedures for setting prices considering, among others, the principle of responsible pricing and other relevant guidelines promulgated by the Authority.

The Authority may recommend guidelines on product oversight and governance policy which aim to set the standards for effective product development and management.

### **SEC 3. Cooling-Off Period**

CDAREs are expected to adopt a clear cooling-off policy which shall specify the products and services that have a cooling-off period, which shall be no less than three (3) business days up to a maximum of ten (10) business days, following the principle that the more complex or long-term the product or service is, the longer the cooling-off period should be. The cooling-off period shall be expressly stipulated in

the policy, contract or agreement of the offered financial product or service. Such a period shall allow a consumer to consider the costs and risks of a financial product or service, free from the pressure of the sales team of the CDARE.

During the cooling-off period, the financial consumer may cancel or return the contract without penalty; however, nothing herein prevents the CDARE from recovering the processing costs incurred. Such fact must be clearly stipulated in the policy, contract or agreement. The CDARE is prohibited from engaging in practices that unreasonably burden its financial consumers in the exercise of the right of cancellation during the cooling-off period.

#### **SEC 4. Pre-payment of Loans and Other Credit Accommodations**

A financial consumer of CDAREs may, at any time prior to the agreed maturity date, pre-pay a loan or other credit transactions in whole or in part: *Provided*, That costs or fees charged to the financial consumer for such pre-payment, if any, shall be reasonable and, shall be disclosed to ensure transparency, accountability, and reasonable pricing.

#### **SEC 5. Interest Rate and Other Charges on Loans**

The rate of interest including commissions, premiums, fees, and other charges on loans, and forbearance of money, regardless of maturity and whether secured or unsecured, shall be at the discretion of the CDARE within the range as reasonably determined by the Authority after consulting the CDAREs through the NAC.

### **C. CONSUMER PROTECTION RISK MANAGEMENT SYSTEM**

#### **SEC 1. Establishment of a Consumer Protection Risk Management System (CPRMS)**

CDAREs are required to establish their respective CPRMS in accordance with the guidelines to be issued by the Authority, which shall serve as the foundation for ensuring CDAREs' adherence to the FPCA, other consumer protection laws, and relevant rules and regulations promulgated by the Authority.

### **D. DISCLOSURE AND TRANSPARENCY**

#### **SEC 1. General Provisions**

It is the right of every financial consumer to receive clear, concise, and full disclosure of all information relative to a financial product or service that is being offered to them. This includes the right to receive information from financial services providers in a manner that will allow the financial consumer to adequately compare similar

financial products or services offered in the market. This information shall also be included in the Pre-Membership Education Seminar (PMES).

The financial consumer's right to disclosure and transparency shall be upheld before, during, and after a sale of a financial product or service and during key stages of the relationship with the consumer.

## **SEC 2. Disclosure of Terms and Conditions**

CDAREs shall disclose, in writing or by electronic means, all significant terms and conditions of a financial product or service, which include the following, among others:

- a. Information on risks, return, possible warnings;
- b. Any waiver of rights and limitations of liabilities;
- c. Consumer's rights and responsibilities;
- d. Consequences of failure to meet obligations;
- e. Rights and responsibilities of CDAREs;
- f. Involvement of authorized agents;
- g. Any conflict of interest by the CDARE staff;
- h. Cancellation of financial product or service;
- i. Full price or cost and detailed breakdown of the financial product or service including all interest, fees, charges, and penalties, and whether they can change over time; and
- j. Procedures and documentation providing the rationale for why and how prices have been set, as proof of its adherence to responsible pricing principles.

## **SEC 3. Changes in Key Features, Terms and Conditions**

CDAREs shall notify financial consumers, in writing, whether in printed or electronic form, of any changes in the key features and terms of the financial products and services at least thirty (30) days prior to the implementation of such changes. The notifications shall include an explanation on the nature and extent of the change, the potential impact of said change on the financial consumer, and the attached Board Resolution of the cooperative Board of Directors approving the changes.

## **SEC 4. Business and Contact Information**

CDAREs shall disclose in their respective financial product or service contract, policy, agreement, plan, receipt, website, promotional materials, and social media platforms the following information, among others:

- a. Address and contact details of the CDAREs head offices and branches or satellite offices, if any;



- b. Contact information of the CDARE's consumer assistance team, as well as information on its financial consumer protection assistance management system as provided in Rule IV; and
- c. Statement that the CDARE is regulated by the Authority, as well as the address and contact details of the Authority's Head Office or the Extension Office under which it falls under its jurisdiction.

### **SEC 5. Advertising Materials**

CDAREs shall ensure that their respective advertising materials are not false, misleading, or contain deceptive statements or omit key information that may materially and/or adversely affect the decision of the consumer to avail of a service or acquire a product.

CDARE officers and staff, as well as authorized third-party agents or representatives contracted for sales and marketing purposes, do not use deceptive or high pressure/aggressive sales techniques and should not force clients to sign contracts or rush into a financial deal without shopping around

CDAREs shall conduct independent review of promotional material intended for consumers, particularly with respect to materials prepared or designed by third (3rd) party, for purposes of verifying the accuracy of such promotional material. CDAREs shall be bound by all statements made in the marketing and sales materials relative to their offered financial products or services.

### **SEC 6. Documents to be Provided to the Financial Consumer**

CDAREs shall provide the financial consumer a copy of each of the documents signed by them, together with all the terms and conditions. In addition, CDAREs shall provide the consumer proof of the transaction, whether in printed or electronic form, at the option of the consumer, immediately after the transaction has been completed. For products or services offered through digital means, CDAREs shall provide printed copies of records upon request of the consumer.

Statements of account or billing statements shall be provided regularly in a convenient manner to the consumer, or through the channel in which the product was sold, commensurate to the type of product and terms thereof.

### **SEC 7. Duty of the CDARE's Staff in Communicating with Consumers**

Communications made by the CDARE's staff shall be conducted in such a manner that the financial consumers can understand the terms of the contract and their rights

and obligations, taking into consideration client segments who may have financial literacy limitations.

## **E. PROTECTION OF CONSUMERS AGAINST FRAUD AND MISUSE**

### **SEC 1. General Provisions**

Financial consumers shall have the right to expect the protection CDAREs against fraud and misuse of their assets. CDAREs must provide clear information on the action taken or to be taken in relation to a complaint, inquiry, or request from a financial consumer involving fraud and unauthorized transactions. This right shall be exercised in accordance with Rule. The CDARE shall establish policies and procedures that aim to protect financial consumers, their deposits, and other assets, against internal or external fraud and/or misuse.

### **SEC 2. Financial and Digital Literacy Training for Consumers**

Complementary to financial consumer protection, CDAREs shall promote and demonstrate efforts at economic and financial education, which shall include digital literacy for products offered electronically, as well as clear information on consumer protection, rights and responsibilities.

## **F. PRIVACY AND PROTECTION OF FINANCIAL CONSUMERS' DATA**

### **SEC 1. General Provisions**

It is the right of every financial consumer to expect that their financial transactions, as well as all personal information disclosed in the course of their transactions with CDAREs, are kept confidential and secured at all times, consistent with the provisions of RA No. 10173, otherwise known as the "Data Privacy Act of 2012", its Implementing Rules and Regulations, and other issuances of the National Privacy Commission.

### **SEC 2. Information Security Standards**

CDAREs are required to uphold the privacy and protect the data of their financial consumers. To ensure the security and privacy of the financial consumer's data as well as the confidentiality, integrity, availability, authenticity, and non-repudiation of their financial transactions, CDAREs shall adopt and implement information security standards consistent with the provisions of the Data Privacy Act of 2012, its Implementing Rules and Regulations, and other issuances of the National Privacy Commission, and subject to additional guidelines as may thereafter be promulgated by the Authority.

## **G. RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

### **SEC 1. Responsibilities of the Board of Directors**

The cooperative's Board of Directors shall be primarily responsible for establishing, reviewing, approving, and overseeing the implementation of the CDARE's CPRMS, and shall perform the following, among others:

- a. Approving the CPRMS and Financial Consumers Protection Assistance Management System (FCPAMS) under Rule IV, taking into consideration the CDAREs' business model, market, product lines, and relationships with third parties that may give rise to consumer protection risks;
- b. Reviewing and approving the CDARE's Code of Conduct;
- c. Ensuring that relevant information pertaining to the FCPAMS and CDAREs' compliance with the FCPA, other consumer protection laws, rules and regulations, and market conduct guidelines promulgated by the Authority as well as actions taken relative thereto, are reported to the Board on a regular basis;
- d. Ensuring adequate provision of resources and effective implementation of training and competency requirements for officers and personnel;
- e. Approving remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and mitigate conflicts of interest; and
- f. Periodically reviewing the implementation of the CPRMS and FCPAMS, including how findings are reported and whether the audit mechanisms in place provide adequate oversight in relation to the CDAREs' business model and/or operating environment.

### **SEC 2. Responsibilities of Senior Management**

The Senior Management shall be responsible for ensuring that the practices of the CDAREs are aligned with the approved consumer protection policies and risk management system. In this regard, the Senior Management shall perform the following, among others:

- a. Ensure that approved CPRMS and FCPAM policies and procedures are clearly documented, properly understood, and appropriately implemented across all levels and business units.
- b. Establish an effective monitoring and management information system to regularly measure, aggregate, and analyze consumer-related issues

to determine the level of consumer protection risks. The management information system should be able to:

- i. Provide adequate information on the performance and quality of the CDARE's FCPAMS that allows for the identification of emerging consumer issues and root cause analysis;
  - ii. Determine the level of consumer protection risk exposure;
  - iii. Identify and monitor, in a timely manner, consumer protection risks that may result in financial loss to consumers, legal and reputational risks, and other related risks; and
  - iv. Identify and assess emerging or increasing consumer risks that affect the CDARE's consumers through social media monitoring, market monitoring, and other relevant means.
- c. Ascertain that weaknesses in the consumer protection practices or consumer protection emerging risks are addressed and corrective actions are taken in a timely manner.
  - d. Make available a wide range of accessible channels in which consumers can conveniently lodge their complaints, inquiries, and requests with the CDAREs. Channels may include social media platforms, e-mail, live chat, and text/SMS to promote consumer trust. A consumer must also be able to submit a complaint by using any other channel which they ordinarily communicate with the financial service provider; and
  - e. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit.

### **RULE III**

## **GUIDELINES ON MARKET CONDUCT SURVEILLANCE AND EXAMINATION**

### **SEC 1. GENERAL PROVISIONS**

Section 6(b) of the FCPA authorizes the Authority to conduct surveillance and examination on-site or off-site which shall be separate from regular examination, to ascertain that the provisions of the FCPA are complied with.

### **SEC 2. COMPONENTS**

The surveillance and examination referred to in this Rule shall include the inspection, assessment, and monitoring of CDAREs, to determine compliance with the FCPA,

this Rules, and such other related issuances by the Authority, including but not limited to the following:

- a. Obtaining information about the CDAREs' policies, procedures, activities, and compliance program to assess the effectiveness of the CDAREs' CPRMS;
- b. Assessment of the CDAREs' overall compliance with the FCPA and this Rules, other laws and regulations on market conduct and consumer protection, and such other rules and regulations issued by the Authority; and
- c. Assessment of the risks to consumers and markets of financial products and services.

The conduct of examination shall include the following, among others:

- a. Visits to the CDAREs' premises and/or branches;
- b. Interview any of the directors, trustees, officers, and personnel;
- c. Walkthrough of relevant areas of operations;
- d. Validation of results of surveillance activities; and
- e. Verification, review, and evaluation of documents and records, including policy and CDARE's claims database

The Authority shall have the power to administer oaths to any director, trustee, officer or employee of the CDAREs, as well as to compel the presentation of all books, documents, papers, records, and such other evidence as may be necessary to ascertain the compliance of CDAREs with the FCPA.

The Authority shall be afforded the full opportunity to examine books, and review systems and procedures at any time during business hours when required to do so.

## **RULE IV FINANCIAL CONSUMER PROTECTION ASSISTANCE FRAMEWORK IN THE CDAREs**

### **A. TIMELY HANDLING AND REDRESS OF COMPLAINTS**

#### **SEC 1. General Provisions**

Financial consumers shall be provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints regarding their financial transactions. CDAREs are required to have in place mechanisms for complaint handling and redress.

## **SEC 2. Components of an Effective and Timely Handling and Redress of Complaints**

To provide effective recourse to consumers, the CDAREs shall:

- a. Establish an effective FCPAMS as provided in this Rule.
- b. Develop internal policies and practices on consumer redress, including the time for processing, complaint response, and customer access;
- c. Maintain an up-to-date log and records of all complaints from customers in accordance with their complaints handling procedure. The following information shall be recorded by the CDAREs:
  - i. Date the complaint was received;
  - ii. Details of the complaint;
  - iii. Summary of the CDARE's response;
  - iv. Action taken to resolve the complaint;
  - v. Details of any other relevant correspondence or records; and
  - vi. Date the complaint was resolved.
- d. Ensure that information on how to file a complaint is clearly visible in the CDAREs' premises and websites;
- e. Undertake an analysis of the patterns of complaints from consumers on a regular basis including investigating whether complaints indicate an isolated issue or a more widespread issue for consumers. This analysis of consumer complaints must be escalated to the CDAREs' compliance / risk management division unit, as well as to senior management; and
- f. Provide for adequate resources to handle financial consumer complaints effectively and efficiently.

## **B. FINANCIAL CONSUMER PROTECTION ASSISTANCE MANAGEMENT SYSTEM**

### **SEC 1. Establishment of a Financial Consumer Protection Assistance Management System (FCPAMS)**

CDAREs are required to establish their respective FCPAMS for the following purposes relative to the handling of consumer complaints, inquiries, or requests:

- a. Receiving;

- b. Recording;
- c. Evaluating;
- d. Resolving; and
- e. Monitoring and reporting

The FCPAMS shall be implemented by a designated officer, unit, group or department commensurate with the size, structure, nature of products and services, and complexity of operations of the CDARE, ensuring at all times that there is no conflict of interest. Financial consumers who are dissatisfied with the CDARE's handling of their complaints, inquiries, and requests may elevate their concerns to the Authority within seven (7) days from receipt of the communication of the result of the assessment, investigation, or resolution of their complaint, inquiry, or request by the cooperative, through the mechanisms provided in this Rules.

## **SEC 2. Manual of Consumer Assistance Policies and Procedures (“Manual”)**

CDAREs are required to establish, maintain, and implement Manuals which contain the internal policies, processes, and practices they follow in handling complaints, inquiries, and requests from financial consumers. The Manual shall contain the following, at the minimum:

- a. Corporate structure of the unit, group, or department implementing the FCPAMS (“the Consumer Assistance Team”), with an enumeration of the roles and responsibilities of all persons involved in FCPAMS implementation. The Consumer Assistance Team shall be separate and independent from the CDAREs’ claims handling units. Any complaint or disagreement relative to claims handling may be referred to the Consumer Assistance Team;
- b. Capacity building for their respective Consumer Assistance Teams, which includes the conduct of regular trainings on the following, among others:
  - i. CDARE’s corporate structure and financial products and services;
  - ii. Interpersonal skills / customer service;
  - iii. Basic and advanced listening skills;
  - iv. Written and verbal communication skills;
  - v. Handling financial consumer feedback;
  - vi. Dealing with difficult people; and
  - vii. Problem solving and conflict resolution

- c. Consumer assistance process and timeline. CDAREs may provide for their own periods for addressing consumer complaints, requests, and inquiries which shall not, in any case, exceed the following periods:

CONCERN	TIMELINE	
<b>FOR COMPLAINTS OR REQUESTS</b>		
<b>Acknowledgment</b>	Simple	Within twenty-four (24) hours from receipt of complaint / request
	Complex	Within twenty-four (24) hours from receipt of complaint / request
<b>Processing and resolution (assessment, investigation and resolution)</b>	Simple	Within seven (7) days from receipt of complaint / request
	Complex	Within forty-five (45) days from receipt of complaint / request
<b>Communication of resolution to requesting consumer</b>	Simple	Within nine (9) days from receipt of complaint / request
	Complex	Within forty-seven (47) days from receipt of complaint / request
<b>FOR INQUIRIES</b>	By next business day	

- d. Complaints recording or data management system;
- e. Risk assessment strategies;
- f. Reporting of complaints statistics to the CDARE's Board of Directors and the Authority;
- g. System for evaluating the effectiveness of the FCPAMS; and
- h. Glossary



### **SEC 3. Publication of the FCPAMS**

CDAREs shall make details of their respective FCPAMS available to financial consumers. Key features of the FCPAMS shall be published in the following:

- a. Conspicuous places within the premises of CDAREs;
- b. Terms and conditions of the CDAREs' products and services;
- c. Various channels of service delivery; and
- d. Marketing materials

### **SEC 4. Consumer Assistance Mechanisms**

CDAREs shall make available a wide range of consumer assistance channels for submitting complaints, including but not limited to walk-in or personal visit, centralized web portal, mobile application, social media, letter, email, telephone, fax, and such other channels as may be deemed necessary by the CDAREs, or as may be required by the Authority, to address consumer needs. CDAREs shall ensure that there is a consumer assistance help desk or hotline dedicated to addressing consumer inquiries and concerns manned by the Consumer Assistance Team.

### **SEC 5. Information to be Gathered from Financial Consumers**

In receiving and acknowledging consumer complaints or requests by the Consumer Assistance Team, CDAREs shall obtain and record the following data from the consumers:

- a. Full name and contact details;
- b. Nature of complaint / request and relevant details;
- c. Resolution or action requested; and
- d. Name of CDARE's claims handling personnel that originally handled the subject concern, if applicable.

The acknowledgement shall include an assurance that the CDARE is dealing with the complaint or request, and that the consumer shall be kept informed of the progress of the CDARE's assessment and investigation. The consumer assistance officer must be able to explain, whenever applicable, the consumer assistance process and the relevant timelines to the consumer.

## **SEC 6. Institutional Approach in Assessing and Investigating Complaints**

CDAREs are required to establish an institutional approach in assessing and investigating complaints or requests and options in resolving them, considering the peculiarities of the complaints or requests and the desired remedies of the consumer. Results of the assessment, investigation, and resolution of the complaints or requests shall be communicated to the complainant in printed form, regardless of mode of transmittal, and in simple and clear language.

## **SEC 7. Consumer Feedback Mechanism**

CDAREs shall establish consumer feedback mechanisms which will allow the recording and analysis of consumer feedback to improve their respective FCPAMS. Feedback shall be obtained on the following matters:

- a. Overall consumer satisfaction;
- b. Processes needing improvement;
- c. Personnel needing improvement; and
- d. Any suggestions for improvement

Consumer feedback may be obtained through a feedback form or customer satisfaction survey which shall be made available to walk-in clients and in the CDARE's other consumer assistance channels.

## **SEC 8. Complaints Database**

CDAREs shall create their respective database of complaints received, including supporting and relevant documents. The complaints database shall include the following information, among others:

- a. Name of the complainant;
- b. Date of receipt of the complaint;
- c. Subject or nature of the complaint;
- d. Name of the personnel directly handling or in charge of the complaint and the officer supervising its resolution;
- e. Actions taken on the complaint;
- f. Resolution of the complaint;
- g. Date of resolution; and
- h. Other relevant information

The database shall be maintained by the Consumer Assistance Team in the CDARE's management information system that allows for consolidation, comparison,

and analysis of complaints data to identify trends in consumer complaints, determine whether complaints indicate an isolated issue or a more widespread concern for consumers, and identify potential problems and risks.

## **SEC 9. Submission of Complaints Reports to the CDARE's Board of Directors**

The Consumer Assistance Team shall submit Complaints Reports to the CDARE's Board of Directors on a monthly basis. The Complaints Report shall include, at the minimum, the following information:

- a. General category of complaints received;
- b. Number of complaints received per category;
- c. Number of complaints resolved;
- d. Aging of complaints;
- e. Explanations for deviations, if any, from the required resolution period;
- f. General description of resolutions and actions taken relative to complaints received; and
- g. Recommendations on how to avoid recurring complaints and suggestions for process and personnel competency improvement.

CDAREs shall submit a Consolidated Complaints Report to the Authority on a quarterly basis. The Quarterly Consolidated Complaints Report shall be submitted until the fifteenth (15<sup>th</sup>) day of the month following the end of the quarter.

## **RULE V FRAMEWORK IN THE HANDLING OF COMPLAINTS BEFORE THE AUTHORITY**

### **SEC 1. GENERAL PROVISIONS**

Section 6(e) of the FCPA requires the Authority to establish an efficient and effective consumer redress or complaints handling mechanism to address conflict or dissatisfaction in relation to financial products or services. Relative thereto, this Rule shall provide the framework on the handling of complaints arising from financial products or services offered by CDAREs, notwithstanding that the principle of subsidiarity shall be observed.

Consistent with Section 6(e) of the FCPA, the mechanism provided in Rule V is not mandatory and shall be at the option of the financial consumer. The consumer may opt not to avail of the complaints mechanism in this Rule, and directly proceed to the adjudication process in Rule VI or seek redress under Rule VII.

## **SEC 2. HOW INITIATED**

Financial consumers may initiate the complaints mechanism through the submission of the FCPAMS Assistance Request Form (FCPAMS ARF) either physically to the CDA Extension Office having jurisdiction over the CDARE or through the electronic mail of the said CDA Extension Office. The FCPAMS ARF is attached herewith as "Annex A".

## **SEC 3. DOCUMENTARY REQUIREMENTS**

The FCPAMS ARF in the proceeding section shall be submitted together with the following documents:

1. Copy of the contract, policy, agreement, or plan detailing the offered or availed financial product or service;
2. Copy of the receipt showing payment for the financial product or service if already paid; and
3. Copy of other supporting documents, if any.

## **SEC 4. EVALUATION BY THE AUTHORITY**

The CDA Extension Office shall evaluate the FCPAMS ARF together with the supporting documents submitted by the financial consumer. Within three (3) days from receipt of the FCPAMS ARF and the supporting documents, the CDA Extension Office shall inform the financial consumer of any of the following actions:

- a. Termination of the complaint if the Authority finds that there is no basis for the filing of the complaint;
- b. Conduct of Mediation-Conciliation Proceedings if the Authority finds that the complaint may be resolved through amicable settlement; or
- c. Referral to the concerned CDARE if the Authority finds that the concerned CDARE has not yet acted on the complaint.

## **SEC 5. MEDIATION-CONCILIATION PROCEEDINGS**

Pursuant to Section 5 (b) above, in the event that the complainant opts to avail of the Mediation-Conciliation, the proceedings shall be conducted as follows:

- a. The entire Mediation-Conciliation Proceedings before the Authority must be completed within fifteen (15) calendar days from the start of the conflict coaching;
- b. The Mediation-Conciliation Proceedings must be conducted only once;

- c. The Mediation-Conciliation Proceedings shall be declared as failed under the following circumstances:
  - i. When no settlement is reached by the parties after fifteen (15) calendar days from the start of the conflict coaching.
  - ii. When any or both of the parties or the conciliator-mediator decide to terminate the proceedings if, in his/her judgment, further efforts at conciliation-mediation are unlikely to lead to a resolution of the dispute.
- d. The appearance of counsel at any point in these proceedings shall be prohibited;
- e. Except as provided in the above provisions, Rule III (Dialogue) of the CDA Omnibus Rules of Procedure shall be observed as to the procedure in the conduct of the Mediation-Conciliation as far as practicable and convenient as mutually agreed upon by both parties.

## **RULE VI ADJUDICATION**

### **SEC 1. ADJUDICATORY POWERS**

The Authority, through its Adjudication Division, shall have the power to adjudicate actions arising out of or in connection with financial consumer transactions with cooperatives or violations or implementation of the provisions of R.A. No. 11765 not resolved at the cooperative level as other cases falling within the jurisdiction of the Authority as provided in the CDA Omnibus Rules of Procedure.

In the exercise of its adjudicatory powers, the Authority 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 it. Further, the Authority shall have the power to punish for contempt, both directly and indirectly, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court.

The Rules of Court and the CDA Omnibus Rules of Procedure may be applied in proceedings before the CDA Adjudication Division by analogy or in a suppletory character, and whenever practicable and convenient.

### **SEC 2. DISTINCTION OF CASES BETWEEN MEMBERS AND NON-MEMBERS**

Disciplinary action shall apply to errant CDAREs for any infractions committed against financial consumers, whether they are members or non-members of the

cooperative, arising from any violation of the FCPA, this Rules, and other relevant laws, regulations, and issuances made by the Authority.

For FCPA-related cases involving cooperative members who are financial consumers of the CDAREs, in addition to disciplinary action, the CDARE may be directed to refund the share capital contribution and all other interest in accordance with the cooperative By-Laws and existing cooperative laws. For FCPA-related cases involving non-members of the cooperative, it is necessary to inform them that in order to refund their investment or availment of a financial product or service from the CDARE, an appropriate case must be filed before the regular court.

### **SEC 3. VENUE**

The complaint shall be filed with the CDA Extension Office having jurisdiction over the place where the principal office of the CDARE is located.

### **SEC 4. COMMENCEMENT OF ACTION**

Formal claims and complaints are initiated by the filing of a Verified Complaint containing the following information:

- a. Names and addresses of the parties;
- b. Substance of the claim (the cause of action);
- c. Date when the loss or controversy occurred;
- d. Amount of claim;
- e. Grounds for claim / violations committed;
- f. Relief sought; and
- g. Certification of Non-Forum Shopping.
- h. Payment of docket fees amounting to Three Hundred Pesos (P300.00)only.

Upon the filing of the complaint, the duly authorized officer of the CDA Extension Office shall review if the complaint is sufficient in form and in substance. After evaluation thereof, the duly authorized officer of the CDA Extension Office shall docket the complaint in accordance with Sec. 9, Art. III, Rule VI of the CDA Omnibus Rules of Procedure.

He/she may motu proprio dismiss the complaint without prejudice if it does not contain the information required under this section or in case of non-payment of docket fees. If the respondent is an insurance cooperative under the jurisdiction of the Insurance Commission, or a cooperative bank or other BSP-supervised cooperative financial institution under the jurisdiction of the Bangko Sentral ng Pilipinas, the dismissal of the complaint shall be with prejudice.

If the complaint is sufficient in form and in substance, the duly authorized officer of the CDA Extension Office shall transmit the complaint with all its attachments to the CDA Head Office Adjudication Division.

The commencement of action under this section shall be without prejudice to any civil and/or criminal action that may be instituted by the complainant/s against the respondent/s.

#### **SEC 5. SERVICE OF PLEADINGS AND OTHER PAPERS**

Summons, notices, and copies of decisions and orders shall be served on the parties to the case by the Adjudication Secretariat either personally, by registered mail, or by electronic mail as the Adjudication Secretariat may deem appropriate.

#### **SEC 6. PROHIBITED PLEADINGS AND MOTIONS**

For purposes of this Rules, the following pleadings and motions are prohibited:

- a. Motion to dismiss on any ground;
- b. Motion for judgment on the pleadings;
- c. Motion for summary or partial summary judgment;
- d. Bill of particulars;
- e. Motion for extension of time to file any pleading without justifiable cause;
- f. Counterclaim;
- g. Cross-claim;
- h. Third (fourth etc)-party complaint;
- i. Reply;
- j. Rejoinder;
- k. Intervention; and
- l. Any other motion analogous to the foregoing.

#### **SEC 7. PRESCRIPTION OF ACTION**

All actions or claims accruing under R.A. No. 11765 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 non-disclosure of material facts: *Provided*, That such actions shall, in any event, prescribe after ten (10) years from the commission of the violation.

## **SEC 8. SUMMONS**

Within a reasonable time from receipt of a complaint, the Authority shall issue a summons requesting the respondent/s to file a Verified Answer within ten (10) days from receipt thereof. A copy of the complaint and its annexes, if any, shall be attached to the said summons.

Service may be made on the Board of Directors, officers, general manager, or counsel on record of the respondent wherever they may be found, or in their absence or unavailability, on their secretaries.

If such service cannot be made upon any of the foregoing persons, it shall be made upon the person who customarily receives the correspondence for the respondent at its principal office.

Should there be a refusal on the part of the aforementioned persons to receive summons despite at least three (3) attempts on two (2) different dates, service may be made electronically by sending an electronic mail to the respondent's electronic mail address.

## **SEC 9. FILING OF ANSWER**

Within ten (10) days from service of summons, the respondent/s shall file their Verified Answer to the complaint and serve a copy thereof on the complainant. Affirmative and negative defenses not pleaded therein shall be deemed waived, except in the following instances:

- a. When the Authority has no jurisdiction over the subject matter;
- b. When there is another action pending between the same parties for the same cause; or
- c. When the action is barred by *res judicata* or the statute of limitations.

Should the respondent fail to file an answer to the complaint within the period stated above, the Authority, *motu proprio* or upon motion, shall render judgment as may be warranted by the allegations in the complaint, as well as the affidavits and other evidence on record.

## **SEC 10. PRELIMINARY CONFERENCE**

Upon the filing of answer, the Adjudication Officer shall conduct a preliminary conference to consider the following:



1. Possibility of amicable settlement or resort to alternative modes of dispute resolution;
2. Simplification of issues;
3. Necessity or desirability of amendments to the pleadings;
4. Possibility of obtaining stipulations or admissions of facts and documents to avoid unnecessary proof;
5. Limitation of the number of witnesses;
6. Possibility of rendering judgment on the pleadings or summary judgment; and
7. Such other matters that may aid in the prompt disposition of the case.

Parties are required to appear at the preliminary conference; otherwise, the conference shall be deemed terminated and the Adjudication Officer shall render a decision on the basis of the evidence on record.

The preliminary conference shall be terminated not later than ten (10) calendar days after its commencement, whether or not the parties have agreed to settle amicably.

Thereafter, the Adjudication Officer shall issue a Preliminary Conference Order stating: (a) the stipulated and/or admitted facts, if any; (b) the issues of law and of facts agreed upon; and (c) other matters taken up during the preliminary conference. It shall control the subsequent course of action unless modified before hearing to prevent manifest injustice.

In order to prevent miscarriage of justice, the Adjudication Officer may opt to conduct the Preliminary Conference online. Appearance of a party through a lawyer is not mandatory. Further, technical rules of procedure and evidence obtaining in a court of law shall not be applicable in CDA.

#### **SEC 11. POSITION PAPER / HEARING**

In lieu of a formal hearing, the Adjudication Officer may direct the parties to simultaneously submit their respective position papers with supporting affidavits and other documentary evidence not later than ten (10) days from receipt of the Preliminary Conference Order.

Should the Adjudication Officer believe that there is/are question/s of fact, he/she may set the case for clarificatory hearing. During the said hearing, questions may be propounded by parties to each other's witnesses. The clarificatory hearing shall be terminated not later than thirty (30) days after its commencement.

Upon the submission of the position papers, or upon the expiration of the fifteen (15)-day period mentioned above if no position paper has been filed, or upon the termination of the hearing, the case shall be deemed submitted for decision.

In order to prevent miscarriage of justice, the Adjudication Officer may opt to conduct the hearing online. Appearance of a party through a lawyer is not mandatory. Further, technical rules of procedure and evidence obtaining in a court of law shall not be applicable in CDA.

## **SEC 12. DECISION**

Within thirty (30) days from the time the case is submitted for decision, the Adjudication Officer shall issue a decision in writing stating therein clearly and distinctly the relevant facts of the case, issue/s involved, applicable law and/or jurisprudence, conclusions and reasons therefor, relief/s granted, if any, and the administrative sanction/s imposed, if any.

Without prejudice to the enforcement action prescribed under Sec. 6(d) of R.A. No. 11765 and the criminal sanctions provided under Sec. 15 of the same law, the administrative sanctions that may be imposed pursuant to R.A. No. 11364 or the Cooperative Development Authority Charter of 2019, R.A. No. 10744, R.A. No. 9520 or the Philippine Cooperative Code of 2008, their respective Implementing Rules and Regulations, and Memorandum Circulars or issuances of the Authority, shall be applicable to CDAREs, its directors, trustees, officers, employees or agents for violation of R.A. No. 11765 or to any person found administratively liable for investment fraud. In case profit is gained or loss is avoided as a result of the violation of R.A. No. 11765 or investment fraud, a fine of not more than three (3) times the profit gained or loss avoided may also be imposed by the Authority. In addition, the Authority may also cancel or suspend the authority to operate of the CDARE.

The decision of the Adjudication Officer shall be final and executory, and may not be restrained or set aside by the court.

## **SEC 13. EXECUTION**

Final and executory decisions of the Authority shall be enforced by writ of execution upon motion of the prevailing party filed within five (5) years from the date of entry of a final and executory decision requiring, if necessary, any Sheriff or deputized law enforcement agencies or Local Government Unit to enforce final orders, decisions, or resolutions of the Authority. Otherwise, the decision may be enforced by action before it is barred by the statute of limitations.

**RULE VII  
ENFORCEMENT AND ADMINISTRATIVE SANCTIONS**

**SEC 1. ENFORCEMENT**

The Authority shall have the power to impose enforcement actions after due process, on CDAREs for failing to comply with the FCPA, this Rules, and other relevant laws and regulations. Such enforcement actions may include the following, among others:

- a. Restriction on the ability of CDAREs to continue to collect excessive or unreasonable interests, fees, or charges;
- b. Disqualification and/or suspension of directors, trustees, or officers of CDAREs responsible for the violations of the provisions of the FCPA, this Rules, and/or such other relevant guidelines, issuances, or orders of the Authority;
- c. Imposition of fines, suspension, or penalties for any non-compliance with or breach of the FCPA, this Rules, and/or other guidelines, issuances, or orders of the Authority on consumer protection and market conduct;
- d. Issuance of a Cease-and-Desist Order (CDO) to the CDARE without the necessity of a prior hearing if in the Authority's judgement, the act or practice, unless restrained, amounts to fraud or a violation of the provisions of the FCPA and this Rules, or may unjustly cause grave or irreparable injury or prejudice to financial consumers. The CDARE shall be afforded an opportunity to defend its act or practice in a summary hearing before the Authority, upon request made by the CDARE within five (5) working days from 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 CDARE, the proceedings shall be conducted summarily without strictly adhering to the technical rules of evidence, and all issues shall be determined primarily on the basis of records, after which the Authority may either reconsider, modify or affirm its order.

It is understood that the foregoing shall be without prejudice to the application of the rules of procedure as may be promulgated by the Authority;

- e. Suspension of operation, after proper notice and hearing, of any CDARE in relation to a particular financial product or service when in

the Authority's judgment and based on its findings, the CDARE is operating in violation of the provisions of the FCPA and this Rules; and

- f. In any proceeding in which the Authority may impose a penalty for non-compliance with or breach of the FCPA, this Rules, and other existing laws and regulations, the Authority, in addition to the imposed fine, may issue an order requiring account and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FCPA, this Rules, and other pertinent laws and regulations, including reasonable interest. The Authority is authorized to adopt rules, regulations, and orders concerning the creation and operation of a disgorgement fund, payments to financial consumers, interest rate, period of accrual, and such other matters as deemed appropriate to implement this provision.

The enforcement actions enumerated above shall be at the discretion of the Authority, without necessity of providing that the violative acts committed are performed with such frequency as to indicate a general business practice.

## **SEC 2. ADMINISTRATIVE SANCTIONS**

Without prejudice to the enforcement actions prescribed under Section 6(d) of the FCPA and the criminal sanctions provided under Section 15 of the FCPA, the administrative sanctions under the CDA Charter of 2019, the Cooperative Code of 2008, and the CDA Omnibus Rules of Procedures and the CDA circulars or issuances shall be made applicable to CDAREs, their directors, trustees, officers, and employees or agents for violation of the FCPA or any related rules, regulations, orders or instructions of the Authority.

*Provided,* That in addition to the administrative sanctions that may be imposed, the authority of the CDARE to operate in relation to a particular financial product or service may be suspended or cancelled by the Authority.

## **SEC 3. LIABILITY OF CDARES FOR THE ACTS OR OMISSIONS OF ITS AUTHORIZED REPRESENTATIVES**

CDAREs shall be solidarily responsible for the acts or omissions of their directors, trustees, officers, employees or agents in marketing and transacting with financial consumers for their financial products and/or services. CDAREs shall be solidarily liable with their accredited third-party service providers for the acts or omissions of the latter in marketing and transacting with financial consumers in relation to the financial products and/or services of CDAREs.

**RULE VIII  
OTHER PROVISIONS**

**SEC 1. DIGITIZATION OF AUTHORITY PROCESSES**

The Authority shall implement initiatives aimed to digitize its processes to provide more efficient and effective consumer redress to address conflict/dissatisfaction arising from financial products and/or services. The digitization initiatives shall include online filing and resolution of complaints, submissions of CDAREs of relevant data and information on consumer protection initiatives and programs, and implementation of complaints-handling and consumer assistance mechanisms through online platforms.

**SEC 2. 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 the consumer of a legal right to sue the CDARE, receive information, have their complaints addressed and resolved, or have their non-public client data protected.

**RULE IX  
FINAL PROVISIONS**

**SEC 1. PRESCRIPTION**

All actions or claims accruing under the FCPA and this Rules 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 non-disclosure of material facts: *Provided*, That such actions shall, in any event, prescribe after ten (10) years from the commission of such violation.

**SEC 2. TRANSITORY CLAUSE**

CDAREs shall be given a period of one (1) year from the effectivity of this Rules to perform the following:

- a. Conduct a gap analysis of their current consumer protection practices vis-a-vis the provisions of this Rules; and
- b. Create an Action Plan duly approved by the CDAREs' Board of Directors,

Full compliance to this Rules shall be achieved within a reasonable period of time but in no case longer than two (2) years from the effectivity of this Rules.

### **SEC 3. SEPARABILITY CLAUSE**

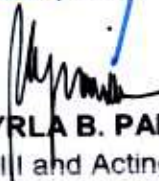
If any provision of this IRR is held unconstitutional or invalid, all other provisions not thereby affected shall remain valid.

### **SEC 4. EFFECTIVITY CLAUSE**

This Rules shall take effect immediately following its complete publication in the Official Gazette or in a newspaper of general circulation in the Philippines.


## **COOPERATIVE DEVELOPMENT AUTHORITY** **THE BOARD OF DIRECTORS**

  
**USEC. JOSEPH B. ENCABO**  
Chairperson

  
**ASEC. MYRLA B. PARADILLO**  
Board Member II and Acting Administrator

(on official leave)  
**ASEC. PENDATUN B. DISIMBAN**  
Board Member III

  
**ASEC. ABDULSALAM A. GUINOMLA**  
Board Member III

  
**ASEC. VIRGILIO B. LAZAGA, M.D.**  
Board Member III

Issued this 10th day of July 2023