Securities and Exchange Commission PHILIPPINES

BAGONG PILIPINAS

FINANCING AND LENDING COMPANIES DIVISION

IN THE MATTER OF:

HI-FIN LENDING INC.
(SEC Reg. No. CS201910995 and Certificate of Authority No. 3027)

Respondent.

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FinLend Order No. 2025 - 15

FOR: FAILURE TO COMPLY WITH ORDER DATED 08 JUNE 2023 OR THE SUBMISSION OF THIRD-PARTY SERVICE PROVIDERS IN COMPLIANCE WITH FINANCIAL PRODUCTS AND SERVICES CONSUMER PROTECTION ACT OF 2022 AND ITS IMPLEMENTING RULES AND REGULATIONS

ORDER

This resolves the Show Cause Letter ("*SCL*") dated 14 February issued by the Financing and Lending Companies Department ("*FinLenD*") against Hi-Fin Lending Inc. ("*HLI*"), for alleged noncompliance with the Order Dated 08 June 2023 ("*Order dated 08 June 2023*") on the Submission of Third-Party Service Providers in accordance with the Financial Products and Services Consumer Protection Act of 2022 ("*FCPA*") and its Implementing Rules and Regulations ("*IRR*"), as implemented by SEC Memorandum Circular No. 05, Series of 2023 ("*MC 05*").

FACTS:

HLI is a duly registered lending company under the Lending Company Regulation Act of 2007 ("*LCRA*") on 24 July 2019. It was issued a Certificate of Authority No. 3027 to Operate as a Lending Company. HLI's registered principal place of business is at 7/F King's Court Bldg. 1, 2129 Chino Roces Ave., Pio Del Pilar, Makati City. Its primary purpose is:

> *"To engage in lending under Lending Regulation Act of 2007, as amended, provided that the corporation shall not solicit, accept, or take investments/placements from the public neither shall it issue investment contracts."*[1]

On 08 June 2023, the Commission ordered all financing and lending companies to submit a list of their authorized third-party services providers ("*TPSPs*") engaged to perform debt collection, marketing, and/or customer transactions, specifically, the contact details of, and such other details associated with the TPSP, which shall include the names and registered mobile phone numbers of agents engaged to perform debt collection and/or marketing. Furthermore, the Order dated 08 June 2023 expressly provides the following provisions, to wit:

> "Submission of false, inaccurate, misleading and/or incomplete information/documents shall be deemed non-compliance of this Order.
>
> Non-compliance with this Order shall be penalized in accordance with the FCPA and its IRR, existing SEC Memorandum Circulars, and other relevant regulations. Such penalties shall include, but is not limited to, suspension and/or revocation of authority to operate as a financing or lending company."

On 11 July 2024, HLI submitted its list of TPSP and enumerated the following companies as its authorized collection agents, to wit:

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[1] Article II, Articles of Incorporation approved on 24 July 2019.

	Name of Third-Party Service Provider COMPANY (TPSP)	Address of the TPSP
1	8X8 Philippines, Inc	Unit 1101 11th Floor World Plaza 5th Avenue e-square Information Technology Park.
2	CIBI Information, Inc.	2F Salustiana D. Ty Tower
3	QuantumKey Services & Solutions Inc.	PHASE I VISAYAS AVENUE, FREEPORT AREA OF BATAAN, MARIVES BATAAN
4	Pays0 Inc.	Unit 1207, The Finance Centre, 26th Street cor. 9th Ave., BGC, Taguig, Metro Manila, Philippines

On 31 January 2025, the National Bureau of Investigation and the Presidential Anti-Organized Crime Commission conducted a raid on the premises of WeWill Tech Corp. ("*WeWill*") for its alleged involvement in the harassment of customers of Online Lending Platforms. During the raid, it was discovered that WeWill also serves as a collection agent of HLI.

On 14 February 2025, FinLenD issued a Show Cause Letter against HLI and directed HLI to show cause why it is not administratively liable for the non-inclusion of WeWill in its list of TPSP.

On 20 February 2025, HLI submitted its response and contended that it had not intended to exclude WeWill from its TPSP list, to wit:

> "We would like to clarify that there was no intention to exclude WeWill from the TPSP list. The list submitted on July 11, 2024 was accurate and fully compliant with regulatory disclosure requirements. The obligation to disclose TPSPs assumes a contractual relationship with rights and obligations established between Hi-Fin and the third-party service provider at the time of the filing.
>
> Furthermore, WeWill's business permit was officially registered on July 31, 2024, with a copy attached as Annex "B." This confirms that WeWill did not have the authority to conduct business as of July 11, 2024 and only commenced operations as a collection agent in August 15, 2024.
>
> Given the absence of a contractual relationship between Hi-Fin and WeWill as of July 11, 2024, we respectfully assert that Hi-Fin did not provide any false, inaccurate, or misleading information in previous disclosures. The Company remains committed to full compliance with SEC regulations."

ISSUE:

Whether HLI is administratively liable for its failure to report WeWill as one of its TPSPs as required by the Order dated 08 June 2023.

HELD:

FinLenD finds HLI administratively liable for failing to comply with the Order dated 08 June 2023.

Submission of a TPSP List ensures that the Commission has supervisory authority not only with the financing and lending companies, but also with their TPSPs.

The Order dated 08 June 2023 requires financing and lending companies to submit their list of authorized TPSP. This Order was issued to complement Section 4 of MC 05, which ensures that financial consumers are treated fairly, honestly, and professionally not only by the financial service provider, but also by its TPSP.

Section 4 of MC 05 also lays down the general policy, and minimum standards on how financing and lending companies and their TPSPs deal with their customers, to wit:

"Section 4. Fair and Respectful Treatment of Clients.

Section 4.1. Fair and Respectful Treatment of Clients. – xxx

This Rule ensures that financial consumers are treated fairly, honestly, and professionally at all stages of their relationship with financial service providers. Financial service providers shall adopt mechanisms to safeguard the interests of their financial consumers which shall include rules regarding ethical staff behavior, acceptable selling practices, fair and equitable terms and conditions, provision of products and services appropriate to the capacity and risk appetite of financial consumers, among others, <u>and shall incorporate the same in their policies and procedures, control functions and agreements with third-party service providers.</u>

Section 4.2. A financial service provider demonstrates the principle of fair treatment toward financial consumers if its policies and practices observe the following:

A. xxxx

B. The financial service provider does not employ abusive collection or debt recovery practices against its financial consumers. <u>The financial service provider or its collection agencies, counsels and other authorized third-party agents may resort to all reasonable and legally permissible means to collect amounts due them. However, in doing so, they observe good faith and reasonable conduct and refrain from engaging in unscrupulous or untoward acts.</u>

Section 4.3. <u>The staff of a financial service provider and its authorized third-party representatives</u> shall treat financial consumers with professional competence and in a manner that is fair and reasonable.

The financial service provider shall:

A. <u>Establish a code of conduct applicable to all its staff and authorized third-party representatives, setting forth the organizational values and standards of professional conduct that uphold the protection of financial consumers appropriate to its structure, operations, and risk profile.</u> The code should be reviewed and approved by the board of directors. The board shall define the financial service provider's corporate culture and values. It shall establish a code of conduct and ethical standards and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body;

B. Align its recruitment and training policies with professional, fair, and responsible treatment of financial consumers, in compliance with the Consumer Protection Standards of Conduct. The following demonstrate the financial service provider's adherence to fair and responsible treatment of financial consumers:

i. <u>The financial service provider's staff and third-party representatives 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, and relevant</u>

> Consumer Protection Standards of Conduct, including statutory and regulatory requirements and related internal policies and procedures that might impact their consumers, including those pertaining to consumer risks arising from cybersecurity and/or digital financial products and services;
>
> ii. The financial service provider's staff, as well as authorized third-party representatives contracted for sales and marketing purposes, do not use deceptive or high-pressure/aggressive sales techniques and do not force financial consumers to sign contracts or rush into a financial deal without the benefit of shopping around;
>
> iii. The financial service provider's staff involved in collections, as well as authorized third-party representatives contracted for the purpose, receive training in acceptable debt collection practices and loan recovery procedures consistent with existing relevant regulations;
>
> iv. xxx;
>
> C. xxx
>
> **Section 4.4.** Prohibition on Employment of Abusive Collection or Debt Recovery Practices. – Financial service providers and their collection agencies, counsels and other authorized third-party representatives are prohibited from employing abusive collection or debt recovery practices against their financial consumers." [emphasis supplied]

Needless to state, the obligation to treat clients fairly and respectfully is imposed not only on the financing and lending company, but also on the TPSP.

To attain the objective set forth under MC 05, all financing and lending companies must truthfully state and disclose their TPSP before the Commission as mandated under the Order dated 08 June 2023. Submission of false, inaccurate, misleading and/or incomplete information/documents shall be deemed non-compliance and may be punishable by suspension or revocation.

FinLenD finds HLI's submission to be inaccurate and false. Thus, FinLenD imposes the penalty of revocation.

In this case, FinLenD's records show that HLI submitted its TPSP list on 11 July 2024. The list HLI submitted did not include WeWill because WeWill was only incorporated on 31 July 2024, and there was no contractual relationship between them as of 11 July 2024.

While it may be true that there was no contractual relationship between WeWill and HLI as of 11 July 2024, HLI has an obligation to promptly update its previously submitted TPSP list. Failing to do so shall result in noncompliance with the Order dated 08 June 2023 because its TPSP list under FinLenD's records is inaccurate and false, considering that it had already contracted another TPSP, WeWill.

Thus, FinLenD finds the 11 July 2024 TPSP submission of HLI to be inaccurate and false because of HLI's failure to update and include WeWill among its TPSPs.

WHEREFORE, in view of the foregoing, the Certificate of Incorporation **(SEC REG No. CS201910995 AND Certificate of Authority to Operate as a Lending Company (CA No. 3027)**, including its **Authority to Operate its Online Lending Platforms (e.g., Peso Wallet and Credit Cash)** of Hi-Fin Lending Inc. are hereby **REVOKED.**

This Order shall be **immediately executory.**

Let a copy of this Order be furnished to the Company Registration and Monitoring Department and the Information Communications and Technology Department for their information and appropriate action.

Kenneth Joy A. Quimio
ATTY. KENNETH JOY A. QUIMIO
OIC-Director
13 May 2025