Securities and Exchange Commission PHILIPPINES

BAGONG PILIPINAS

FINANCING AND LENDING COMPANIES DEPARTMENT

IN THE MATTER OF:

DIGIDO FINANCE CORP.
(SEC Reg. No. CS202003056, CA No. 1272)
Respondent.
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FinLenD Order No. 2025 - 14

FOR: VIOLATION OF SECTION 6(A) OF THE IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 8556 OR THE FINANCING COMPANY ACT OF 1998.

ORDER

This resolves the administrative action commenced by then Corporate Governance and Finance Department ("*CGFD*"), and continued by the Financing and Lending Companies Department ("*FinLenD*"), against Digido Finance Corp. ("*Respondent*") for violating Section 6(a) of the Implementing Rules and Regulations ("*IRR*") of the Financing Company Act of 1998 ("*FCA*") on account of the Respondent's failure to secure a Certificate of Authority ("*CA*") to operate as a financing company for its four (4) branches located at:

1. Ground Floor, Divimart General Trias, C.M. Delos Reyes St. Brgy. Manggahan, General Trias, Cavite;
2. Baratilyo sa Dasma, Dasmariñas, Cavite;
3. Ground Floor, Divimart Bacoor, 234 Emilio Aguinaldo Hi-way, Panapaan 1, Bacoor, Cavite; and
4. JNL Fashion, Binakayan Public Market, Tirona Hi-way, Binakayan, Kawit, Cavite.

Antecedents

The Respondent is a stock corporation registered with the Commission as a financing company on 04 March 2020, under registration no. CS202003056. The Commission approved its license to engage in financing business under CA No. 1272. Its primary purpose is:

> *"to engage in financing activities under the Financing Company Act. Provided that the Corporation shall not solicit, accept, or take investments/placements from the public, neither shall it issue investment contracts. Provided, however, that there be continued compliance and observance by the corporation of the SEC Memorandum Circular No. 18 series of 2019 or the Prohibition on Unfair Debt Collection Practices of Financing Companies (FC) and Lending Companies (LC) and Memorandum Circular No. 19 Series of 2019 or Disclosure Requirements on Advertisements of Financing Companies and Lending Companies and Reporting of Online Lending Platform."*

As of 09 April 2025, the Commission's records show that the Respondent has no registered branch and no pending licensing application.

CGFD issued a Show Cause Letter ("*SCL*") dated 08 September 2021[1] against the Respondent for failing to secure a CA for its branch in Bacoor, Cavite. The Show Cause Letter included screen captures of the Respondent's Facebook posts, which indicated that its Kawit, Cavite branch is open from eight (8am) in the morning to five (5pm) in the afternoon and its offer of getting up to Ten Thousand Pesos (PhP10,000.00) loan in ten (10) minutes to the public.

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[1] See Annex "A.1."

CGFD issued three (3) more SCLs to the Respondent dated 09 September 2021[2], 10 September 2021[3], and 12 September 2021[4] for failing to secure a Certificate of Authority to Operate as a Financing Company for its branches in Kawit, Dasmariñas, and General Trias in Cavite.

All the SCLs ordered the Respondent to respond within ten (10) days from receipt thereof.

The SCLs cited the Respondent's violation of Section 6(a) of the IRR of the FCA, which requires all FCs to secure a CA when establishing their branches, to *wit*:

> "**SECTION 6.** Branches, Agencies, Extension Offices or Units
>
> a. Certificate of Authority – No financing company shall establish or operate a branch, agency, extension office, or unit without a prior certificate of authority to be issued by the Commission. xxx" [emphasis supplied]

On 29 September 2021[5], the Respondent sent a letter of response to the four (4) SCLS, averring that the term branch is not expressly defined or qualified under the FCA and its IRR. In that regard, the Respondent appealed for the resolution of the correct interpretation or definition of the term branch to guide stakeholders in assessing whether a violation of Section 6(a) of the FCA and its IRR exists or not.

The Respondent further believes that its exhibit booths did not constitute branches under item (d) Rule 2 of the Implementing Rules and Regulations of the Lending Company Regulations Act ("*LCRA-IRR*"), where a Branch Office is defined "to include an extension office, unit, satellite office, etc. of a lending company with CA to operate as such."

The Respondent likewise cited the 901-N, Part Nine of the Manual of Regulations for Non-Banks Financial Institutions ("*MORNBFI*"), which treats a Branch as any office or place of business other than the Head Office xxx" and Section 105, Part I of the Manual of Operations of Regulatory Bank ("*MORB*"), where a branch is defined as "any permanent office or place of business in the Philippines other than the head office where a bank may perform activities and provide products and services that are within the scope of its authority and relevant licenses."

The Respondent inferred from these laws that a "branch" may be defined as a permanent office or location, other than the head office, operating independently where business is regularly conducted and compliant with relevant authorities and licenses.

The Respondent further explained that the purpose of setting up the exhibit booths was to introduce Digido as the new platform of Digido Finance Corp. to the public. It further averred that it had no intention to establish, much less perform, complete loan transactions, loan disbursements, loan payments, or any related activities. The Respondent further contended that the exhibit booths were temporarily set up for one (1) month, and it attached the following as its supporting documents:

a. Lease Proposal dated 22 July 2021 and Memorandum of Agreement with Divinamart – Bacoor, Cavite Branch;
b. Letter of Agreement dated 02 August 2021 – Kawit Cavite Branch;
c. Lease Agreement dated 09 August 2021 – Dasmariñas, Cavite Branch; and
d. Lease Proposal dated 22 July 2021 and Memorandum of Agreement with Divinamart – General Trias, Cavite Branch.

Moreover, all its Exhibit Booths had an area of four (4) square meters, which is too small to operate and be considered a branch. The Respondent added that its marketing strategy was patterned to collapsible

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[2] See Annex "A.2".
[3] See Annex "A.3".
[4] See Annex "A.4".
[5] See Annex "B.1", "B.2", "B.3", and "B.4".

booths used by other financing companies. The Respondent further reasoned that its Exhibit Booths could not be considered branches as they are short-term, temporary, and intended for marketing activities only. The Respondent added that the additional capital required under the FCA-IRR would readily reveal the law's intention that a branch is characterized by independent business operations and permanency, where regular business is conducted, instead of the nature of its Exhibit Booths.

Finding the Respondent's explanation without merit, CGFD issued a series of Assessment Letters ("ALs") dated 08 June 2022[6], 15 June 2022[7], and 17 June 2022[8]. The CGFD, upon analysis, stated that 6(a) of the FCA-IRR did not limit the CA requirement to branches; the same provision requires obtaining a valid CA for those financing companies that will likewise establish or operate an agency, extension office, or unit. CGFD added that the screen captures of the Respondent's Facebook posts[9] exhibited its promotion to the public that they may avail of cash loans in said locations, to *wit*:

> *"Bisitahin kami sa mga sumusunod na Digido exhibit booths at* ***mag-apply ng inyong cash loan*** *at may naghihintay ding mga promo deals para sa inyo."* (emphasis supplied)

The CGFD likewise found the screen captures of the Respondent's Facebook posts offering public loans up to PhP 10,000 in ten (10) minutes, contrary to its position that the Exhibit Booths were merely set up as a marketing strategy to introduce Digido to the public. FinLenD views that the Respondent performs a complete loan transaction in said locations.

The CGFD further stated that while the FCA-IRR failed to define a branch, agency, extension office, or unit, this situation did not provide the Respondent with the authority, power, and qualifications to supply the definition of a branch. If the Respondent's definition were accepted, the need to secure a CA to operate a branch, agency, extension office, or unit risks being circumvented by simply operating temporarily.

Lastly, CGFD found the Respondent's contention that its marketing strategy was patterned from other companies to be irrelevant in the subject case, as what is being evaluated here is the Company's compliance with the FCA-IRR and not those of the companies mentioned in its letter.

Based on the three (3) ALs, the following penalties were imposed on the Respondent:

Assessment Letter	Violation	Assessed Penalty
8 June 2022 (Bacoor, Cavite Branch)	First violation of Section 6(a) of the FCA-IRR	Php 10,800.00
15 June 2022 (Kawit, Cavite Branch)	Second violation of Section 6(a) of the FCA-IRR	Php 11,600.00
17 June 2022 (Dasmariñas, Cavite Branch)	Third violation of Section 6(a) of the FCA-IRR	Php 12,100.00

The Respondent paid the assessed penalty based on the AL dated 8 June 2022 under protest on 14 June 2022.

The Respondent then filed three (three) letters for reconsideration dated 20 June 2022 and 22 June 2022, praying that CGFD consider its explanations and defenses and reverse its findings.

On 5 July 2022, a conference was held and was attended by Atty. Juan B. Solomon, Head of Legal and Compliance; Corporate Secretary; and Atty. Minehaha L. Espejo, counsel and Atty. Jefferson H. Sto. Tomas, Corporate Lawyer, all representing the Respondent. The same issues were discussed. CGFD stated that the Respondent's contentions and letters are to be evaluated, and it advised the Respondent to wait for the Commission's decision on the matter through their official email address.

[6] See Annex "C.1."
[7] See Annex "C.3."
[8] See Annex "C.2."
[9] See Annex "D."

On 7 February 2023, a clarificatory conference was held between CGFD and the Respondent's representatives, in which Digido was given ten (10) days to submit their supplemental letter if they wished to.

On 27 May 2024, through an executive session, the Commission *En Banc* created FinLenD. FinLenD assumed the CGFD's authority to regulate financing and lending companies.

Issue

Whether or not the Respondent's Certificate of Incorporation and its CA to Operate as a Financing Company should be revoked for its failure to comply with Section 6(A) of the FCA-IRR when it operated the Exhibit Booths without obtaining a valid CA.

Ruling

The Commission's policy requires all financing companies to obtain a valid CA whenever they establish and operate any branch, agency, extension office, or unit.

FinLenD finds sufficient grounds to revoke the Respondent's Certificate of Incorporation and its CA for operating the Exhibit Booths without obtaining a valid CA from the Commission.

The FCA, as amended, the State expressly recognized the essential and critical role of financing and lending companies in the development of the national economy as they provide medium- and long-term credits for investments needed in starting a business or in growing and developing an existing one.[10] It is in this context that the State deemed it necessary to regulate their operations through legislation to ensure that just like other financial institutions, the same are sound, competitive, stable, and efficient.[11] Moreover, it should be emphasized that the FCA was intended, among other things, to prevent acts or practices that are prejudicial to the public interest and provide effective mechanisms for this purpose.[12]

As the agency mandated to implement the provisions of the FCA, the Commission issued the FCA-IRR on 20 May 1999.[13] The FCA-IRR, having been issued in the exercise of a delegated rule-making power, has the force and effect of law.[14] Relative thereto, section 6(a) of the FCA-IRR expressly and categorically requires a financing company to secure a CA prior to the establishment or operation of a branch, agency, or extension office:

> "**SECTION 6.** Branches, Agencies, Extension Offices or Units
>
> b. Certificate of Authority – No financing company shall establish or operate a branch, agency, extension office, or unit without a prior certificate of authority to be issued by the Commission. xxx" [emphasis supplied]

The issuance of a CA is a regulatory tool designed to ensure effective and efficient implementation of the FCA and its IRR, by virtue of which the State, through the Commission, is able to validate and ascertain that the branches, agencies, extension offices, or units that financing/lending companies will be establishing and operating are capable and competent in carrying out the business of a financing/lending company, and in complying with the provisions thereof.[15] The reason for this lies in the fact that a license

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[10] See Robocash Finance Corp., -versus- Atty. Rachel Esther J. Gumtang-Remalante, SEC En Banc Case No. 02-20-472, promulgated on 22 April 2021.
[11] *Ibid.*
[12] *Ibid.*
[13] See See Robocash Finance Corp., -versus- Atty. Rachel Esther J. Gumtang-Remalante, SEC En Banc Case No. 02-20-472, promulgated on 22 April 2021.
[14] *Ibid.*
[15] *Ibid.*

is a mere privilege, and the enjoyment thereof is conditioned on the grantee's full compliance with applicable laws and regulations.[16]

In this case, the Respondent admitted to establishing four (4) exhibit booths in several areas of Cavite without obtaining any prior CA from the Commission. The Respondent rationalized that a valid CA is not required as these exhibit booths are not considered as its branches. To support its argument, it cited LCRA-IRR, where a branch office is defined as "to include an extension office, unit, satellite office, etc. of a lending company with CA to operate as such."

Contrary to the Respondent's arguments, FinLenD sees no need to refer to other administrative issuances as the words of Section 6(a) of the FCA-IRR are clear and broad enough to cover all forms, types, and units of office of a financing company.

A plain reading of Section 6(a) of the FCA-IRR shows that FCs are required to obtain a CA from the Commission whenever they establish and operate branches, agencies, extension offices, or units. Requiring all FCs to secure a valid CA whenever they establish any branch, agency, extension office, or unit is the rule, as it allows the Commission to exercise its supervisory authority over the operations of any branch, agency, extension office, or unit of a financing company. To reiterate, the issuance of a CA is a regulatory tool designed to ensure effective and efficient implementation of the FCA and its IRR, by virtue of which the State, through the Commission, can validate and ascertain that the branches, agencies, extension offices, or units that financing/lending companies will be establishing and operating are capable and competent in carrying out the business of a financing/lending company, and in complying with the provisions of the FCA and its IRR.[17]

The Respondent further argues that for a branch to be considered as such, it requires that the same should be established permanently in a location other than the head office.

FinLenD disagrees with the Respondent's argument as the FCA and FCA-IRR nowhere support this qualification of a branch offered by the Respondent. It is an elementary rule in statutory construction that where the law does not distinguish, the courts should not distinguish.[18] *Ubi lex non distinguit, nec nos distinguere debemus.*

Thus, any form of office, even a mere table placed outside of the principal office of an FC intended to be used to solicit loan applications from the public, shall require a CA from the Commission. Moreover, subscribing to the Respondent's argument will ultimately circumvent the requirement of a valid CA to operate a branch, agency, extension office, or unit by simply operating temporarily or transferring from one location to another.

Furthermore, we note that the Respondent intended to operate the Exhibit Booths as its own branch, considering that its own Facebook posts exhibited its promotion to the public that they may avail of cash loans in said locations. As such, the Respondent cannot escape any administrative liability by claiming that these booths are not permanent and are too small to be considered a branch. The fact that they advertised that the public can avail of their services by visiting these booths supports FinLenD's previous findings that these booths require a prior valid CA from the Commission.

Revocation of the Respondent's Certificate of Incorporation and Certificate of Authority to Operate as a Financing Company is warranted.

[16] *Ibid.*
[17] See Robocash Finance Corp., -versus- Atty. Rachel Esther J. Gumtang-Remalante, SEC En Banc Case No. 02-20-472, promulgated on 22 April 2021.
[18] Edwin S. Villanueva and Nida V. Villanuea -versus- People of the Philippines, [G.R. No. 237864, 08 July 2020].

FinLenD holds that the operation of four exhibit booths on four separate occasions without a valid CA is tantamount to four (4) counts of violation of Section 6(a) of the FCA-IRR. In this regard, FinLenD hereby imposes the penalty of revocation of the Respondent's Certificate of Incorporation and CA under Section 14(a) of the FCA-IRR, to wit:

> "**SECTION 14.** Administrative Sanctions.
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> If the Commission finds that there is a violation of R.A. 8556, of these Rules and Regulations, of the terms and conditions of the Certificate of Authority to Operate as a Financing Company, of any Commission order, decision or ruling or the financing company refuses to have its books of accounts audited, or continuously fails to comply with SEC requirements, the Commission shall, in its discretion, impose any or all of the following sanctions:
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> a. Suspension or revocation of the Certificate of Authority to Operate as a Financing Company after proper notice and hearing xxx," [emphasis supplied]

The Commission *En Banc,* in its Resolution dated 15 February 2022, grants the authority to suspend or revoke the primary and secondary registration to the CGFD. This authority was later transferred to FinLenD as it assumed the functions of the CGFD in regulating financing and lending companies.

On 20 April 2023 and 18 July 2023, the Commission *En Banc* approved and confirmed the authority of FinLenD to suspend or revoke the primary registration and secondary license of erring FCs under SEC Office Order No. 545, Series of 2023, dated 18 July 2023, to wit:

> **"FINANCING AND LENDING COMPANIES DIVISION[19] (FINLEND) FUNCTIONS.**
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> The Financing and Lending Companies Division shall perform the following functions:
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> e. Authority to revoke ***Certificates of Registration and Authority*** of erring financing and lending companies in accordance with existing rules x x x" [emphasis supplied]

WHEREFORE, premises considered, the **Certificate of Incorporation of DIGIDO FINANCE CORP. (SEC REG. NO. CS202003056) AND its Certificate of Authority to Operate as Financing Company (CA No. 1272), including its Authority to Operate its Recorded Online Lending Platforms (*i.e.,* UNAPAY, UNACASH, DIGIDO PHILIPPINES ONLINE LOAN)** are hereby **REVOKED.**

This Order shall take effect immediately upon its issuance.

SO ORDERED.

09 May 2025, Makati City.

Kenneth Joy A. Quimio
Atty. Kenneth Joy A. Quimio
OIC-Director
JMDigeg

[19] Now Financing and Lending Companies Department.

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