Republic of the Philippines
Department of Trade and Industry
Securities and Exchange Commission
SEC Bldg., EDSA, Greenhills, Mandaluyong City

In the Matter of

WEALTH AND INCOME NETWORK INC.

Compliance and Enforcement Department,
Petitioner.

x---------------------------------x

SEC Admin Case No. 06-08-97
(CED Case No. 07-2858)

For: Revocation of Corporate Registration

DECISION

For consideration is the Petition for Revocation of Corporate Registration of Wealth and Income Network Inc. ("WIN"/respondent) for violation of the Securities Regulation Code[1] ("SRC") and Presidential Decree 902-A, as amended, filed by then Compliance and Enforcement Department ("CED"), now the Enforcement and Prosecution Department ("EPD"/petitioner), on 26 June 2008.

FACTS OF THE CASE

WIN is a domestic stock corporation duly incorporated on 7 February 2002 under SEC Reg. No. A200201954. Its principal place of business is at Suite 1001 Tektite West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. Its primary purpose is:

> "To engage in, conduct, and carry on the business of selling, distributing, marketing at wholesale and retail insofar as maybe permitted by law, all kinds of goods, commodities, wires and merchandise of every kind and description; to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise brokers, indentor, commission merchant, factors or agent, upon consignment of all kinds of goods, wares, merchandise or products whether natural or artificial."

This case stemmed from numerous complaints received by EPD against WIN, which started on 14 August 2006,[2] for allegedly deceiving complainants into applying with the said corporation when in fact WIN had no legitimate job vacancies. Rather,

---

[1] Republic Act No. 8799 (2000).
[2] Petition dated 25 June 2008, par. 5.

were hired on a purely commission basis, and were made to recruit applicants in the same way that they were recruited (through flyers along EDSA and via advertisements in newspapers), to sell respondent's product called Health Advantage Plan ("HAP").[3]

To verify the allegations of the complainants, EPD formed an investigating team who, on August 18, 2006, went to the office of WIN, and posed as applicants, assuming different names. A summary of the contents of their Affidavit[4] dated 1 September 2006 is as follows: There were about eighty (80) people in the room, including the employees of WIN. The initial evaluators asked how they learned of the job openings so they showed the flyers given by the complainants with the name, address, and contact person at WIN. They were given a ten-minute examination after which they were called and told that they passed the I.Q. test. Each applicant was again interviewed which lasted for about ten minutes.

It was during this interview that the interviewer mentioned the necessity of paying a licensing fee in the amount of Php400.00[5] for every successful applicant. The interviewer further explained that *at the end of the day, all the Php400.00 payments are collated and delivered to the Commission for the processing of the license.* The license would serve as authentic identification of the employees of WIN in order for them to properly sell the products of WIN, among other reasons. They were instructed to return a few days after for the orientation seminar and prepare the Php400.00 for the license.

During the orientation seminar, 59 applicants from all over the country[6] were present, aged twenty-one years old and above. They were welcomed by a certain Hector Ferriols who instructed them to write an application letter. The first speaker was Joseph Uy who categorically stated that WIN was established on 7 February 2002, and registered with the Commission and the Bureau of Internal Revenue. He informed them that WIN has 132 branches, 128 in the Philippines, and four (4) in Asia.

Uy further said that their providers are Med Asia, Prudential Guarantee, and Paramount Life Insurance Company and the main product of WIN is the HAP, a four in one program, which allegedly provides the following benefits depending on the amount of premium paid: Hospitalization, Emergency Health Care Service, Personal Accident Insurance, and Burial Cash Assistance.

[3] *Id.,* par. 9.
[4], pars. 6,8,11,15,16,20,23,30,32,34,36,39,41-43,44,50,51,and 52, Annex "F."
[5] In the narration dated 23 August 2006, of Reshiel T. Rosales, Sales Counselor per WIN Identification Card, this amount was broken down as follows: P150.00 for SEC license and P250. 00 for the Company kit, Petition 25 June 2008, Annex "D-1"; see also Investor Complaint/Inquiry, Annex "D."
[6] From Zamboanga City, Cagayan Valley, Dipolog City,Tarlac, Pampanga, and Metro Manila.

The second speaker, Senior Area Manager of WIN, was Leo Isaga who enumerated the available positions in the company.[7] He said that once an applicant is accepted, *he must avail of the HAP* either through loyalty system, wherein employees avail of the same, or referral system, wherein employees sell the HAP to others. Isaga also emphasized that WIN is *not* a networking company, or an insurance company, among others.

Isaga said that WIN needs only 10 out of the 59 applicants, but the investigating team later found out that all of the 59 applicants were accepted. Later, a final evaluator asked each of the applicants for their preferred position in the company and explained that *in order to get the position of Area Manager, the applicant had to avail of HAP Plan A by paying the amount of Php6,600.00.* If paid on that day, they would progress to the last step which was a two-day Basic Sales Training Program ("BSPT"). After training and paying for the HAP Plan A, they can start work immediately. Again, the license fee and the payment of Php400.00 were brought up. Allegedly, since WIN is registered with the Commission, all agents are required to obtain a license from the Commission to deal with the clients. They were told that the final interview was with the President of WIN, and they were asked to pay the amount of Php400.00 on the spot. When told that they did not have the money for the license fee, the evaluator exclaimed that they had to pay within the day otherwise, their right to assume positions as employees of the company will be forfeited.

EPD referred the matter to the National Bureau of Investigation ("NBI") for further surveillance and investigation. One hundred sixteen (116)[8] applicants executed a *Sinumpaang Salaysay* (Sworn Affidavit)[9] regarding the operations of WIN. On 26 October 2006, a search warrant against WIN was granted by Branch 268, Regional Trial Court, Pasig City, which was implemented also on the same day by the NBI operatives assisted by the EPD investigation team.[10] On 13 November 2006, the NBI endorsed the case to the Department of Justice for prosecution of the responsible officers of WIN, for alleged violation of Article 315 (Estafa) of the Revised Penal Code.[11]

On 22 November 2006, EPD's investigating team summoned the officers of WIN for a clarificatory conference. Messrs. Ernesto Salas, WIN's Chief Operating

---

[7] Namely: 1) Sales Consultant who can earn as much as Php500.00 per day plus weekly performance bonus ("WPB"); 2) Area Manager who can earn as much as Php640.00 per day plus monthly performance ("MPB") bonus plus overriding incentives; and 3) Regional Managers who can earn as much as Php720.00 per day plus Php10,000.00 back allowance every month plus WPB plus MBP plus overriding incentives.

[8] Petition dated 25 June 2008, par. 15.

[9] Here, they alleged that they went to the office of WIN to apply for a job; in the process, they were required to pay an amount ranging from Php500 – Php4000, to be used as processing fee in securing a license from the Commission which was required for the approval of their application. *Id.*, paragraph 16.

[10] *Id.*, par. 13.

[11] *Id.*, par. 14.

Officer, Victory N. Lee, General Manager, and Atty. Juanito Antonio, Counsel, attended the conference, and they alleged that WIN was engaged in selling and marketing insurance products of other insurance companies, which they packaged into one product called HAP. [12]

In view of its findings that WIN's *modus operandi* is in violation of the SRC and P.D. No. 902-A, as amended, EPD filed the instant petition.

In its Comment (To Petition for Revocation of Corporate Registration) dated 21 August 2008, WIN denied the charges and alleged that their corporation is essentially a sales outfit with sales heads who are commissioned and not employees of the company; the training of the new sales associates are based on their own strategies within the parameters of the general direction of the company; the sales agents are required to buy a sales kit as a necessary tool for the job, which was initially pegged at Php250.00 but was reduced to Php150.00 as of October 2006; the sales groups are prohibited from collecting any other fee other than those imposed by the company and also from using the company's name for sales literature and recruitment advertising without prior approval of management.[13]

WIN, through its General Manager, Victory Lee, denied having represented to the public and to their sales agents that the registration fees WIN is collecting is sanctioned by the Commission. Lee surmised that since most of their sales heads were former pre-need associates, they misconstrued the sales registration fees as "SEC imposed charges."[14] Lee reasoned that because of the size of the company's sales organization, incidents of misrepresentations are most likely to occur specially on the part of overzealous sales associates, but he claimed that WIN is on its toes in imposing disciplinary sanctions on erring agents.

Moreover, Lee pointed out that the search warrant was quashed by the Regional Trial Court Branch 268 of Pasig City ("Pasig City RTC Branch 268").[15] A perusal of the same shows that the search warrant was indeed quashed due to the apparent failure of the applicant to pursue the criminal charges filed against WIN for the crime of estafa.

ISSUE

Whether the Petition for Revocation of Corporate Registration of Wealth and Income Network, Inc. should be granted.

---

[12] Dental Access card of Health Partners Dental Access Co., Prudential Guarantee-Med Asia Integrated Medical Access System Card of Prudential Guarantee and Assurance, Inc. and Group Policy Insurance of Paramount Life and General Insurance Corporation, *Id.*, pars. 17-18.
[13] Comment dated 21 August 2008 par. 2 (a), (b), (e), and (f).
[14] *Id.*, par. 3.
[15] *Id.*, Annex "A."

RULING

We rule in the affirmative.

P.D. No. 902-A, as amended, reads in part as follows:

> "SEC. 6. In order to effectively exercise such jurisdiction, the Commission shall possess the following powers: xxx
>
> > (l) To suspend, or ***revoke***, after proper notice and hearing, the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law, including the following: xxx
> >
> > > ***2. Serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public***; xxx" (Emphasis supplied)

First, we tackle the issue of the search warrant. The fact that the search warrant was quashed by the Pasig City RTC Branch 268 is of no moment. That refers to a criminal case while the present case is administrative in nature. The two cases are independent of each other. Since this is an administrative case, the important criteria are whether there is substantial evidence[16] against the respondent WIN that could justify the revocation of its certificate of registration and whether WIN was accorded administrative due process.[17]

Substantial evidence to support the petition consists of the Affidavit of the EPD investigating team mentioned above, corroborated by one hundred sixteen (116) complainants who signed a Sworn Affidavit, and the complaint forms and handwritten complaints[18] of those who responded to the flyers and advertisements of respondent. For instance, in a handwritten narration of facts of one of the complainants, she said that she paid Php2,300.00 to a Regional Manager of WIN and started working thereafter by observing a fellow sales consultant. When an applicant paid the Php400.00 licensing fee, she was given Pph25.00 as commission. Another complainant from Iloilo City wrote that on 7 August 2006 she gave Php2,700.00 and Php400.00 to a representative of WIN who issued a receipt for the amount of

---

[16] "It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." (Appalachian Electric Power v. National Labor Relations Board, 4 Cir., 93 F. 2d 985, 989; National Labor Relations Board v. Thompson Products, 6 Cir., 97 F. 2d 13, 15; Ballston-Stillwater Knitting Co. v. National Labor Relations Board, 2 Cir., 98 F. 2d 758, 760.) Cited in *Ang Tibay vs. Court of Industrial Relations* (G.R. No. L-46496 February 27, 1940; 69 Phil. 642).

[17] The essence of due process is an opportunity to be heard. One may be heard, not solely by verbal presentation but also, and perhaps even many times more creditably and practicable than oral argument, through pleadings. In administrative proceedings, moreover, technical rules of procedure and evidence are not strictly applied; administrative due process cannot be fully equated to due process in its strict judicial sense. *Ocampo vs. Office of the Ombudsman* (G.R. No. 114683. January 18, 2000).

[18] Petition dated 26 June 2008, Annexes "D", "D1"- "D5."

Php2,700.00 but not for the amount of Php400.00. On 11 August 2006, the complainant assisted her Regional Manager to whom Php3,700.00 was paid by an applicant and she got Php360.00.

There is no question that WIN was given notice and an opportunity to be heard. As mentioned earlier, WIN's officers met with EPD's investigating team on 22 November 2006 wherein they explained that WIN was engaged in selling and marketing insurance products. WIN, through its General Manager, Victor Lee, responded to the Commission's Summons dated 15 July 2008, in the form of a Comment dated 21 August 2008 where Lee alleged that the company never represented to the public that they are collecting payment for license fees from the Commission. In its Rejoinder to Petitioner's Reply dated 22 September 2008, WIN, again through Lee, defended itself against the allegation of EPD that by selling HAP, its only product, it is "acting as an agent, broker, or insurance company."[19] Lee stressed that WIN was not and is not an agent or broker of an insurance company, and that its business is centered on the sale of HAP, a medical guarantee and assistance program.[20]

However, WIN's activities appear to fall under the definition of "insurance broker," which is: "any person who acts or aids *in any manner* in soliciting, negotiating or procuring the making of any insurance contract or in placing risk or taking out insurance, on behalf of an insured other than himself (Italics supplied)."[22] The medical guarantee and assistance program that it sells is a contract of medical insurance, that is, a contract of insurance, which is defined as "an agreement whereby one undertakes for a consideration to indemnify another against loss, damage or liability arising from an unknown or contingent event."[23] Consequently, WIN necessarily has to have a license to operate from the Insurance Commission. Unfortunately, the Insurance Commission issued a Certification dated 23 January 2007 that WIN "has not been issued a license to act as agent, broker, or insurance company."[24]

Moreover, the system[25] of WIN is akin to the chain distribution plans or pyramid sales schemes[26] which victimize the gullible public.[27]

---

[19] Reply (To Respondent's Comment) dated 1 September 2008, par. 8.
[20] Petitioner's Reply dated 22 September 2008, pars. 3 and 4.
[22] Section 4, Rules and Regulations Implementing the Anti-Money Laundering Act of 2001 (R.A. 9160).
[23] Section 2(1), Presidential Decree No. 612 (also known as the Insurance Code of the Philippines, December 18, 1974).
[24] Reply to Respondent's Comment dated 1 September 2008, Annex "A."
[25] wherein the so-called "positions" in the company such as the Sales Consultant, Area Manager, and Regional Managers get a graduated scale of bonuses plus overriding incentives, and the recruits are mandated to pay for the HAP to get a higher position and in turn are obligated to get more recruits from whom they will take their commissions
[26] means sales devices whereby a person, upon condition that he makes an investment, is granted by the manufacturer of his representative a right to recruit for profit one or more additional persons who will also be granted such right to recruit upon condition of making similar investments:

On April 28, 2010, WIN filed a General Information Sheet ("GIS") with the Commission together with an Affidavit of Non-Operation for the years 2008 and 2009. A verification on the Internet as of 14 October 2010 revealed, however, that WIN is listed in *JobOpenings.ph*,[28] and is looking for ten marketing managers. Although the job openings listed expired as of 12 April 2010, here, it is listed under the name of *Benne Ssere International Incorporated*, and indicates *"(formerly known as Wealth and Income Network)."* The Commission's records show that *Benne Ssere International Incorporated ("BSII")*, was registered on 9 January 2006, with SEC Registration No. CS200600210. Its principal office address is the same as that of WIN,[29] and the description of its business as written in the Internet is the same as that of WIN.[30] In addition, Ernesto R. Salas, Victory Lee,[31] and Gregorio Rivera, Jr.,[32] are officers of the two corporations.

Before WIN resumes its operations, it is incumbent upon the Commission to exercise its power under Section 5.1. (m) of the SRC. Indeed, WIN has engaged in "***Serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public***; xxx", a ground for revocation of the certificate of registration of a corporation provided under P.D. 902-A, Section 6 (l) 2.

WHEREFORE, premises considered, the instant petition is hereby **GRANTED.** The Certificate of Registration of **WEALTH AND INCOME NETWORK INC.** is hereby **REVOKED,** on the ground that it has violated Section 6 (l) 2 of Presidential Decree 902-A, as amended, in relation to Section 5.1 (m) of the Securities Regulation Code.

Provided, That the profits of the person employing such a plan are derived primarily from the recruitment of other persons into the plan rather than from the sale of consumer products, services and credit: Provided, further, That the limitation on the number of participants does not change the nature of the plan.[Article 4 (k), Republic Act No. 7394 The Consumer Act of the Philippines April 13, 1992.]

[27] This is "an investment swindle in which high profits are promised from fictitious sources and early investors are paid off with funds raised from later ones." It is sometimes called a pyramid scheme because a broader base of gullible investors must support the structure as time passes. *People vs. Romero and Rodriguez* G.R. No. 112985 April 21, 1999.

[28] http://www.jobopenings.ph/page_job_details.php?jobid=5634&companyid=1067accessed 14 October 2010.

[29] Suite 1001, 10th Floor, West Tower, (Tektite) Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City 1600 (at the back of SM Megamall, near San Miguel Corporation)

[30] DESCRIPTION: Benne Ssere International Incorporated started its operation in January 10, 2010 with SEC Registration number CS2006-00210. We are a marketing company which provides excellent, flexible and dynamic products to discerning clients and corporations. Likewise, we provide healthcare access card as personalized services for dental, emergency, hospitalization and annual physical exam. We aim to expand our operation nationwide to promote employment. We build financially independent, and professional employees by our trainings and above minimum compensations. <http://www.jobscity.net/pls/jobs/companyprofile?comid=Y1LBQ> accessed on 14 October 2010.

[31] BSII GIS filed 29 September 2008 and WIN GIS filed 28 April 2010.

[32] BSII GIS filed 29 September 2008 and WIN GIS filed 30 April 2007.

Further, let the following individuals be put in the watch list of the Commission: ERNESTO R. SALAS, JR., VICTORY N. LEE, AND GREGORIO RIVERA, JR., all officers of WEALTH AND INCOME NETWORK, INC.

Finally, the Enforcement and Prosecution Department is hereby directed to conduct an investigation on the business operation of Benne Ssere International, Incorporated and to file the necessary action as warranted by its findings.

Let the Company Registration and Monitoring Department be also furnished with a copy of this Decision for its appropriate action.

SO ORDERED.

Mandaluyong City, 28 October 2010.

FE B. BARIN
Chairperson

MA. JUANITA E. CUETO
Commissioner

RAUL J. PALABRICA*
Commissioner

MANUEL HUBERTO B. GAITE *
Commissioner

ELADIO M. JALA
Commissioner

* on official travel