



CORPORATE GOVERNANCE AND FINANCE DEPARTMENT

In the matter of:

For: VIOLATION OF R.A. 9474, OTHERWISE KNOWN AS THE LENDING COMPANY REGULATION ACT OF 2007 AND ITS IMPLEMENTING RULES AND REGULATIONS, REPUBLIC ACT NO. 3756, OTHERWISE KNOWN AS THE TRUTH IN LENDING ACT AND SEC MEMORANDUM CIRCULAR NO. 7 SERIES OF 2011

**MOOLA LENDING CORPORATION
(Formerly: H Lending By Hovono Inc.)
(SEC Reg. No. CS201422111)
x-----x**

ORDER

This resolves the Formal Charges dated 15 and 17 January 2018 issued by this Department against MOOLA LENDING CORPORATION for Violation of R.A. 9474, otherwise known as the Lending Company Regulation Act of 2007 and its Implementing Rules and Regulations, Republic Act No. 3756, otherwise known as the Truth In Lending Act And SEC Memorandum Circular No. 7 Series of 2011.

I. BACKGROUND

H Lending By Hovono (hereinafter "*H Lending*") is a stock corporation registered with the Commission on 14 November 2014 under SEC Registration No. CS201422111. It is primarily engaged in the business of direct lending, in accordance with Republic Act No. 9474, otherwise known as the Lending Company Regulation Act (R.A. 9474). On the same date, the corporation was also granted an authority to operate a lending company with Certificate of Authority (CA) No. 1659.

On 26 May 2015, it amended its Articles of Incorporation ("AOI") to effect the following changes:

	From	To
Corporate Name	H Lending By Hovono	Moola Lending Corporation (hereinafter " <i>Moola</i> " or the " <i>Company</i> ")
Principal Office Address	Unit 1110 The One Executive Office Bldg., No. 5 West Avenue cor. Col. Martinez Street, Bgy. Nayong Kanluran, Quezon City	Unit 04, 11 th Floor The One Executive Office Building, No. 5 West Avenue corner Col. Martinez Street, Barangay Nayong Kanluran, Quezon City

However, Moola failed to file the corresponding amendment of its CA to reflect the change in corporate name and principal office address. On 28 January 2016, Atty. James B. Yee, the Corporate Secretary of the company, submitted an undertaking to file an application to change the name of the Certificate of Authority from "H Lending by Hovono Inc." to "Moola Lending Corp. (formerly: H Lending by Hovono Inc.)" on or before February 3, 2016. Such undertaking was executed as a condition for the issuance of clearance by the Monitoring Division.

Subsequently, on 02 February 2016, the Company again amended its AOI to change its principal office address:

From	To
Unit 04, 11 th Floor, The One Executive Office Building, No. 5 West Avenue corner Martinez Street, Barangay Nayong Kanluran, Quezon City	Unit 805 Antel 2000 Corporate Center, 121 Valero Street, Salcedo Village, Makati City

Meanwhile, the Commission started receiving complaints against an entity by the name of *Doctor Cash* for not providing disclosure statements to the borrowers, imposing high interest rates, and harassment in the collection of payment, among others.

Thus, after notification, this Department conducted a field audit examination of the Company's records which yielded the following findings:¹

b.1. Compliance with SEC Compliance Requirements

Based on the conducted audit, the company committed the following violations:

- a. Effecting a change in its corporate name without first amending its articles of incorporation, in violation of Section 16 of the Corporation Code of the Philippines (MOOLA LENDING CORPORATION per its Articles of Incorporation; DOCTOR CASH per office signboards and website header);
- b. Effecting a change in its principal office address without first amending its articles of incorporation, in violation of the Section 16 of the Corporation Code of the Philippines (Unit 805 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City per Articles of Incorporation, 7th Floor Salamin Bldg., 197 Salcedo, Legaspi Village, Makati City per audit). It also failed to submit an amended General Information Sheet reflecting the new principal office address; and
- c. Failure to replace its Certificate of Authority to operate as a Lending Company to reflect its new corporate name and principal office address.

b.2. Operations

Its operations are mostly done online. Advertisements are placed in Facebook which redirects interested borrowers to their website where loan forms are accomplished. Payment of loans are done through Dragonpay or 7/11 outlets. It was observed that the company's office is set-up as a call center probably to remind borrowers of past due loans.

b.3. Verification of any misrepresentation and/or misstatement in the reports filed with the Commission

The Company was only able to provide documents pertaining to the interim period as of June 30, 2016. Balances as of said period were not verified due to incomplete documents submitted.

No sample loan agreement was provided to the audit team since loans are processed online through its website (<https://doctorcash.ph/en>).

Several source documents were verified particularly accounts pertaining to cash disbursements.

The balances of cash disbursements and receipts were verified to be correct, except for a minor discrepancy made in January xxx.
(Underscoring supplied)

In view thereof, this Department sent an invitation for a clarificatory conference on 23 March 2017 addressed to Roland Daniel Valdez Ong, Moola's Chairman of the Board at that time. However, neither the chairman nor his representative appeared during the scheduled conference. Hence, a second Notice of Conference was sent, re-scheduling the conference on 10 April 2017.

On the re-scheduled date, Moola's counsel, Atty. Jose H. Feliciano and employee, Mr. Randy Alcazar appeared before the hearing officers of this Department. The hearing officers informed Atty. Feliciano and Mr. Alcazar of the complaints against Doctor Cash/Moola, as well as the findings of the audit team. During the conference, Atty. Feliciano and Mr. Alcazar admitted that Moola was then operating as Doctor Cash in view of a

¹ Based on the Audit Report dated 24 January 2017.

change in the ownership of the Company. Hence, they were furnished copies of the complaints sent by private persons. The hearing officers also advised Atty. Feliciano and Mr. Alcazar of the need to amend its corporate name in compliance with the requirements. Atty. Feliciano and Mr. Alcazar undertook, on behalf of the Company, to comply with the foregoing directives within the week of the conference, or until 12 April 2017.

On 29 May 2017, this Department issued a Show Cause Letter² to Moola requiring it to show cause within fifteen (15) days from receipt thereof why its Certificate of Registration/Certificate of Authority to Operate as a Lending Company should not be suspended/revoked for violating the following: (1) the Corporation Code of the Philippines, (2) the Lending Company Regulation Act of 2007 and its Implementing Rules and Regulations, and (3) the Truth in Lending Act, failing which will constrain the Commission to proceed with the **revocation proceedings**.

In a letter dated 22 June 2017, Moola responded to the issues as follows:

1. Moola is taking the necessary steps for the amendment of its Amended Articles of Incorporation to effect changes in its corporate name, principal office address and compliance with the Foreign Investments Act;
2. Moola intends to amend its Certificate of Authority to reflect the change in its corporate name;
3. Moola has desisted from using Doctor Cash in the conduct of its business pending SEC approval of its application to change its corporate name to Doctor Cash Philippines Lending Corp.;
4. Moola is unaware of the procedure to amend the Business Plan for the terms and conditions imposed by Moola on its borrowers;
5. Moola **will comply with existing regulations on the format of the disclosure statement** provided to each borrower;
6. Moola's use of the name Doctor Cash is with the permission of its Singaporean shareholder, Infinito Pte Ltd.;
7. Moola is taking the necessary steps to comply with the reportorial requirements of a lending company; and
8. Moola have (sic) taken measures to resolve the complaints received by the Commission from the public. (Emphasis supplied)

In this Department's letter dated 02 August 2017, it directed Moola to provide updates on the complaints filed against it. On 23 August 2017, Moola provided its answer to the said letter stating that it has communicated with 25 complainants out of the 38 borrowers whose complaints were listed in the letter.

Through its letter dated 15 January 2018, this Department formally charged Moola for violation of Rule 8(c)(ii) of the Implementing Rules and Regulations of R.A. 9474 (the "IRR") in relation to the complaint filed by a certain Benalyn Peña, thus:

The incongruence of the practices of MLC as opposed to what is declared in its representations and commitments in its application for a CA, is a violation of Rule 8(c)(ii) of the Implementing Rules and Regulations of the Lending Company Regulation Act of 2007, which reads:

"(c) Administrative Sanctions- The SEC shall, at its discretion, impose upon any lending company a basic fine of P10,000.00 and P100.00 for each day of continuing violation but such daily fine shall not exceed P50,000.00 for the following:

ii. Violation of the terms and conditions of the Certificate of Authority;"

As already stated above, the CA was granted to Respondent subject to the representations and commitments set forth in its application for a CA. Thus, deviating from what was disclosed in the Business Plan is a violation of the terms and conditions of the CA.

In view of the foregoing, MLC is hereby formally charged for violating Rule 8(c)(ii) of the IRR of RA 9474 and it is directed to file a Verified Answer, within fifteen (15) days from receipt of this letter. MLC is directed to attach the loan documents, including the disclosure statement, to its Answer. Failure to file the Answer shall be deemed a waiver on the part of MLC to file the same and this Department will proceed in rendering a decision.

Another letter dated 17 January 2018 was sent by this Department to formally charge Moola of the same violation in relation to the loans it extended to 17 debtors enumerated therein. Moola was also directed to show

² Show-Cause Letter (For Revocation of Certificate of Registration/Authority to Operate as a Lending Company).

proof that it furnished all the 32 enumerated debtors with the required disclosure statements prior to the consummation of the transaction and that it faithfully complied with the provisions of Rule 6(b) of the IRR of R.A. 9474 and SEC Memorandum Circular No. 7, series of 2011³ (MC7).

On 28 February 2018, Moola filed its Answer/Comment to this Department's letter dated 26 January 2018 integrating therein its Verified Answer to the letters/formal charges dated 15 January 2018 and 17 January 2018.

II. ISSUES

For the Department's determination are the following issues:

- a. Whether or not Moola violated R.A. 3765, or the Truth in Lending Act, in relation to Rule 6(b) of the IRR of R.A. 9474 and Memorandum Circular No. 7, series of 2011, with respect to its transactions with the herein complainant-borrowers; and
- b. Whether or not Moola violated the terms and conditions set forth in its Certificate of Authority.

III. DISCUSSION

Moola Failed To Furnish Debtors With Disclosure Statements In Violation Of R.A. No. 3756, Otherwise Known As The Truth In Lending Act, In Relation To Rule 6(B) Of R.A. No. 9474 And Memorandum Circular No. 7 Series Of 2011

Republic Act No. 3756, or the Truth in Lending Act (TILA) was enacted to protect the public from lack of awareness of the true cost of credit. To ensure that the law is being complied with by creditors, R.A. 9474 specifically stated that loan agreements shall comply with the TILA⁴. To implement this, Rule 6(b) of the IRR enumerated the information to be disclosed and it specifically mandated that, **prior to the consummation of the transaction**, a lending company shall furnish each debtor a disclosure statement.

To update the rules to implement the TILA, this Commission issued MC7 adopting Circular No. 730 dated 20 July 2011 of the Bangko Sentral ng Pilipinas (the "BSP Circular"). The BSP Circular, once again, stated that the borrower should be furnished the disclosure statement prior to the consummation of the transaction. As quoted by Moola in its Verified Answer dated 6 February 2018 (the "Verified Answer"), the disclosure statement should contain the following information:

- a. *The total amount to be financed;*
- b. ***The finance charges expressed in terms of pesos and centavos;***
- c. *The net proceeds of the loan; and*
- d. ***The percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate or an effective annual interest rate (EIR) [...] EIR may also be quoted as a monthly rate in parallel with the quotation of the contractual rate.***

For failure to comply with MC7, the penalties are provided, to wit:

Non-compliance with this Circular shall subject the creditor concerned to the following penalties:

- a. *First Offense: Basic Fine of Php20,000.00 and Php100.00 for each day of continuing violation*
- b. *Second Offense: Basic Fine of Php25,000.00 and Php100.00 for each day of continuing violation*
- c. *Third Offense: Basic Fine of Php30,000.00 and Php100.00 for each day of continuing violation*
- d. ***Fourth Offense: Suspension/revocation of the Certificate of Authority to operate a Lending or Financing Company***

³ Implementation of the Truth in Lending Act to Enhance Loan Transaction Transparency.

⁴ Section 7, R.A. 9474.

In Moola's letter dated 22 June 2017, it alleged that it furnishes its debtors disclosure statements. Thus, through this Department's letter dated 17 January 2018, it directed Moola to show proof that it furnished the following 31 complainants ("List A") the required disclosure statements prior to the consummation of the transaction and that it faithfully complied with the provisions of Rule 6(b) of R.A. 9474 and MC7:

1. Khristine Tolentino
2. Mark Joseph Concepcion
3. Francia Gabriel
4. Joey Catalan Bantugan
5. Ragni Peralta
6. Joel France
7. Robelyn Seriosa
8. Jessanine Marbella
9. Damian Baynosa Rizamkitt
10. Kathrina Tagros
11. Rhan Guilaran
12. Rachell Aquino
13. Maricar Samson
14. Karen Roxette Bolante
15. Liberty S. Mariano
16. Abigael Abug
17. Jennifer Espina
18. Fernando I. Molon
19. Faye Embalsado
20. Romel Sias
21. Ethel de Jesus
22. Petro Paolo O. Caparroso
23. Meghan Dequito
24. Damian Baynosa Rizamkitt
25. Kathrina Tagros
26. Maricar Samson
27. Janice Salmorin
28. Homer Guevarra
29. Daphne Ryeglaiza Salvador
30. Arvin Tone Ebreo
31. Karen Roxette Bolante

Meanwhile, additional complaints were received by the Department. A perusal of the said complaints would show the same possible violations, *i.e.*, violation of Rule 6(b) of the IRR, MC7, and violation of the terms and conditions of its CA. Thus, in the same letter dated 17 January 2018, the Department further ordered Moola to submit its Answers/Comments to the additional 13 complaints ("List B") which were attached therein within fifteen (15) days from receipt. The following are the complainants under List B:

1. Kathrina S. Tagros
2. Damian Baynosa Rizamkitt
3. Liberty S. Mariano
4. Josephine Noble
5. Manuel Guillermo C. Abano
6. Precious Elaine Maribojo
7. Rhan Guilaran
8. Pamela Lagasca
9. Ben Ali Tolentino
10. Andrei Semilla
11. Alfie Manuel
12. Alron De Vera
13. Rachell Aquino

In this Department's letter dated 15 January 2018, it directed Moola to submit the disclosure statement provided to Benalyn Peña relative to her loan with it.

In Moola's Verified Answer, it stated that Rhan Guilaran, Josephine Noble, Ben Ali Tolentino and Alfie Manuel are not its customers. As to the rest of those listed above, Moola denied any violation relating to MC7 or Rule 6(b) of the IRR. It stated that:

14. *MLC informs the customer of the cost of credit at every stage of the loan application process. For instance, the cost of credit is permanently and prominently displayed on the application form's right sidebar. It is also contained in the application form and the loan agreement that is sent to the customer.*

15. *MLC thus discloses the cost of credit to customers, especially interest rates, penalties, and other fees. Customers who consent to the T&C of MLC loans are bound to comply with their contractual obligations under their existing loan agreements.*

x x x

28. *Contrary to the allegation in the Formal Charge, MLC did not violate SEC Memorandum Circular No. 7, series of 2011 ("SEC Circular"), because MLC's disclosure statements comply with the Truth in Lending Act, its IRR, BSP Circular No. 730 ("BSP Circular"), and Rule 6(b) of the Lending Company Regulation Act's IRR.*

29. *To protect uninformed consumers, the SEC Circular adopted the BSP Circular, which contains updated implementing rules and regulations for the Truth in Lending Act.*

30. *Effectively, any disclosure statement on the true cost of credit should contain the following information:*

'As a general rule, loan terms shall be disclosed to all types of borrower. For small business/retail/consumer credit, the following are the minimum information to be disclosed: [...]

- a. The total amount to be financed;***
- b. The finance charges expressed in terms of pesos and centavos;***
- c. The net proceeds of the loan; and***
- d. The percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate or an effective annual interest rate (EIR) [...] EIR may also be quoted as a monthly rate in parallel with the quotation of the contractual rate."***

31. *The disclosure statement must be provided to customers prior to the consummation of the loan transaction. It is intended to enumerate in detail interest rates, penalties, and fees of the loan transaction thereby expressing the true cost of credit.*

32. *MLC's disclosure statements contained all the necessary information in terms of pesos. It itemized and detailed the following: Loan Amount, Payment Due Date, Total Repayment, Net Proceeds, Interest and Service, Total Charges, Overdue Interest, Late Payment Fee, and Prolongation Fee.*

33. *Further, MLC presented a disclosure statement at least twice: (1) a disclosure statement was displayed on the application form, and (2) a disclosure statement was emailed to the customer, upon submission of a completed application form but prior to approval of the loan agreement. MLC's representations to customers about the true cost of credit were true and accurate and made prior to consummation of the loan transaction.*

34. *In sum, MLC complied with its duty "to protect debtors by permitting them to fully appreciate the true cost of their loan, and to enable them to give full consent, and to properly evaluate their options in arriving at business decisions." MLC complied with the SEC Circular, the BSP Circular, and the Truth in Lending Act. It did not make false or fraudulent representations to its customers, who were made fully aware of the T&Cs of the loan agreements through two disclosure statements. (Emphasis supplied)*

In the Verified Answer, Moola attached copies of Approved Loan Applications for only 12 complainants.⁵ The Approved Loan Applications contained information on the Approved Loan Amount, Interest Rate, Processing Fee, Net Loan Proceeds, Total Amount Due, Late Payment Fee, Late Penalty Interest Rate and Prolongation Fee. **The attached Approved Loan Applications, however, were not signed by either a representative of Moola or the borrower. There were also no indications or proof submitted that the same were received by the borrowers.**

It should be noted that the IRR and MC7 do not merely specify the information that should be disclosed to the borrowers, but also require that the said information be disclosed, through a disclosure statement, prior to the consummation of credit. Moola failed to prove compliance with these requirements, as directed by this Department.

As to the information that should be disclosed, the information contained under the BSP Circular should be provided to the borrowers of Moola. **Moola did not contest this.** In fact, it even cited the information to be disclosed under the BSP Circular in its Verified Answer.

Even granting, for the sake of argument, that the Approved Loan Applications can be considered as disclosure statements, a perusal thereof shows that these are not compliant with the required information that should be disclosed under MC7 in relation to the BSP Circular. The BSP Circular requires that the finance charges be disclosed in terms of pesos and centavos and the percentage that the finance charge bears to the total amount to be financed expressed as a “simple annual rate or an effective annual interest rate (EIR) [...] EIR may also be quoted as a monthly rate in parallel with the quotation of the contractual rate”. The Approved Loan Applications, however, only disclose the interest rate in percentage but not in terms of pesos and centavos. The finance charge is also not expressed as a simple annual rate or an effective annual interest rate. It is merely expressed as a daily interest rate. With this, a borrower will not be able to realize upon checking the loan application how much he/she will be paying as interest rates.

As to the requirement of providing borrowers with disclosure statements prior to the consummation of the transaction, Moola simply states that a disclosure statement was displayed at the right side bar of the loan application form. The disclosure statement is likewise allegedly contained in the application form and the loan agreement which were sent to the borrowers⁶. However, Moola failed to show proof that it provided the said application form, complete with the required information in the disclosure statement, to the 34⁷ complainants **prior to the consummation of the transaction.** In fact, it did not even submit the Approved Loan Applications for all its complainant-borrowers. It only submitted the Approved Loan Applications of 12 complainants. Further, none of the said Approved Loan Applications submitted to the Department were signed, manually or digitally, by either Moola or its borrowers, which puts the due execution of the same, and with it, the validity of Moola’s defenses, in question.

Moreover, despite the allegation of Moola that it emailed the disclosure statement to its borrowers, it has not attached any copy of the emails it sent to any of its borrowers. Moola failed to prove its contention that it provides the disclosure statement to its debtors, in compliance with the TILA and MC7. Therefore, we find that Moola violated both Rule 6(b) of the IRR and MC7 for its failure to provide disclosure statements prior to the consummation of transaction.

For simplicity, and to better appreciate the extent by which Moola violated the IRR and MC7, the data are herein summarized as follows:

List A	31
Benalyn Peña	1
List B	13
Total number of complainants	45
<i>Less:</i>	
Repeated entries ⁸ in Lists A and B	7
Complainants with Approved Loan Applications attached by Moola in its Verified Answer:	
List A	8

⁵ Benalyn Peña, Khristine Tolentino, Francia Gabriel, Ragni Peralta, Jessanine Marbella, Damian Baynosa Rizamkitt, Precious Maribojo, Manuel Guillermo, Liberty Mariano, Maricar Samson, Jennifer Espina, and Andrei Semilla.

⁶ Verified Answer dated 06 February 2018, para. 14.

⁷ Total number of complainants less repeated entries and complainants denied by Moola.

⁸ Kathrina Tagros, Damian Baynosa Rizamkitt, Maricar Samson, Karen Roxette Bolante, Rhan Guilaran, Rachell Aquino and Liberty Mariano.

Benalyn Peña List B	1 3
Denied by Moola	4
Total number of complainants not provided with disclosure statements/Approved Loan Applications	22

Thus, even if we take into account several variables in favor of Moola, the fact that it violated Rule 6(b) of the IRR of R.A. No. 9474 and MC7 **at least 22 times** is clear.

Under Rule 8(c) of the IRR, it is provided that the "*penalty of suspension shall be imposed in case of three (3) violations and revocation in case of four (4) violations*" for violations of R.A. 9474 and its IRR. As stated above, MC7 also imposes the penalty of suspension/revocation of the Certificate of Authority of the lending company.

Given the foregoing, the Certificate of Authority of Moola should be revoked, as it is hereby REVOKED, for violating Rule 8 (c), in relation to Rule 6(b) of Republic Act No. 9474 and its Implementing Rules and Regulation and Memorandum Circular No. 7, series of 2011 at least 22 times.

Moola Violated The Terms And Conditions Of Its Certificate Of Authority

The CA issued to lending companies states that the corporation to which it was issued **is authorized to operate a lending company subject to the representations and commitments set forth in its application for the CA**. Upon review of the documents submitted by MLC when it applied for a Certificate of Authority to operate a lending company, its Business Plan showed the following information:

B. LOANABLE AMOUNT/S

- *Minimum- ₱5,000.00 and Maximum of ₱50,000.00*
- *Flat Interest Rate of 2% per month*
- *One time service charge of 2% for a minimum term of one month and maximum term of 3 months loan*
- *Penalty charge of 2% per month will be imposed for non payment of the outstanding balance. (Emphasis supplied)*

As stated in this Department's letter dated 17 January 2018, there were 17 complainants who specifically alleged that the following were being charged in addition to the principal amount of their loans:

Name of Complainant	Allegations in the complaint
1. Khristine Tolentino	a. 2% daily interest after the due date b. ₱700.00 penalty
2. Mark Joseph Concepcion	a. ₱400.00 processing fee b. ₱1,200.00 payment extension fee c. ₱700 late payment fee
3. Francia Gabriel	a. 1% daily interest b. 10% service charge c. Prolongation fees
4. Joey Catalan Bantugan	a. Interest rate of 2% per day b. ₱700 other charges
5. Ragni Peralta	a. Processing Fee of 10%
6. Joel France	a. 30% interest for 1 month
7. Robelyn Seriosa	a. processing fee of 10% b. Interest of ₱1,200.00 for a ₱4,000 loan with a term of 1 month
8. Jessanine Marbella	a. Interest Rate of 30% per month b. Prolongation Fee of ₱700.00
9. Damian Baynosa Rizamkitt	a. Interest rate of 1% per day b. Processing Fee of ₱1,200.00

10. Kathrina Tagros	a. Interest rate of 1% per day b. Processing Fee of 10%
11. Rhan Guilaran	a. interest rate of 1% per day b. Processing Fee of 10%
12. Rachell Aquino	a. Prolongation fee of ₱700.00
13. Maricar Samson	a. Late payment fee of ₱700.00 per day
14. Karen Roxette Bolante	a. 2% daily interest for late payments
15. Liberty S. Mariano	a. Interest rate of 1% per day b. Late payment fee of ₱700.00 per day
16. Abigael Abug	a. 2% daily interest for late payment
17. Jennifer Espina	a. Interest rate of 1% per day

As can be seen above, **the interest rate and penalty charges imposed by Moola are not in accordance with what were declared in its Business Plan.** In addition, Moola is also charging a prolongation fee, processing fee and late payment fees which were NOT declared in its Business Plan. Thus, Moola was formally charged of violating the terms and conditions of its Certificate of Authority which is penalized under Rule 8(c)(ii) of the IRR.

In the Department's letter dated 15 January 2018, Moola was formally charged of the same offense in relation to the complaint of Benalyn Peña. Moola charged Peña the following fees:

- Loan interest rate of 1% per day
- Prolongation Fee of ₱700.00 to extend the loan term for another 30 days
- Default interest at the rate of 2% per day in addition to the loan interest
- Late payment fees (LPF) in the amount of ₱700

In its Verified Answer, Moola stated that it did not violate R.A. 9474 nor its IRR since there is no legal prohibition on deviation from a corporation's Business Plan. Moola argued, thus:

22. MLC did not violate conditions of its Certificate of Authority. By definition, a Certificate of Authority only contains a condition that a corporation must 'engage in the business of lending regulated by [the Lending Company Regulation Act] and its [IRR].' MLC has not violated this condition.

23. In relation to Rule 3(b)(vi) of the Lending Company Regulation Act IRR, MLC complied with the requirement to submit a business plan to reflect the 'method of marketing [the corporation's] product and sources of the funds and maturities of credit' at the time the corporation applied for a Certificate of Authority. There is no continuing requirement for lending companies, such as MLC, to submit a new or amended business plan each time there is a change in strategy. In fact, there is no requirement to submit a business plan annually.

24. Contrary to the Formal Charges' allegations, a business plan is not a representation or commitment to customers. It is merely a corporation's general projection of operation and management. A business plan allows the SEC to determine if the corporation is sound and viable. Any requirement involving a business plan only covers a particular period of time, e.g., one year. Thus, it does not bind the corporation's operation and management in perpetuity.

25. No law imposes an obligation on the corporation to comply strictly with its business plan. With all due respect, this Honorable Office fails to refer to a specific provision of law that requires MLC to refrain from changing or deviating from its business plan.

Moola does not contest that there are, indeed, deviations from what it charges its debtors and those which were previously declared in its Business Plan when it applied for a CA as a lending company. The only issue that remains is whether it should be penalized for violating the IRR for the said deviations or not.

The CA granted to Moola specifically states that it was duly authorized "to operate as a lending company in accordance with the Lending Company Regulation Act of 2007 (Republic Act No. 9474) and its implementing rules and regulations, **and subject to the representations and commitments set forth in its application for a Certificate of Authority.**" (Emphasis supplied.) Moola's representations and commitments in its application for a CA include those which were stated in its Business Plan.

The contention of Moola that the CA "only contains a condition that a corporation must 'engage in the business of lending regulated by [the Lending Company Regulation Act] and its [IRR]" is misplaced. In fact, the definition of a CA under Rule 2(f) of the IRR states:

"(f) Certificate of Authority (CA) shall refer to a certificate issued by the SEC in favor of a lending company to engage in the business of lending regulated by R.A. No. 9474 and its Implementing Rules and Regulations."

Based on the above definition, the CA is granted to a lending company so that it may engage in the business of lending. It is not correct to conclude that the engagement in the business of lending is the only condition for the CA. What is more, such interpretation implies an absurd situation where a lending company that ceased its lending operations, for whatever reason, will be penalized by the Commission for violation of the *only* condition of the CA. The fact that R.A. 9474 penalizes violations of the "**terms and conditions**" of the CA means that there is more than one condition in granting the same. To determine what these terms and conditions are, Moola should refer to the actual document, *i.e.*, the CA.

The arguments of Moola that the business plan only reflects the method of marketing of its products and sources of the funds and maturities of credit at the time the corporation applied for a CA and that it is not prohibited from deviating from the same are also erroneous. **Moola is bound by the terms and conditions of its CA.**

Since the CA of Moola is subject to the representations and commitments set forth in its application for a CA, it means that the disclosures in its Business Plan are not only applicable at the time of its application for a CA. To state otherwise would mean that it may deviate from its representations and commitments provided in its Business Plan as soon as its application for a CA has been granted by the Commission. Such position would clearly defeat the purpose of requiring lending companies to disclose said information.

In view of the foregoing, Moola is found liable for violating the terms and conditions of its CA with respect to all 18 complaints as enumerated above⁹. Given that the penalty under R.A. 9474's IRR for violating the terms and conditions of its CA for 4 times is revocation, Moola's CA should be revoked, as it is hereby REVOKED.

Moola Also Violated Other Rules And Regulations Implemented By The Commission

In addition to the foregoing, Moola has also been found to have committed the following violations:

- a. Using a business name or trade name without properly amending its Articles of Incorporation;
- b. Effecting a change in its principal office address without first amending its Articles of Incorporation;
- c. Failure to replace its Certificate of Authority to operate as a Lending Company to reflect its new corporate names and principal office address;
- d. Violation of the Foreign Investments Act¹⁰;
- e. Non-filing of 2016 General Information Sheet; and
- f. Non-filing of the Revised Anti-Money Laundering Operating Manual and Compliance Form.

In closing, this Department notes that the number of complaints against Moola grows each day. In its Verified Answer, Moola admitted that many of its customers do not have strong credit standing; therefore, banks and other financing institutions refuse to give them loans. It also went as far as calling itself a *lender of last resort*.¹¹ It is not hard to see how Moola can easily take advantage of this self-proclaimed status to attract borrowers who want quick, easy and accessible lending services.

The Commission, by virtue of R.A. 9474, is granted the authority to regulate and supervise lending companies. In the exercise of this mandate, the Department has extended ample due process to Moola, considering that it was given several opportunities to explain its side in all of the complaints against them. Let this be a

⁹ 17 enumerated complainants plus Benalyn Peña.

¹⁰ Show Cause Letter for "Revocation of Certificate of Registration/Authority to Operate as a Lending Company" dated 29 May 2017, Moola's letter-reply dated 22 June 2017.


¹¹ Verified Answer dated 06 February 2018, para. 12.

reminder that the requirements of the law are not to be taken lightly, and that the Commission is serious in enforcing the same.

WHEREFORE, in view of the foregoing, the Certificate of Authority of Moola Lending Corporation (CA No. 1659, issued in the name of H Lending By Hovono, Inc.) is hereby **REVOKED**.

SO ORDERED.

Done this 23rd day of MAY 2019, in Pasay City, Philippines.


RACHEL ESTHER J. GUMTANG-REMALANTE
Officer-in-Charge 