



CORPORATE GOVERNANCE AND FINANCE DEPARTMENT

In the matter of:

ROBOCASH FINANCE CORP.

(Company Reg. No. CS201730459)

X-----X

TO:

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ROBOCASH FINANCE CORP.

Respondent

Level 7 Cyberpark Tower 1

Araneta Center Cubao

Quezon City

MR. FELIPE JOSE N. ZAMORA III

President

Level 7 Cyberpark Tower 1

Araneta Center, Cubao

1109 Quezon City

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JUAN B. SOLOMON

Counsel for Respondent

Level 7 Cyberpark Tower 1

60 General Aguinaldo Avenue

Araneta Center Cubao

Quezon City

Greetings:

Please take notice that on 12 December 2019, an Order, copy hereto attached, was issued in the above-entitled case, the original of which is now on file with the Commission.

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ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE

Officer-in-Charge



CORPORATE GOVERNANCE AND FINANCE DEPARTMENT

CGFD Order No. 237
Series of 2019

In the matter of:

**For: VIOLATION OF REPUBLIC
ACT NO. 8556, OR THE
FINANCING COMPANY ACT OF
1998 AND ITS IMPLEMENTING
RULES AND REGULATIONS**

ROBOCASH FINANCE CORP.
(Company Reg. No. CS201730459)
Respondent.

X-----X

MR. FELIPE JOSE N. ZAMORA III
President
Level 7 Cyberpark Tower 1
Araneta Center, Cubao
1109 Quezon City

ORDER

This resolves the Formal Charge dated 13 November 2019¹ issued by the Corporate Governance and Finance Department (the "*Department*" or the "*CGFD*") against Robocash Finance Corp. (the "*Respondent*") for violation of Republic Act No. 8556, otherwise known as the Financing Company Act of 1998 (the "*FCA*") and its Implementing Rules and Regulations (the "*FCA IRR*").

I. FACTUAL ANTECEDENTS

In the course of its monitoring process, as validated during on-site audits conducted on 07 March 2019 and 05 July 2019 by the CGFD, as confirmed during the hearing held on 20 September 2019, and its various communications sent to the CGFD, it was revealed that Respondent operates financing company (the "*FC*") branches without the requisite corresponding Certificates of Authority (the "*CA*") to operate said branches.

Section 6(a) of the FCA IRR provides:

Section 6. Branches, Agencies, Extension Offices or Units

¹ Via personal delivery and electronic mail on **14 November 2019**.

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*

On 19 June 2019, the Department sent the Respondent a Show Cause Letter of even date (the “19 June 2019 SCL”), requiring it to show cause within ten (10) days why it should not be held liable for violation of Section 6 of the FCA IRR for its failure to secure CAs for eighty (80) of its branches and to surrender the CAs of four (4) of its non-operating branches.

The 19 June 2019 SCL further ordered Respondent to show cause why it should not be held liable for violation of SEC Memorandum Circular No. 7, series of 2011 (the “SEC MC 7”), in relation to Bangko Sentral ng Pilipinas (the “BSP”) Circular No. 730, series of 2011 for its failure to provide the required Disclosure Statement and amortization schedule, and display the CA in conspicuous places in several of its branches.

During the on-site audit conducted by the CGFD on 05 July 2019, Respondent submitted its Consent Form to send and receive papers, orders, decisions, resolutions, notices, letters and such other communication from the CGFD via electronic mail. Respondent designated its General Manager, Mr. Ronnel C. Mapaye, as the contact person and indicated the e-mail address *ronnel.mapaye@robocash.ph* for the said purpose.

On 22 July 2019, Respondent submitted its response to the 19 June 2019 SCL where it did not deny that it operates branches without the required CAs, but averred that per its own investigation, there are only **seventy-six (76) branches without CAs**.

On 16 September 2019, the Department sent another Show Cause Letter (the “16 September 2019 SCL”) ordering the Respondent to show cause why it should not be held liable for the same violations, *i.e.*, Section 6 of the FCA IRR and SEC MC 7.

On 24 September 2019, the Department received Respondent’s response to the 16 September 2019 SCL where it revealed that it operates **one hundred seven (107)** branches, excluding its head office, and reiterated its previous statement that it indeed operates seventy-six (76) branches without CAs for each.

On various dates in September 2019, the Department issued individual Show Cause Letters to Respondent ordering it to show cause why it should not be held liable for violation of Section 6 of the FCA IRR for its failure to secure CAs for the following branches:

BRANCH LOCATION	DATE OF SHOW CAUSE LETTER	DATE E-MAILED	DATE OF RESPONSE
1. St. Francis Square, Ortigas Center, Pasig (the “ <i>St. Francis Square branch</i> ”)	20 September 2019	01 October 2019	07 October 2019
2. General Aguinaldo Avenue, Cubao, Quezon City (the “ <i>General Aguinaldo Avenue branch</i> ”)	23 September 2019	01 October 2019	07 October 2019
3. Tandang Sora Palengke, Tandang Sora Avenue, Quezon City (the “ <i>Tandang Sora branch</i> ”)	24 September 2019	02 October 2019	No response

4. Quirino Avenue Corner Dimasalang Street, 240, Parañaque City (the "Quirino Avenue branch")	25 September 2019	02 October 2019	07 October 2019
5. Montillano Street, Super 8 Grocery warehouse, Muntinlupa City (the "Montillano Street branch")	26 September 2019	02 October 2019	No response

On 07 October 2019, Respondent submitted its respective responses in relation to its branches in St. Francis, General Aguinaldo, and Quirino Avenue.²

Specifically, with respect to the St. Francis branch, Respondent stated that it had been permanently closed since 31 May 2019.

On the other hand, in relation to the General Aguinaldo Avenue and Quirino Avenue branches, Respondent asserted that the management ordered the temporary cessation of operations of these branches. To prove this, Respondent attached a letter dated 24 September 2019 from Mr. Ronnel C. Mapaye, General Manager, with the subject "CLOSURE OF BRANCHES". The said letter informed all department heads of the Respondent company of the temporary closure and cessation of operations of the following **branches which do not have the required CAs**:

1	PG Malolos	20	S8 Baclaran	39	LRT 1 Baclaran	59	Montalban TC
2	PC Bacoor	21	S8 Molino	40	LRT 1 Roosevelt	60	LG Plaza
3	PG Antipolo Circ	22	S8 La Huerta	41	LRT 1 Balintawak	61	AM Marikina
4	PG San Mateo	23	S8 Alabang	42	LRT 1 Carriedo	62	BW Marikina
5	PG San Joaquin	24	S8 Pasay Libertad	43	LRT 1 Carriedo	63	The Marketplace
6	PG Panorama	25	S8 San Pedro	44	LRT 1 Bluimentritt (sic)	64	Lianas
7	PG Tanay	26	s8 Dasma	45	LRT 1 5 th Ave	65	Junction St Level
8	PG Binangonan	27	S8 Guagua	46	LRT 1 UN Ave	66	Taytay St Level
9	PG EM Complex	28	S8 Sto Rosario	47	LRT 2 Recto	67	Pasig St Level
10	PG Antipolo Circ	29	S8 Taytay	48	Santolan St	68	Maysilo St Level
11	PG Ligaya Pasig	30	SW Sucat	49	Novo Tayuman	69	Suki Market
12	PG Blumentritt	31	SW Imus	50	Marikina St Level	70	Karikrisland
13	PG Tayuman	32	SW Maypajo	51	AM Binan	71	Dionets Trece
14	PG Pago	33	SW Cubao	52	TM Sta Rosa	72	Acacia St. Level
15	PG Shaw	34	SWE B. Silang	53	LM Imus	73	13 th Ave
16	PG Molino	35	WC Lagro	54	Nova Square	74	Tandang Sora Market
17	PG Pacita	36	WC Nova	55	Zabarte TC	75	Meycauayan St Level
18	PG Calamba	37	SW Mercedes	56	PM Deparo	76	Jenra Grand Mall
19	PG Tagapo	38	SW Makati	57	FCM	77	CK Square
				58	WCC		

(Numbering supplied)

² Separate letters dated 02 October 2019.

The Department has yet to receive Respondent's response in connection with its branches in Tandang Sora and Montillano Street.

We note at this point that per the Commission's records, there are only **thirty-two (32) branches** of Respondent with the required CAs, listed as follows:

	ADDRESS	CA No.		ADDRESS	CA No.
1	LRT-1 Ground Floor K2, Doroteo Jose Station, Rizal Avenue corner Doroteo Jose Street, Santa Cruz, Manila	1150-X	17	LRT Line 2, V. Mapa Station, Magsaysay Boulevard, Sta. Mesa, Manila	1150-Ad
2	Unit FC-1A Lennjul Building, corner Sumulong Highway and Marcos Highway, Mayamot, Antipolo City	1150-H	18	Shopwise Harrison Plaza Mall A. Mabini and M. Adriatico Street, Malate, Manila	1150-Af
3	Booth NOV2-NF1, Super 8 Retail Systems - Quirino Highway, Barangay Sta. Monica and Novaliches Proper, Novaliches, Quezon City	1150-E	19	Shopwise San Pedro Manila S Road, Laguna	1150-Z
4	Booth GUA-NF2, Super Retail Systems. Guadalupe Commercial Center, Makati City	1150-F	20	Booth FC-1 and E-1, Super 8 Retail Systems - Commonwealth Avenue corner Villongco Street, Barangay Commonwealth, Quezon City	1150-I
5	Customer Service Counter, Sta. Lucia Supermarket Phase 1, Sta. Lucia East Grand Mall, Marcos Highway corner Felix Avenue, Cainta, Rizal	1150-K	21	Super 8 Grocery Warehouse, Sta. Rosa Commercial Complex, Balibago, Diamond Road, Sta. Rosa City, Laguna	1150-Ae
6	Metropass Booth, MRT Quezon Avenue Station, Epifanio de los Santos Avenue, Diliman, Quezon City	1150-J	22	Super 8 Grocery Warehouse, MAGRA Commercial Center, Congressional Road, General Mariano Alvarez, Cavite	1150-Aa
7	MRT Pasay-Taft Station, Metropass Booth, Epifanio de los Santos Avenue, Pasay City	1150-D	23	G37 Victory Central Mall, Rizal Avenue Extension, Caloocan City	1150-O
8	Daily Supermarket, P. Tuazon corner 20th Avenue, Cubao, Quezon City	1150-A	24	Unit 3, #001 P. Burgos Street corner General Luna Street, Sta. Ana, Mateo, Rizal	1150-G
9	LRT-2 Recto Station, Recto Avenue, Sta. Cruz, Manila	1150-C	25	Unit 4 Lenjun Building, Kasiglahan Village, San Jose, Rodriguez, Rizal	1150-M
10	Unit G23 Victory Lacson Underpass, Quezon Blvd, 307 Quiapo, Manila	1150-Q	26	Anonas LRT 2 Station, Aurora Boulevard, Project 4, Quezon City	1150-N
11	Sk03, 2nd Floor Good Earth Plaza Bldg corner Bustos St., Sta. Cruz, Manila	1150-T	27	MRT Cubao Station, Metropass Booth, Aurora Blvd, Cubao, Quezon City	1150-B
12	Unit LS-08 Cogeo Commercial Bldg, Cogeo Gate 3, Antipolo City	1150-S	28	LRT 1 Pedro Gil Station Northbound, Ermita, Manila	1150-W
13	#148 M.L. Quezon St., Antipolo City	1150-R	29	Metropass Booth MRT Magallanes Station, Epifanio Delos Santos Avenue, Barangay Magallanes, Makati City	1150-L
14	Ground Floor, Northwest Plaza, Rizal Avenue Extension,	1150-Y	30	Stall 1, LRT Katipunan North Station, Aurora Boulevard corner	1150-Ab

	Monumento, Caloocan City			Katipunan Avenue, Loyola Heights, Quezon City	
15	LRT 1 Gil Puyat Station Northbound, Taft Avenue corner Gil Puyat Avenue, San Isidro, Pasay City	1150-P	31	LIB-FC1 Super 8 Grocery Warehouse, Libertad 2476-2478 Taft Avenue 93 Pasay City	1150-Ac
	ADDRESS	CA No.		ADDRESS	CA No.
16	Unit 2 LRT 2 Pureza Station, 626 Ramon Magsaysay Blvd., Sta. Mesa, Manila	1150-U	32	LKG-02, Lower Ground Floor, Victory Food Market, Redemptorist Road, Baclaran, Paranaque City	1150-V

For violation of Section 6 of the FCA IRR, the Department sent assessment letters to the Respondent, thus:

BRANCH LOCATION	DATE OF ASSESSMENT LETTER	DATE E-MAILED TO RESPONDENT	FREQUENCY OF VIOLATION	TOTAL PENALTY
St. Francis Square branch	04 October 2019	15 October 2019	1 st violation	₱21,000.00
General Aguinaldo Avenue branch	14 October 2019	15 October 2019	2 nd violation	₱32,000.00
Tandang Sora branch	15 October 2019	16 October 2019	3 rd violation	₱43,000.00

On 21 October 2019, the Department received a letter from the Respondent requesting for a reduction of the above-mentioned penalties, without contesting its liability for violating the said provision. The CGFD considered the said request for reduction of penalty without, however, admitting the correctness and accuracy of the amount of penalty as computed by Respondent, thus:

BRANCH LOCATION	DATE OF ASSESSMENT LETTER	DATE E-MAILED TO RESPONDENT	FREQUENCY OF VIOLATION	MODIFIED TOTAL PENALTY
St. Francis Square branch	23 October 2019	31 October 2019	1st violation	₱13,700.00
General Aguinaldo Avenue branch	25 October 2019	04 November 2019	2nd violation	₱17,400.00
Tandang Sora branch	28 October 2019	05 November 2019	3 rd violation	₱21,100.00

Corresponding Orders on Payment of Penalty (“OPP”) were issued to the Respondent on 05 November,³ 06 November,⁴ and 07 November 2019⁵ for its payment of the penalties for its first, second, and third violations of the FCA IRR, respectively.

Section 14 of the FCA IRR provides:

Section 14. Administrative Sanctions.

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

³ CGFD Order No. 213, series of 2019, O.R. No. 1853803, paid on 05 November 2019.

⁴ CGFD Order No. 214, series of 2019, O.R. No. 1853804, paid on 05 November 2019.

⁵ CGFD Order No. 215, series of 2019, O.R. No. 1856050, paid on 06 November 2019.

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.

a) ***Suspension or revocation of the Certificate of Authority to Operate as a Financing Company after proper notice and hearing;*** xxx (Emphasis supplied)

Hence, for operating branches without the required CAs, the Department formally charged Respondent for violation of the FCA and the FCA IRR on 13 November 2019, giving it fifteen (15) days from receipt to submit its Verified Answer, in accordance with Rule III Part II of the 2016 Rules of Procedure of the Securities and Exchange Commission (the "*Commission*").⁶

On 29 November 2019, Respondent submitted its Verified Answer.

In the Verified Answer, Respondent admitted that it indeed established and operated branches without CAs. It, however, argued that it did not maliciously violate Section 6(a) of the FCA IRR, and thus, its CA should not be revoked, which is too harsh and excessive a penalty.

Respondent also highlighted the fact that it immediately ordered the closure of the branches without CAs as a sign of its seriousness in complying with the law, even without an order from the CGFD, and that immediately thereafter, it submitted its application for branch CAs. It further argued that its violation for operating branches without CAs, regardless of the number of branches involved should be considered a first offense as it was committed in one occasion.

With respect to the Show Cause Letters for the Tandang Sora and Montillano Street branches, Respondent denied having received the said orders, thus, it was not able to submit its answer. Nonetheless, it adopted its explanations as contained in its reply letters pertaining to the General Aguinaldo Avenue and Quirino Avenue branch.

II. ISSUE

For the Department's determination is whether or not Respondent company's violation of the FCA IRR for its failure to secure CAs for several of its branches merits the revocation of its CA.

III. THE DEPARTMENT'S RULING

Respondent's Violation of the FCA IRR Warrants the Revocation of its Certificate of Authority to Operate as a Financing Company

As embodied in the FCA, it is the State's policy to regulate and promote the activities of financing and leasing companies to place their operations on a sound, competitive, stable and efficient basis as other financial institutions.⁷ The Commission has therefore opined that being a business vested with public interest, **financing activities are highly regulated**.⁸ As such, the FCA IRR is clear and categorical in stating that unless so authorized under the FCA, no person, association, partnership, or corporation shall engage in the business of an FC.⁹ Moreover, the FCA IRR provides that no FC shall

⁶ Deadline of submission is on **29 November 2019**.

⁷ Section 2, FCA.

⁸ SEC-OGC Opinion No. 19-04.

⁹ Section 12(b)(1), FCA IRR.

establish or operate a branch, agency, extension office or unit without a **prior CA** to be issued by the Commission.¹⁰

As discussed above, the records of the Commission, Respondent's various letters to the CGFD, and its admissions during the hearing on 20 September 2019 and in its Verified Answer, all point to the incontrovertible fact that Respondent committed repeated violations of Section 6(a) of the FCA IRR.

Contrary to Respondent's assertions, had it been actually sincere and serious in complying with the requirements of the law, it would not have established and operated branches without CAs in the first place. Respondent's reliance on the fact that it voluntarily closed down its branches without CAs would do nil to save its case. Respondent's "*desire to operate its business in accordance with the Financing Company Act and its Implementing Rules and Regulations*" should have been demonstrated at the first instance. Indeed, compliance with the law should be present all throughout the lifespan of an FC, *i.e.*, from the moment of its incorporation, operation, and dissolution.

Respondent needs to be reminded that a **prior CA** is essential before a branch is established. Hence, the application for branch CA and its approval must precede its establishment and operation, and not the reverse, as it had done.

Based on the list of the branches which Respondent closed down for not having the required CAs in its Memorandum dated 24 September 2019, **Respondent violated the FCA IRR seventy-seven (77) times.**

To explain this, Respondent, in its letter to the CGFD dated 26 July 2019, and during the hearing held on 20 September 2019, cited its difficulties with respect to its authorized capital stock, and its "*rapid growth as a company*". Respondent reiterated this in its Verified Answer and ascribed the violation to internal administrative and operational issues. The Department finds that Respondent's explanation is flimsy, at best.

It may be well to note that Respondent was able to secure thirty-two (32) CAs for thirty-two (32) separate branches. Thus, it is even more appalling that despite being aware of the requirement of the law, Respondent **knowingly and willingly** committed repeated violations thereof. Its argument that the violations were not done maliciously deserve scant consideration, if at all, as **the law could not be clearer that the mere establishment and operation of an FC or a branch thereof without the necessary CA constitutes a violation of the FCA and the FCA IRR.**

As to the Tandang Sora and Montillano Street branches, records of the Department show that the Show Cause Letters for the said branches were sent via electronic mail to the official e-mail address indicated in its Consent Form on 02 October 2019, at 7:28 pm and 3:12 pm respectively.

To reiterate, Section 14 of the FCA IRR provides that if the Commission finds that there is a violation of the FCA and the FCA IRR, it shall, in its discretion, impose any or all of the following sanctions:

- a) Suspension or revocation of the Certificate of Authority to Operate as a Financing Company after proper notice and hearing;
- b) A basic fine of not less than Ten Thousand Pesos (P10,000.00) and P100 for each day of continuing violation, but in no case shall the total fine be more than One Hundred Thousand Pesos (P100,000.00);
- c) Other sanctions within the power of the Commission.

¹⁰ *Ibid.* Section 6(a).

Respondent's claim that its establishment of branches without CAs should be counted as one instance of violation fails to convince, since each branch established and operated without the necessary CA constitutes one count of violation of the FCA IRR. It will be recalled that the CGFD has, on separate occasions, sent separate show cause letters and separate assessment orders for Respondent's first, second and third violations.

And, while it is true that the Commission may impose penalties other than revocation of CA, considering the number of times the Respondent knowingly and willingly committed the same violation, the Department is constrained to rule, as it is hereby ruled, that the revocation of Respondent's CA is warranted under the circumstances.

The Department Cannot Grant Respondent's Request to Release the Twenty-One Certificates of Authority

In its Verified Answer, Respondent likewise prayed that its request to release the twenty-one (21) CAs for which it submitted applications be granted by this Department.

However, as discussed in the letter to Respondent dated 31 October 2019, the release of the said CAs does not fall within the jurisdiction of this Department. Thus, an order to that effect cannot be made herein.

Moreover, it must be noted that the submission of requirements for the establishment of an FC or any branch, agency, extension office, or unit thereof does not guarantee its approval. Surely, the issuance of a CA is not a mere ministerial act on the part of the Commission, moreso, in this case where the Respondent has committed several violations of the law.

As a final note, while the Respondent's goal of catering to the needs of the underserved is laudable, it must always be remembered that compliance with the provisions of the law is foremost. The Department will not hesitate to impose the appropriate penalties in cases of violation, even the extreme penalty of revocation of the Certificate of Authority.

WHEREFORE, in view of the foregoing, the Certificate of Authority to Operate as a Financing Company of Robocash Finance Corp. is hereby **REVOKED**.

SO ORDERED.

12 December 2019. Pasay City, Philippines.


ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE *ru*
Officer-in-Charge