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## **SEC ISSUES CEASE AND DESIST ORDER AGAINST 6 ONLINE LENDERS**

The Securities and Exchange Commission (SEC) has ordered six online lending operators to stop conducting lending activities without the necessary license from the Commission.

In an order issued March 22, the Commission *En Banc* directed PesoKwento, Pondo Cash, TBAG, Cash Sky, Loan Cash, and East Cash to immediately cease and desist from engaging in, carrying out, promoting, and facilitating any lending activity/transaction until they have incorporated and secured the requisite authorization from the SEC for such activities.

The companies, their agents, representatives and promoters, as well as the owners and operators of their hosting sites, were further enjoined to cease from offering and advertising their lending business through the internet or any other media, and to remove all materials involving such.

The SEC issued the order after finding that none of the groups were registered as a corporation with the Commission. As such, they could not secure a Certificate of Authority to Operate as a Lending/Financing Company (CA).

Republic Act No. 9474, or the Lending Company Regulation Act of 2007 (LCRA), requires persons or entities operating as lending companies to register as corporations and to secure from the SEC the necessary authority to operate.

“[T]he Commission finds that the [continued operation of the online lending operators constitutes a clear violation of, and should be penalized pursuant to the [LCRA] because the evidence presented by the [Enforcement and Investor Protection Department] shows that they are engaged in, or are carrying out a lending business without the required license from the Commission, not to mention the fact that they are not registered corporations,” the Commission *En Banc* held.

The SEC Corporate Governance and Finance Department also received complaints from several borrowers regarding the online lending operators’ unfair collection practices and acts of harassment, made in the form of threats to ruin their reputation and to cause physical harm to their persons and their families.

“[T]he abusive collection practices, misrepresentations, and unreasonable terms and conditions perpetrated and imposed by the online lending operators, their agents and representatives are the very acts and practices that, as a matter of policy, the State seeks to prevent and penalize,” the Commission *En Banc* noted.

*Page 1 of 2*



The SEC regularly monitors lending and financing companies for their compliance with applicable laws, rules and regulations, in a bid to protect borrowers from abusive, unethical, and illegal lenders.

As part of its crackdown against illegal lending, the SEC will establish a Financing and Lending Division that aims to focus exclusively on the regulation and monitoring of such companies.

This is in response to the instruction of Department of Finance (DOF) Secretary Carlos G. Dominguez III for the SEC to intensify its crackdown against illegal and abusive lending, which are proliferating and “charging very high interest rates.”

SEC Chairperson Emilio B. Aquino assured the DOF that the Commission continues to intensify its crackdown on abusive lending companies following complaints from consumers about the collection practices of some firms, involving threatening or insulting borrowers.

The SEC has an online team that conducts regular sweeping operations, monitors all complaints, and goes through different social media platforms to check on possible abusive or illegal lending practices.

“To date, we revoked over 2,000 Certificates of Registration of lending companies that failed to secure their requisite Certificate of Authority, pursuant to LCRA. Our next step is to sustain this crackdown on unregistered and abusive collection practices of [online lending applications],” Mr. Aquino said in a report to the DOF.

So far, the Commission has ordered 72 online lending applications to cease operations for lack of authority to operate as a lending or financing company.

It has likewise canceled the licenses of 37 financing/lending companies due to various violations of applicable rules and regulations.

To see the list of licensed lending and financing companies and their registration status, please visit the Lending and Financing Companies corner on the SEC website at <https://www.sec.gov.ph/lending-companies-and-financing-companies-2/lending-companies-and-financing-companies/>.

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