

## **Rafael Buenaventura: Raising the bar on consumer banking service**

Speech by Mr Rafael Buenaventura, Governor of Bangko Sentral ng Pilipinas (Central Bank of the Philippines), at the Bank Marketing Association of the Philippines' (BMAP) 30th anniversary of upgrading bank-marketing practice, Makati City, 26 August 2004.

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### **Introduction**

Distinguished officers and members of the Bank Marketing Association of the Philippines (BMAP), fellow bankers, ladies and gentlemen: good evening.

I am deeply honored to take part in this celebration, marking BMAP's 30th year of upgrading bank-marketing practice in the country.

This year's theme of "Customer service in the marketing mix of financial products" rightly emphasizes the importance of banks' clients in influencing an institution's success.

### **Consumer banking**

Over the last couple of years, the Philippine banking system has experienced strong growth in consumer banking services. Credit card receivables for example, grew by an average 25.2 percent annually from 2000 to 2003. This has allowed more ordinary people without access to credit to now have access and on clean basis.

However, this growth has also come with a price in the form of increased volume of bad accounts. Many of the problems were traceable to the fact that some new cardholders did not really understand the obligations and responsibilities that came with them. As a result, past due credit card accounts rose an average 40.4 percent, a pace much faster than the new ones granted. The number of credit card-related complaints also rose dramatically.

It is in this regard that we should work hand in hand in channeling more efforts towards customer education and protection.

For its part, the Bangko Sentral ng Pilipinas (BSP) issued various regulations geared towards protecting both the industry and the public. For instance, in 2002 we issued Circular No. 349 which significantly tightened rules on credit card and other lending operations by requiring banks and their subsidiary credit card companies to ascertain that cardholders are capable of fulfilling their commitments and by setting credit limits based on their net take home pay. Moreover, the BSP took a more proactive stand by creating the Consumer Education Committee in January of this year to help improve basic financial literacy.

I commend BMAP together with the Credit Card Association of the Philippines (CCAP), the Bankers Association of the Philippines (BAP), the Chamber of Thrift Banks (CTB) and the Rural Bankers Association of the Philippines (RBAP) for taking a similar stand and creating a multi-sectoral team for the conceptualization of a service code for consumer banking in the Philippines.

### **Service code for consumer banking**

The service code that is expected to be out in the next quarter of this year is a voluntary code that sets minimum service standards to be observed by banks in the conduct of consumer banking services. It is aimed at strengthening relationships between banks and its clients, and promoting transparency for clients to have better understanding of what to expect from banking products and services.

### **Conclusion**

In closing, I strongly encourage everybody to support our initiatives to improve consumer banking in the Philippines. Subscribing to the code will be advantageous to both you and your clients, and to the banking system as a whole.

At the end of the day, our banking industry, like any business, stands or falls on the goodwill of our customers.

Again, congratulations and a pleasant evening to all!