

## **Amando M Tetangco, Jr: Protecting the consumers of financial services in the Philippines**

Keynote address by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (the central bank of the Philippines), at the launch of the Banking Code for Consumer Protection, Bank Marketing Association of the Philippines General Membership Meeting, Manila, 24 October 2012.

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Mr. Allan Tumbaga, President of the Bank Marketing Association of the Philippines (BMAP); Mr. Patrick Cheng, President of Chamber of Thrift Banks; Mr. Edward Garcia, President of the Rural Bankers Association of the Philippines; Mr. Cesar Virtusio, Executive Director of the Bankers Association of the Philippines; officers and members of BMAP; MBM Peter Favila; former BAP President Gigi Montinola; friends in the banking sector; colleagues from the BSP; ladies and gentlemen, good afternoon.

It is my pleasure to join you in launching the new Banking Code for Consumer Protection. The Bangko Sentral commends BMAP, as well as the rest of the industry associations for working together in updating the Code. This is tangible proof of your responsiveness and commitment to provide the best service possible to your clients.

It is also evidence of your recognition that the lifeblood of the banking system comes from client deposits and investments, and that their trust is something that banks must strive to preserve. This is why bankers, from top management down to the frontline staff, must exercise prudence and vigilance in ensuring that banking operations are optimally carried out.

The preservation of public trust is likewise the underlying imperative for the Bangko Sentral's policy and regulatory actions. This drives us to constantly emphasize that the business of banking requires serious effort to keep operations within the bounds of safety, soundness and professional management. This practice, in itself, is already equivalent to protecting the consumers of financial services. However, responsible banking is more than just business savvy and prudent risk management.

Responsible banking means a conscientious focus on clients by putting their best interest at heart. It means recognizing that they deserve the highest standards of service.

Client-centered banking entails embedding consumer protection in business operations. Products and services must be designed, priced and delivered in ways that match client needs. Adequate measures must be in place to ensure that the consumers are not unduly disadvantaged by business processes. The credit approval process should, for example, prevent over-indebtedness. The features and conditionalities of financial products should be clearly communicated. Transparency in information and pricing should be the key principle in marketing and client dealings.

Client-focused banking further means treating consumers, regardless of their economic standing, with fairness, dignity and respect in all phases of transactions. This requires ensuring the integrity and confidentiality of client information. It also necessitates measures that prevent fraud or abuse. For example, staff training in good customer service is important. Incentivizing ethical behavior can positively reinforce staff honesty and reliability. Treating clients with respect at all times, of course entails quite a lot of patience and tolerance, but this will surely endear you more to your clients.

Another important element of client-focused banking is a straightforward mechanism for complaints resolution. We at the Bangko Sentral, encourage banks to institutionalize a system of redress that immediately addresses customer concerns. It is essential that your clients know where or who to complain to within your institution.

Complaints should be viewed in a positive light. The complaints or negative comments that you receive provide insight to what might be amiss in your products or policies, or to what you might be doing wrong in your operations. Providing a formal avenue for complaints, even just a humble “suggestion box” in a corner of your branches, is one way for the bank to listen and learn directly from clients.

Information from complaints often carry implications or suggestions for the improvement of product design, delivery, branding, marketing, communications, even for governance and decision-making. As Bill Gates once said, “Your most unhappy customers are your greatest source of learning.” When you make your unhappy customers happy, you ultimately benefit from preserving a reputation that your bank cares.

The Bangko Sentral has established a dedicated unit that attends to complaints against our supervised institutions, the Financial Consumer Affairs Group (FCAG). Among the complaints that FCAG has received is on credit cards, because clients misunderstood or were unaware of the “fine prints” about the fees and charges on their credit card contracts. Thus BSP Circular 702 dated 15 December 2010 was issued to address, among others, the disclosure of all fees linked to credit card transactions. This is just a simple example of how customer complaints can inform policymaking. Your institutions too, can leverage on complaints information in the same way.

While you implement institutional procedures to ensure consumer protection and provide excellent customer service, do not forget that dealing with clients often require some form of financial education. It need not be an elaborate training program or a formal classroom discussion on financial literacy. When bank staff explain the features of a savings or investment product, they are already pointing out the importance of setting aside a portion of the clients hard-earned money into productive use.

It is the Bangko Sentral’s dream that financial education also become embedded in the customer relations of financial institutions. Many have said that the most effective form of financial education happens at the point of transaction.

For our part, we will do our share in promoting economic and financial awareness through our Economic and Financial Learning Program (EFLP). While the EFLP is comprehensive, we know that the Bangko Sentral alone cannot promote financial literacy to the whole Philippine population. In this advocacy, we hope that the market players such as yourselves, can do their share, or even partner with us to make the average Filipino citizen a well-informed financial decision-maker.

Financial education becomes extremely important when you tap new markets, particularly those that are traditionally unserved by the banking system. Earlier today, the Bangko Sentral’s financial inclusion initiatives and the opportunities that arise from these initiatives were discussed. As you take advantage of these opportunities and bring into the financial system the currently excluded – for example the small businessmen, farmers, and low-income sectors – bear in mind that this market will be less informed and is more vulnerable. You will need, not only to innovate products that fit their needs, but also to exercise greater diligence in adequately informing and protecting these clients.

It is noteworthy to see that the new Banking Code already embodies the basic principles of consumer protection and education that I have mentioned. The challenge now is translating this Code into actual standard practice. The greater challenge is to get the whole banking sector, all the big and small players, to consistently uphold the highest standards of customer service and responsible finance. I am confident that the industry will again rise to the challenge.

Be likewise confident that the Bangko Sentral is ready to provide the environment that allows the industry to become stronger, more stable and more client-focused. We are united in the view that the clients are our ultimate stakeholders, and that their well-being as a result of what we do, is of primary consideration.

Thank you and good afternoon.