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# Developing Actions for Customer Empowerment in the Philippines: Sector-level Mapping

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## EXECUTIVE SUMMARY

The Philippines' financial inclusion data show that many Filipino financial consumers face numerous barriers and challenges in access to and use of financial services. To address these challenges, discussions should focus on customer empowerment and what customers can do themselves to make effective decisions to use financial services. Customers who have the ability and confidence to make informed choices exhibit the characteristics of an empowered customer: treated with respect and dignity, have voice and dialogue with their provider, can use and shape the financial services to be more in control of their financial lives, are more likely to be able to make effective use of the services available, provide input to shape the products and services available, and able to better manage their financial lives.

This sector mapping initiative aims to get a deeper understanding of contextual factors that affect empowerment among Filipino customers and explore practical solutions at the provider and market levels to address customer disempowerment. This study engaged sector-level players and financial customers in conversations to understand context and other external factors that affect customer empowerment.

### ***Disempowerment in the Customer's Journey with Financial Services***

The study looked into customer disempowerment happening at different stages in a customer's relationship with the provider and with usage of various financial products and services. Empowerment issues were classified into domains to guide discussions regarding practical solutions: (a) FSP (with incentive to address) domain refers to customer disempowerment taking place within the FSP processes and where acting will make sense for FSPs from a business perspective (such as preference for inappropriate products); (b) FSP (without incentive to address) domain is similar to the first classification, but disempowerment may act to benefit the FSP (such as lack of information about competitors) or be neutral from the FSP's perspective; (c) market domain relates to factors that are beyond the individual provider's capacity to solve, such as poor internet connectivity; and (d)

cultural and behavioral domain refers to non-structural factors that relate to ways in which people think and act, which may become points of disempowerment.

**Disempowerment in the search and select stage** is about barriers to choice. Limited information on financial products and providers is a concern more prevalent among rural customers; and even more challenging for those with connectivity issues, low levels of literacy, and non-smart phone users. Another barrier is the lack of trust in financial service providers and products that stem from one's experience such as unethical collection practices, money "getting lost" in online transactions, and other security issues, to name some. Still, for low-income customers who have limited access to products and FSPs, availability of choice and information becomes irrelevant as they will accept the first offer that comes their way.

**On customer's access to financial services, providers** may have methodologies and requirements that discourage primarily low-income customers from accessing financial products. While these are put in place by FSPs to manage risks, these can affect the behavior of customers who feel intimidated, and worse, excluded because of these requisites. Access is also hampered by the lack of awareness and understanding of product terms and services. Lack of or hard to understand information is one thing, navigating through them in the digital platform is another. While infrastructure remains a barrier on access in rural areas, telecommunication infrastructure, specifically, is a hurdle in customer empowerment in terms of choice and access to digital financial services.

**Actual usage of financial products** also presents challenges to empowerment. Inadequate consumer protection exposes users to unethical and unfair collection practice. Fraudulent activities and lack of transparency on product terms and conditions, whether deliberate or otherwise, erode trust between provider and customer. In the digital market, issues associated with digital financial products and mobile banking including connectivity affect people's confidence in using them.

**The customer's voice** is a powerful element of empowerment. While stakeholders provide various feedback channels, there is a need for greater awareness on the availability of these channels. On top of this, there is the issue of convenience of use. Whether by traditional or digital channels, convenience - requirements, access points, connection, and ease of use of feedback mechanisms - are considerations that contribute to the customer's engagement or disengagement with the FSP. Filipino culture also affects customer's voice. Filipinos are non-confrontational people and would tolerate "less serious" issues for reasons such as intimidation, loyalty, and gratitude to the FSP. This tendency to avoid embarrassment and conflict contributes to disempowerment.

**Who is most affected?** Disempowerment happens to many in the low-income customer segment, but in this spectrum, rural financial customers are most affected by empowerment issues. Knowledge and information gap about products and providers, as well as limited access to DFS and FSP access points are among the impediments to choice, access and usage. Urban financial consumers, on the other hand, are mostly affected by trust and access issues as information are likely to be more available than for their rural counterparts.

### **Responses to Challenges to Customer Empowerment**

Recognizing the challenges to customer empowerment also means identifying measures to address these hurdles. **FSPs improve transparency and communication** by simplifying terms and conditions of products; translating materials into the local language; combining written and verbal ways to communicate; and, for microfinance institutions, maintaining face-to-face interaction. FSPs' utilization of online and digital platforms to disseminate information benefits clients with stable internet connection.

**Building trust and confidence** on financial products and providers require stakeholders to improve or put in place good practices on consumer protection. Policies on consumer protection recently set forth by the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) are positive ways forward while FSP associations encourage members to adhere to codes of conduct.

Regulators, FSP associations, and providers, are now paying more attention to **customers' voice** and improvement of **product usage experience**. They continue to seek more ways to engage with product

users, taking into account users' convenience in accessing feedback channels.

On top of all these, **financial education** remains vital to addressing customer disempowerment. FSPs have integrated financial education in their non-financial services and training programs and brought the initiative to digital and online platforms. Public and private sector-led initiatives have produced a wealth of education materials and content that target specific groups with the goal of reaching more marginalized sectors.

### **Initial Ideas Regarding Practical Solutions**

While there are current efforts to address challenges to customer empowerment, there remain gaps that need solutions at the market level. **Knowledge and information** gap especially in rural areas and low-income communities causes low level of awareness on financial products and providers. **Connectivity** issues slow digital financial literacy drive that otherwise could have introduced customers to a wide range of products that cater even to low-income individuals. **Trust** issues due to usage experience and engagement with providers persist. While financial education improves customer empowerment, there is also a need to build one's **financial capability** that, in turn, builds customer's confidence and ability to make informed decisions regarding choice, access, and use of financial services. Numerous points of disempowerment in **customer voice** are behavioral and cultural in context – intimidation, lacking in confidence and low appreciation of the value of feedback or complaints. It is also among financial consumers where there is little awareness of their rights as consumers and how these can be asserted.

Practical, **market-level solutions** that can be explored and may be taken to the pilot stage include the following: 1) customer empowerment agents that can assist financial consumers at different points in their financial journey; 2) online community of users and influencers whose experience with financial products can help build customer trust; 3) financial consumer group that truly represents the voice of consumers and can inform policymaking, product design, and redress and resolution; 4) complaints resolution by FSP associations can improve confidence in sending complaints by providing friction-free and shame-free, and minimal or even cost-free channels particularly for low-income users; 5) financial education that integrates customer empowerment and consumer rights and; 6) financial marketplace for all types of products and providers, and for all types customers and their needs.

## 1. Introduction

To achieve the goal of financial inclusion for all, there are many barriers that customers or potential customers face to access and use financial services that need to be addressed. In the Philippines, the country's financial inclusion data speak of the extent of these barriers: 31.2% of cities and municipalities in the country have no banking presence although 26.6% have other access points; there are 14 financial service access points per 10,000 Filipino adults; only 32% of the adult population have a formal account with a financial institution and only 4.5% have a mobile money account<sup>1</sup>; insurance penetration in terms of premium as a share of GDP is 1.76%; in terms of volume, the share of digital payments to total payment transactions is 10%<sup>2</sup>.

There is much that empowered customers can do themselves to make effective decisions to use financial services. A focus on customer empowerment shifts the emphasis from supply to demand and understanding the factors that facilitate and block customers from accessing and using financial services. Customers who have the ability and confidence to make informed choices exhibit the characteristics of an empowered customer: treated with respect and dignity, have voice and dialogue with their provider, can use and shape the financial services to be more in control of their financial lives, are more likely to be able to make effective use of the services available, provide input to shape the products and services available, and able to better manage their financial lives<sup>3</sup>.

The issues on customer empowerment being experienced by Filipino financial consumers are numerous but not insurmountable. By and large, there is much that the financial services sector can do - both at the provider level and at a market level - to improve customer empowerment. This, however, entails understanding which areas of disempowerment persist, and which ones are emerging due to the changing financial landscape and evolving market characteristics. Market-level and infrastructure issues, such as the lack of a national ID and unreliable mobile and internet connectivity, are also impediments

to seamless and beneficial use of financial services. With its well-developed financial system, a mature microfinance market, numerous competing providers, and strong presence of digital financial services, the Philippines is an ideal market to develop practical strategies to empower customers and enable them to be more effective in their engagement with financial services. Likewise, there are well documented challenges in terms of financial literacy and consumer protection that highlight potential gaps in terms of the key elements of customer empowerment—choice, voice, respect, and control.

This sector-level study aims to build and deepen understanding of contextual factors that affect empowerment among Filipino financial consumers and identify initial concepts that can potentially address customer disempowerment at both the financial service provider (FSP) and market levels. It is part of a broader project that plans to bring these concepts to pilot testing of mechanisms that support customer empowerment. Specifically, the project has the following objectives:

- a. Understand at the provider, sector, and market levels the factors that disempower and empower customers in relation to their engagement with financial services at different stages and in various areas (choice, access, use and voice).
- b. Understand opportunities to strengthen customer empowerment and to develop a proposed structure building on existing infrastructure for how this could work in a sustainable way, drawing on both public and private sector input.
- c. Pilot test the mechanism/s to support customer empowerment to deliver a proof of concept for a scalable and replicable model.
- d. Document and disseminate the experience of this project to allow for adaptation and replication in other markets.

This project builds on the work of the Consultative Group to Assist the Poor (CGAP) and is being led by the Social Performance Task Force (SPTF) and the Microfinance Council of the Philippines, Inc. (MCPI) with support from AFD and the Government of Luxembourg.

This study engaged sector-level players in conversations to understand context and other external factors that affect customer empowerment. Key actors at four levels were identified and interviewed: (1) government regulators; (2) financial service providers (FSPs, such as regulated financial institutions, microfinance NGOs, cooperatives, insurance companies, lending companies, digital

<sup>1</sup>Based on the 2017 World Bank Findex; Source: Financial Inclusion Dashboard, Q1 2020 of the Bangko Sentral ng Pilipinas.

<sup>2</sup>Source: Financial Inclusion Dashboard, Q1 2020 of the Bangko Sentral ng Pilipinas.

<sup>3</sup>Koning, A. and G. Murphy. August 2017. Customer Empowerment in Finance: Why greater choice and control for poor customers is better for business and will help achieve financial inclusion. Consultative Group to Assist the Poor (CGAP).

financial services or DFS, money remittance and payment services); (3) associations of FSPs; and (4) consumer groups. Discussions focused on ways which customers engage primarily with their providers and explored possible models for supporting customer empowerment. The research also carried out customer interviews to understand the specifics of the customer journey and highlight points of disempowerment in their engagement with financial services. (Details of the methodology used to gather data are in Annex C of this report.)

## 2. Disempowerment in the Customer's Journey with Financial Services

Empowerment and disempowerment happen at different stages in a customer's relationship with the provider and with usage of various financial products and services. This section presents a summary of points of disempowerment at key stages of a customer's financial journey - search and select, access, use and voice – and some of the factors that cause them. To guide discussions regarding practical solutions that will address customer disempowerment, this study classifies empowerment issues into domains where actions may take place: (a) FSP (with incentive to address) domain refers to customer disempowerment taking place within the FSP processes and where acting will make sense for FSPs from a business perspective (such as preference for inappropriate products); (b) FSP (without incentive to address) domain is similar to the first classification, but disempowerment may act to benefit the FSP (such as lack of information about competitors) or be neutral from the FSP's perspective; (c) market domain relates to factors that are beyond the individual provider's capacity to solve, such as poor internet connectivity; and (d) cultural and behavioral domain refers to non-structural factors that relate to ways in which people think and act, which may become points of disempowerment. This distinction in disempowerment by domain are presented in Annex A of this report.

The study also gathered client-level information to gain better understanding of these points of disempowerment – where they are taking place in a customer's journey with financial services, and why. These customer experiences are summarized in Annex B.

### Search and Select

In the search and select stage, customers need to have the ability to make informed decisions and effective choices regarding FSPs and products that they will use. Disempowerment in this

stage is all about barriers to choice – what limits the customer's ability to choose products and providers that will best serve their needs.

**Limited information means lack of awareness and familiarity with financial products and providers.** This is particularly prevalent among rural individuals but also happens among urban customers. There is limited information reaching mostly rural areas due to lack of publicly available information about FSPs and products that customers have access to. Word-of-mouth information coming from social circles and some so-called local/community “influencers” is relied on for the most part even if there are no means to verify the information's accuracy.

*“In terms of access to information, usually, the more rural the area, there is less access to providers and information. There is a rural-urban divide in access and availability of information. While access and choice are more limited in rural areas, it is not zero except in certain areas that there is really no provider or there is only a sole provider.”*

- Mr. Tomas Gomez IV, GM Bank President

Microfinance clients demonstrate strong familiarity with MFI products and services. Differentiation between providers is mostly based on product and service offer (e.g., insurance, scholarship), product policies (e.g., when and how much of savings can be withdrawn) and turnaround time (e.g., loan application, claims request). They do not appear to struggle with choice and, in fact, show confidence about their preference for microfinance services. Outside of these products, however, such as those offered by banks, insurance companies and DFS providers (e.g., digital loans, mobile wallets), these individuals already demonstrate lack of awareness.

*“The main barrier is the public's lack of knowledge or information about financial products and not only about insurance products. In the Insurance Commission's series of microinsurance awareness programs, it is surprising that only an average of 1 out of 49 persons have knowledge or have at least heard what is microinsurance even though there are already an estimated more than 30 million insured lives in the country.”*

- Atty. Juan Paolo Roxas, Manager, Microinsurance Division, Insurance Commission

Access to information can be most challenging for individuals facing telecommunication signal and internet connectivity issues, those with low levels of literacy, and non-users of smart phones.

### **Lack of trust of FSPs and financial products.**

Whether it was a result of a bad experience or of stories heard from peers, lack of trust of providers and products affect an individual's range of choices. For micro-loan clients, FSPs with unethical collection and fraudulent practices are not to be trusted. Information about FSPs that do not give clients their savings or do not leave clients' houses until payment is received spreads quickly through word of mouth and social networks particularly in small communities. Likewise, financial customers have several reasons why they simply cannot put their trust on DFS and e-banking – money getting lost in ATMs, online transactions, and agent banking; security issues; public shaming of delinquent digital loan users; irresponsible sharing of data (see Box A). Many agree that saving using digital platforms requires a higher level of trust and acquiring this trust will need both FSP and market-level actions.

#### **Box A. Judy**

Persona: Urban returnee Overseas Filipino User of MF NGO loans, savings, and microinsurance; two digital wallets; bank savings account

#### **Distrusts digital lenders due to privacy and unethical collection practices**

Judy is aware of digital loans, but she does not use them because she has no need for a loan right now, and she does not trust them with her data. *“Pag gumamit ka ng application, there are certain things na maka-capture ng app. There are also companies that are not trustworthy with your data. I have a friend na nag-loan sa ganyan, sinabihan sila na kapag nag-delay ka sa loan mo, ite-text namin lahat ng nasa inbox mo.”* (If you use applications, there are certain data that they will capture. There are also companies that are not trustworthy with your data. I have a friend who took a loan from a digital lender, and she was told that if her payment is delayed, they will send a message to all the contacts in her inbox.)

**It is not usual for financial customers to compare products and FSPs.** Ideally, customers should be able to compare products before making any purchase. Comparisons and any decision to purchase should be based on truthful information. However, financial customers, particularly low-

income individuals who are in dire need of loans, are no longer motivated to make these comparisons between products and providers. According to ASA Philippines Foundation's CEO and President, Kamrul Tarafder, the only thing they have in their mind is if they will get some capital or not. If they get it in any way, they will forget some of the information. For them, it is very irrelevant, and their choices are limited. This limited choice also results to limited access as they tend to accept any product offer that comes their way.

Among DFS users, the barrier to application is low such that they no longer window shop for other providers. Faceless applications of DFS products enable customers to apply with several providers without a sense of intimidation. While this is not exactly disempowering for a DFS customer, a lack of motivation to compare can affect ability and confidence to use information to select products that are more beneficial and suitable.

*“Because the barrier to application via mobile app is low (which takes about 5 to 10 minutes to complete and is faceless), pera247 found that people who apply digitally will apply in as many places and as often as possible. Either they hear about the digital app from a friend, they see a blog, or they're targeted by an ad. It is very painless and effortless to click on a link and apply. In addition, the unbanked will typically not bother to comparison shop, rather they will continue to apply in as many places as possible and accept the first provider who approves and funds them.*

*Once they continue to take second and third loans, they become more savvy and they experience a relationship with more than one lender, that is when they start to compare.*

*Most of the unbanked users of online/digital lending are those in dire need of credit and they don't do much comparison for financial products.”*

- Mr. Mike Singh, Chief Lending Officer, pera247

Client loyalty and satisfaction are desirable outcomes that FSPs aim for and can be attributed to quality service and good relationship with clients. This was frequently observed among rural and microfinance clients and may result in lack of motivation to check other providers. A low-income customer enjoying a good relationship with a FSP will hesitate to switch providers,

particularly if there are hurdles to switching (e.g., lacks information about other FSPs, has barriers to access, or is afraid that application will get denied). Client loyalty not only affects a customer's ability to select a FSP based on informed comparisons, but also affects voice as will be discussed in another section.

### Access

Financial customers face numerous challenges when trying to obtain financial products and services, but the constraints are greater for low-income individuals.

**Product features and FSP policies that are barriers to access.** Certainly, there are product features that constrain access to financial products and services. Among clients of microfinance providers, there is growing weariness of the group loan methodology, particularly the need to maintain a group, attend regular meetings, and co-own members' loans. Individuals intending to take out loans from banks and cooperatives have issues regarding requirements (e.g., KYC, deposits, collateral), while DFS providers' basic ID requirement is difficult to comply for primarily unbanked individuals who do not have valid and government-issued IDs<sup>4</sup>.

*“On whether group accountability is seen as a barrier to access and use – KMBI did a bit of modification in doing group lending. Initially, there were 30 members in a center, but this became a barrier to access. Currently, 15-20 members are allowed but within the span of their 6-month loan, they must work towards becoming 25 members. The institution continues to study this aspect and is, in fact, considering to further lower the minimum number of members or resort to “batching”. This is in response to customer feedback and part of fulfilling KMBI’s desire to include hard to reach communities. There are also clients who are starting to dislike and get tired of the idea of co-ownership, especially those whose loans are relatively small, yet they are obliged to help the ones with bigger loans. This needs serious attention too.”*

- Ms. Hazel Bayaca, KMBI Deputy Executive Director

<sup>4</sup>The Philippine Identification System, or PhilSys, aims to establish a single national identification system for all citizens and resident aliens of the Republic of the Philippines. Full implementation began in 2020 as all citizens and resident foreigners are expected to be registered by 2022.

**Behavioral effects of exclusion.** The issues to access described above are not outright exclusion of certain segments of financial customers, but to enable FSPs to manage credit risks associated with serving low-income segments of the market. This, however, leads to multiple points of disempowerment, such as lack of confidence, intimidation and fear of denial. ASA Philippines' Mr. Tarafder shares how a client puts it: “If I go directly to the branch officer, they will deny me (a loan) because I have nothing to show.” When faced with fear of denial or feeling of shame when denied (by a FSP), a low-income individual gets into a ‘take it or leave it’ situation when a product offer comes along. Insufficient financial/earning capacity and lack of education exacerbate this sense of intimidation and the individual therefore shies away from these FSPs. Faceless applications that go with the use of digital or online financial products enable customers to avoid these embarrassing situations, while clients given a loan despite having nothing to show exhibit strong loyalty to the provider.

**Lack of awareness and understanding of product terms and conditions.** On many instances, it is the lack of awareness and understanding of requirements, processes, terms and conditions that hamper an individual's access to financial products. Barriers cited are insufficient information or information available or provided is just not easy to understand. This is frequently experienced by individuals trying to use bank loans, insurance and DFS products. Digital or online loans, for instance, have application features that are difficult to understand by persons who are not tech savvy. Since most of these apps use the English language, this becomes a challenge for individuals with English literacy issues. Likewise, digital products seem to be complicated such that understanding the terms and conditions is hard and confusing. This is likewise the case with many loan and insurance products.

**There remain market and infrastructure barriers in terms of access to financial products and services.** The costs and inconvenience caused by traveling some distance to reach access points are still barriers for many financial customers in rural areas (see Box B). Connectivity issues, on the other hand, not only limit their access to information but their access to DFS products as well. There is tendency for fintech players to go to highly urbanized areas where smartphone penetration is high and information access and product usage are easier.

### Box B. Ellen

Persona: Young rural individual with college education, basic user with a smart phone  
User of MF NGO loan, savings, microinsurance; bank savings account; two life insurance products; remittance center; and mobile cash remittance service

#### Lacks access to banking services due to distance

Since her husband is now working in Bicol, Ellen receives remittance through a mobile cash remittance service. She and her husband do not prefer bank-to-bank transfer of his monthly remittance because it is more convenient for them to send and receive it through a mobile cash remittance service. To access a bank, Ellen needs to travel to Cabanatuan City, which is about 45kms away, while a mobile cash remittance agent is located near their house.

### Use

Disempowerment in use of financial products describes the challenges customers face during actual usage – during onboarding and renewal or continuing use.

#### Inadequate financial consumer protection causes many points of disempowerment in product usage.

Users of digital, traditional and microfinance loans are wary of FSPs that use unethical and unfair collection practices, such as harassment and public shaming if the borrower is delinquent with payments. Fraudulent activities, whether committed by the staff or with a client's involvement, adversely affect the FSP's reputation and its relationship with clients (see Box C).

### Box C. Maria

Persona: Urban low-income woman, frequent user of financial products  
User of loans, savings, microinsurance from one MF NGO and one rural bank, bank savings account, and a digital wallet

#### Distrusts FSP due to fraud

Before becoming a member of an MF NGO, Maria had a bad experience with a lending company. She found out that the collector was not depositing her payments, which resulted to her account being past due even though she was paying weekly for almost two years. Because of this incident,

Maria decided to discontinue borrowing from them. *“Nag-loan ako sa isang lending company at naghuhulog pero iyong hinuhulugan namin ay hindi hinuhulog ang bayad namin. After two years, na-open ang account ko at na-detect na puro past due. Six months na lang ay matatapos na ako. Nagbabayad po ako weekly pero hindi pala hinuhulog ng hinuhulugan namin. Nalaman namin na kakuntsaba po niya ang collector. Sa kagustuhan kong malinis ang pangalan ko, sinugod namin kasama ng konsehal iyong taong hinuhulugan namin at ang collector. Noong naging okay na iyon, binabalikan pa po ako dito pero sinabi ko na ayoko na talaga.”* (I borrowed from a lending company and I was religiously paying my dues weekly to the person assigned to deposit my payments. But after two years, it was found that my account was past due. I was just six months away from paying off my loan. I then found out that the person who should be depositing my payments to the collector wasn't doing so; and they were even allies. I confronted them in order to clear my name. And after that, the lending company persuaded me to come back, but I already refused.)

Another source of customer disempowerment is lack of transparency, which can cause confusion and lack of understanding of product terms and conditions. The FSP's lack of transparency can be due to several factors – deliberate non-disclosure of certain information, absence of standard practice to communicate or explain key information, or staff's inability to effectively communicate product information with clients. Financial customers perceive lack of FSP transparency when they receive contracts and policies with terms and conditions in English, in fine print and without an accompanying orientation. The need to understand product terms is higher for customers with low levels of literacy. For insurance policy holders, the challenge is understanding key insurance concepts and policies and the list of claims requirements. When insurance products are bundled with loans, which is the case with many microfinance products, customers tend not to pay much attention to insurance because the main intention was to take out a loan.

There are FSPs that observe good client protection practices in terms of transparency, fair treatment of clients, and data privacy – compliant with regulations and standards - but there are

countless others that still do not. FSPs that do not adhere to principles of client protection can cause the erosion of overall trust on providers and products. This risk on reputation and image is also caused by the lack of strict sector-level enforcement of codes of conduct and standards of financial consumer protection.

**Trust and infrastructure issues with DFS and mobile banking.** Issues regarding internet banking, digital financial products, use of ATMs (i.e., fund transfer concerns, uncredited/unremitted funds, unauthorized/disputed transactions, undispensed withdrawals) and agent banking continue to hamper seamless use by customers. Digital transactions are also constrained by slow internet and costly connections. While the nature of these issues are technology and infrastructure related, these points of disempowerment do not help efforts to build trust and confidence among potential users.

### **Voice**

Empowerment in this area pertains to a financial customer's ability to voice a concern, request, question, or complaint. It is also about the customer's engagement with the FSP – the confidence to connect particularly when encountering issues regarding products and services. Voice is a powerful element of empowerment and cuts across all stages of a customer's financial journey.

**Scant information about feedback channels and challenges regarding its use do not support client voice.** FSPs provide various channels to receive feedback and complaints from customers. Traditional means such as suggestion boxes or dedicated customer hotlines are often used, while online and social media platforms (e.g., Facebook, websites) are increasingly utilized. The Bangko Sentral ng Pilipinas (BSP) requires all BSP-supervised financial institutions to establish a consumer assistance management system that will address client concerns. While there are still many providers that do not have these systems in place, it is also the FSPs' inability to communicate information about these channels to clients – how they work or should be used, how feedback and complaints benefit both clients and institutions, that financial consumers have rights – that limits voice. Even at the market level, information about complaints channels of regulators, FSP associations and consumer groups is not well disseminated to financial customers. Access to this information is particularly hard for rural customers and those without online connections.

The inconvenience of filing complaints or sending feedback has much to do with challenges customers have to face when using different channels. Less technology-savvy users of DFS products find themselves having problems using digital or online mechanisms. Reaching customer service officers of banks and insurance companies can be burdensome and complicated (see Box D). Add to this the need to disclose identity and comply with requirements (e.g., medical report to support an insurance claim) to validate the complaint. Clients of MFIs enjoy the convenience of being able to connect with a branch staff, usually the loan officers, on a regular basis. A weekly meeting or visit by the loan officer is an opportunity to provide feedback or inform the FSP about any concerns. This leads to an idea that perhaps what is needed is to increase opportunities to engage customers in dialogues rather than just providing complaints or feedback channels. One-on-one dialogues or in small groups can encourage customers to open up about their experience. This builds a sense of assurance among customers that they are being heard, which is what many microfinance clients say about their providers.

#### **Box D. Gabriela**

Persona: Urban returnee Overseas Filipino  
User of two credit cards, bank savings account, critical illness insurance with life insurance, and health insurance

#### **Complaints/feedback channels are difficult to use**

Gabriela returned to the Philippines in January 2018 and got employed by a non-profit organization in June of the same year. During her employment, she was given health insurance as one of her benefits. When she resigned, she accepted her employer's offer to continue her health insurance. It was a good decision because she had health issues and the insurance was very helpful. For Gabriela, however, calling the health insurance company for questions or concerns can be challenging as they do not respond quickly through text or email. She uses the landline although she must wait before a representative entertains her concern. Calling the health insurance company is her last resort. She would first check its website and see if there is any information available that can answer her questions.

Inconvenience felt by financial customers can also be due to distance to access points, costs

in sending a complaint, or connection issues if feedback is sent through SMS, e-mail or social media. Oftentimes, clients weigh up whether sending a complaint is even worth the effort and this hesitance builds up when concerns or issues are unattended (see Box E). When feedback channels are difficult to use, customers get the sense that they do not have a voice.

**Cultural and behavioral norms affect voice.** It is believed that Filipinos are non-confrontational people. If an issue can still be tolerated or if it does not affect them seriously, a Filipino financial customer will not complain or question the matter. This attitude may also come from a feeling that reporting a FSP has repercussions – a customer might be viewed as ignorant or ungrateful or the situation might lead to a souring of relationship with the provider. This feeling of intimidation and unease is stronger when complaint channels do not have the option to remain anonymous and disclosure of identity is required. Customers tend to look for shame-free and frictionless channels through which they can send feedback and complaints.

#### **Box E. Teresita**

Persona: Rural woman, basic user and part of groups/centers  
User of MFNGO loan, savings and microinsurance since 2011; Rural bank loan, savings, and microinsurance until December 2020

#### **Unable to file claim due to inconvenience (numerous requirements, cost)**

When her grandchild got bitten by a dog, Teresita and her daughter (who was also a bank client) asked the collector about their microinsurance and how they can file a claim. The collector asked for many requirements, which would be a hassle to provide and would also cost her. So Teresita and her daughter decided not to file a claim anymore, since the benefit was just a small amount and she would have to shell out money for the certificate being asked. *“We did not claim it because it would cost us money for the transportation going to the city health center in Cabanatuan and for the certificate, then we will only be able to claim a small amount.”*

#### **Did not file a complaint – felt it was not worth the effort**

Teresita and her daughter did not voice out her concern with the branch because the benefit was only PHP500. *“I did not complain*

*because it was only a small amount, and my grandchild was already fine.”* Due to this bad experience, Teresita’s daughter dropped out of the rural bank, while Teresita will end her account next month.

Where relationship, client loyalty and sense of gratitude for the provider are strong, clients have the tendency to withhold comments, particularly if these will offend the FSP. This is frequently observed among clients of microfinance institutions, who value their relationship with the provider that gave them a loan when others would not.

#### **Who is most affected?**

In this study, attention was given to low-income customers and the points of disempowerment they experience. The study also acknowledges that disempowerment happens to certain customer segments at varying degrees at different stages of the financial journey. In this spectrum, **rural financial customers** are most affected by many areas of disempowerment. Gaps in knowledge and information affect choice and naturally their opportunity to access and use a wide range of financial products and providers. Rural individuals likewise face limited access to digital financial services and FSP access points located in urban centers. The barriers to voice are also high as options regarding complaints and feedback channels are limited.

**Clients of microfinance and microinsurance providers**, who generally fall under the low-income segment, face different types of disempowerment. For both urban and rural clients, there is low level of confidence to access other types of financial products and services (e.g., DFS, bank loans and savings). Product bundling and other features that characterize microfinancing can be issues that affect access and usage.

In urban locations, the barriers to choice are not as high due to availability of information through various platforms. For urban financial consumers, the challenge is how to use information to make meaningful and informed choices. This is particularly important in situations where information – whether truthful or not - may lead to distrust and negative perceptions about financial services and may therefore affect choice and access. **Low-income urban customers** face

additional challenges regarding access to formal financial products (e.g., bank loans) and DFS due to KYC requirements, low levels of literacy and inadequate financial capacity.

Several **issues affecting voice cut across customer segments**: unaware of feedback and complaints channels and their rights as consumers to air their grievances; lacks the confidence to submit complaints due to perceived repercussions; and failure to appreciate the value of client feedback in improving financial products and services.

### 3. Responses to Challenges in Customer Empowerment

Various initiatives exist at the FSP and market or levels to respond to customer disempowerment and improve customer experience. These are either improvements in current mechanisms or new ways to respond to challenges faced by customers in their engagement with financial services.

**Improving transparency and communication of product information.** Aside from simplifying product terms and conditions, FSPs are also improving how they communicate information with clients. Most MFIs have maintained high touch delivery of services and therefore find several touchpoints to provide information. There is face-to-face client orientation prior to and during onboarding and at loan disbursement. Weekly meetings or branch staff visits are also opportunities to provide updates regarding policy changes and product upgrades. For client-members of microinsurance-MBAs, MBA Coordinators are useful channels of information. Since these coordinators are co-members, they are on the ground and are therefore easily accessible and approachable by customers.

Combining verbal and written ways to communicate product terms work better for financial customers, particularly those with literacy limitations. There are providers, mostly MFIs, that have translated loan contracts, savings passbooks, and insurance policies into the local language. There are a few that give new clients a welcome kit, which compiles key information that is important for clients to know and understand, including how to file complaints.

Providers are likewise taking advantage of online and digital platforms to disseminate information. Information available in websites, Facebook and other social media platforms is increasing as

financial consumers with internet connection find these channels easily accessible.

These information and communication channels, however, have largely benefitted existing clients of FSPs and those with internet access. Many customers in remote and rural communities, particularly those with internet connection issues, are still missing out on what should have been easy-to-access information.

**Building trust and confidence on financial products and providers.** Financial customers' trust issues affect access and ability to gain benefits from usage of products. Lack of trust influences perceptions and behavior and can therefore affect engagement with providers. It can be addressed at various fronts: improving transparency and disclosure, ensuring ethical treatment of customers, respecting clients' rights and data privacy, and resolving complaints.

At the sector level, financial consumer protection is high on the agenda of regulators such as the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC). The BSP, in particular, issued Circular No. 1048 in 2019 that sets the framework and regulations that will institutionalize consumer protection as an integral component of corporate governance and risk management. The circular includes guidelines and procedures for the establishment of a Consumer Assistance and Management System by all BSP-supervised FIs. Current efforts will be strengthened by a proposed legislation that will provide these government financial regulators additional powers for "surveillance, examination, enforcement, adjudication and rule-making" for the protection of financial consumers<sup>5</sup>. Laws that are currently in effect, such as the Truth in Lending Act and the Data Privacy Act, have improved FSP practices on transparency and consumer data privacy and security.

FSP associations are also contributing to trust building efforts through codes of conduct that members are encouraged to adhere to. FinTech Alliance initiated the crafting and adoption of a code of conduct in the fintech industry as a response to the rising cases of public shaming of borrowers. MiMAP has a code of conduct that is founded on the principles of "mutuality among

<sup>5</sup>House Bill 6143, or the Financial Consumer Protection Act, is pending approval by Congress.

mutuals” and recognizes that member-clients have the right to choose from which MBA to get insurance products if they have multiple MFI membership.

At the FSP level, regulated financial institutions are expected to follow rules on consumer protection. The SEC, through the Microfinance NGOs Act, has included prevention of over-indebtedness, transparency, responsible pricing, responsible treatment of clients, ethical collection practices, data privacy and complaints resolution in a set of performance standards that MF-NGOs need to comply to acquire accreditation. Only a few Philippine FSPs have been certified as fully compliant with the Smart Campaign’s Client Protection Principles, among them One Puhunan and Alalay Sa Kaunlaran, Inc. (ASKI). As for many other local FSPs, consumer protection is not seen as essential in financial services and therefore hardly adhere to principles of good practice.

**Supporting customer voice.** Regulators, FSP associations and providers are paying more attention to complaints resolution to address customer issues and improve experience in product usage. Aside from the usual complaint channels - SMS, customer service hotline, email, website, social media (FB, Twitter), and customer service officers in access points – providers establish other ways for clients to reach them. One Puhunan published the mobile phone numbers of all field managers in all branches so that clients can also contact them for complaints. It is part of pera247’s disclosures to inform users about complaint channels and where they can lodge them – including the SEC’s email address and hotline numbers.

Regular and systematic collection of customer feedback is a reliable way of getting connected with clients. KMBI actively conducts customer satisfaction surveys while Tala has surveys that are sent out to customers after trying out the product for the first time. St. Martin of Tours Development Cooperative holds a Service Experience Survey in all branches every two months to determine the members’ level of satisfaction in terms of service delivery. Management uses the results of SES to further improve cooperative services.

The BSP’s various consumer protection assistance channels include email, phone call, and postal mail. In July 2019, the BSP launched “BOB”, or BSP’s Online Buddy, a chatbot that

allows consumers to raise any concerns about financial institutions through SMS, the BSP’s webchat and FB Messenger. Users of BOB may communicate in English, Filipino/Tagalog or Taglish. Aside from processing complaints, BOB is also equipped to automatically generate reports on consumer feedback, profile and usage. The Financial Consumer Protection Bill pending in Congress will enable financial regulators, such as the BSP, to make judgements or adjudicate regarding consumer complaints. The SEC, on the other hand, receives numerous complaints mostly from customers of finance companies, including digital/online lenders, through its existing complaints channels. The SEC also plans to launch a grievance redressal system for client-members of MF-NGOs, which will serve as a third-party channel for complaints for this segment of financial consumers.

**Financial education is key.** Financial education addresses numerous areas of customer disempowerment, such as insufficient knowledge of basic financial concepts, and lack of financial discipline and capability. For FSPs with capacities and resources, financial education is being provided to customers as a non-financial service. For microfinance institutions, this is normally part of client training given during onboarding or regular meetings. DFS providers such as pera247, on the other hand, integrate financial education in apps or through the website.

There is a wide range of public and private sector-led financial education initiatives in the country. There is also wealth of materials and content that target specific groups such as Overseas Filipinos (OFs) and their families, micro-entrepreneurs, youth, public school teachers, soldiers, cash transfer program beneficiaries and farmers. Many of these programs, however, face funding and sustainability issues while other vulnerable, low-income market segments are yet to be reached.

The BSP puts financial education as one of the pillars of an inclusive financial system and is implementing various programs anchored on strategic partnerships. Its partnerships on financial education with government agencies aim to reach marginalized sectors (i.e., fisherfolk, 4Ps beneficiaries, MSMEs) and other key segments of the population (e.g., overseas Filipino workers, students and civil servants). BSP’s Customer Centricity Campaign, or C3, shows immense promise to address customer disempowerment.

The C3 envisions a financial system that responsibly serves, responsively informs, and adequately protects all consumers of financial services by: (1) developing a culture of responsive and responsible financial service provision among all supervised financial institutions; (2) fostering a collaborative environment between regulatory agencies, industry associations and all FSF supervised institutions in advocating for and practicing customer-centric ways of doing business. (More details on C3 are in Annex D)

#### 4. Some Initial Ideas regarding Practical Solutions

While there are many laudable efforts that seek to address customer issues in terms of choice, access, use and voice, there remain several gaps that need to be addressed at the market level. There is **knowledge gap about products and providers** that financial consumers have access to due to **limited reach of education campaigns and publicly available information**. Individuals most affected are those in rural areas but may also be experienced by low-income market segments in urban and peri-urban areas. Any information available on the internet will not be accessed by individuals with connection issues, with literacy limitations and those without smart phone. **Inadequate digital financial literacy** is also affecting awareness of and trust on the wide range of digital financial products and services that can serve even the needs of low-income financial consumers.

*“Opportunity for customers’ access (to financial services) will depend on the information he/she gets. Some of them might have not even finished high school and do not know how and where to ask. So instead of providers looking for people who will ask them, they should look for them and teach them.”*

- Atty. Vic Dimagiba, Founder and President,  
Laban Konsyumer, Inc.

The **persistence of trust issues** on FSPs and their products brought about by fraudulent activities, harmful practices, unfavorable consumer perception and overall lack of consumer protection is a key barrier that will need complementary efforts among sector-level stakeholders. Current financial education initiatives can significantly address **inadequacies in financial literacy** of target groups but may not necessarily bring down barriers to

customer empowerment. It will need building the consumers’ financial capabilities that will give them the confidence and ability to make informed decisions regarding choice, access and use of financial services. Providing support for use of financial services, such as, consumer debt counselling would also help to build confidence as would public interest litigation to enforce consumer rights.

Numerous points of disempowerment in customer voice are behavioral and cultural in context – **intimidation, lacking in confidence and low appreciation of the value of feedback or complaints**. It is also among financial consumers where there is **little awareness of their rights as consumers** and how these can be asserted.

The following initial concepts emerged from this research and offer practical market-level solutions to remaining gaps and challenges in customer empowerment:

**1. Customer empowerment agents.** These are independent and provider-neutral agents who will provide the following services, among others: (a) provide information and education about FSPs and their products and services, (b) market monitoring, (c) collect customer feedback (including complaints), and (d) support customers with paperwork and process of engaging with their provider, including when they want to switch providers.

**2. Financial consumer group.** A credible and collaborative consumer group that truly represents the voice of financial consumers, particularly in terms of providing perspectives and raising issues that can inform financial consumer protection policymaking, financial capability program design, as well as redress and resolution.

**3. Complaints resolution by FSP associations.** External complaints channels that provide friction-free and shame-free access to channels at no or minimal cost can improve confidence in sending complaints about FSPs and products, particularly among low-income customers of microfinance and microinsurance providers.

**4. Financial education that integrates customer empowerment.** Enabling financial capabilities of consumers needs further education regarding the four elements of customer empowerment: choice, access, use and voice. It is equally important that financial education includes

consumer rights education and how FSPs should uphold their rights and protect them from harmful practices.

**5. Online community of users and influencers.**

Bloggers, vloggers and influencers in social media can help provide information about product features, step-by-step process of how the product works, and their experience in using financial products and services. It builds trust because it shows people have already used the product, and they had a positive experience with it.

**6. Financial marketplace.** This is a financial marketplace for all types of financial products and providers. It should target rural and low-income financial customers who are experiencing issues regarding access to information. Useful for customers who are more particular in comparing and for those who want to make more informed decisions regarding use of financial services.

Additional details about these concepts are found in Annex E.

## Annex A. Points of Customer Disempowerment, By Domain

Search & select	Cross-cutting issue	DFS-specific issue	Personas/segments affected
FSP domain (with incentive to address)	Lacks awareness of FSPs, access points, and financial products and services due to lack of publicly available information – relies on information from own circle or network of peers, friends, family, and from leaders (influencers) in the community  Lack of trust of FSPs (caused by factors such as complaints about negative experiences with products and FSPs, e.g., public shaming of delinquent borrowers)	Lack of trust of digital platforms, such as with deposits and payments using agent banking (caused by DFS-related complaints or negative experiences)  Customer does not compare or does not shop for the right product anymore because the barrier to application is low. Customer applies with several providers – whether referred to them, heard about it from a friend, a blog, or was targeted by an ad.	Rural customers
FSP domain (no incentive to address)	Limited awareness of providers and access points due to lack of publicly available and easily accessible information – relies on word-of-mouth information from social network  (Rural) Limited access to information available online due to internet connection issues  Lack of awareness and understanding of financial products (due to lack of knowledge and education – customer does not know what, where, how to ask)		DFS users/customers
Market domain			Rural, low-income individuals
			Rural, low-income individuals, particularly those with mobile phone and internet connection issues
			Individuals with literacy limitations
			Individuals who do not use a smart phone, or do not use smart phones to search for information and for transactions
		Non-ownership of smart phone devices – DFS providers and digital platforms are not in the range of options	

<b>Search &amp; select</b>	<b>Cross-cutting issue</b>	<b>DFS-specific issue</b>	<b>Personas/segments affected</b>
Cultural/ behavioural domain	Lack of trust of FSPs due to negative perceptions about providers and products	Lack of trust of digital platforms (especially with savings where customers need higher level of trust)	
		Customers who are desperate or in dire need of loans no longer compare products and providers.	DFS users/customers
	Lacks motivation to check other providers and products due to loyalty to their providers (can be due to satisfaction with the FSP's products and services, their good relationship with the provider, and hurdles of switching providers). Customers loyal to their providers may have experienced fear of denial and intimidation by other types of providers.		Microfinance clients

<b>Access</b>	<b>Cross-cutting issue</b>	<b>DFS-specific issue</b>	<b>Personas/segments affected</b>
FSP domain (with incentive to address)	Lacks awareness, understanding and information about requirements, process, policies (particularly with loans & insurance). This may be caused by factors such as insufficient FSP channels to communicate and disseminate information to customers.	Lack of understanding about app features and T&Cs due to complicated digital products, particularly digital loans	
	Groupings and group accountability, particularly for customers who do not prefer these features. Clients who "got tired" of co-ownership (of loans), which is linked to FSPs' credit risk management practice.		Microfinance clients in group loan programs Younger customers – loans with these features do not fit their needs and preference
	Inability to meet numerous and hard-to-comply requirements on loans (e.g., KYC, collateral, deposits) for customers of banks and cooperatives (linked to clients' high credit risk profile.	Inability to meet the ID requirement - all online lenders require primary IDs, but many unbanked and low-income individuals do not have primary IDs.  Limited understanding of key concepts, app usage and banking services. Language is a barrier since many digital services are in English and not always accessible/understandable.	Low-income individuals with low levels of English literacy

Access	Cross-cutting issue	DFS-specific issue	Personas/segments affected
FSP domain (with incentive to address)		Limited access to DFS products. Fintech players tend to go to highly urbanized areas where information access and choice are easier.	Rural individuals
FSP domain (no incentive to address)	Low-income individuals' limited access to financial services because they bear high credit risk. Many FSPs do not feel comfortable with the risk of reaching out to these lower income market segment. This factor may lead to customer's fear of denial as a point of disempowerment and difficulty to switch providers.		Low-income individuals, particularly those in rural areas
Market domain	Inaccessible bank services due to distance. This brings about inconvenience and costs (e.g., transportation etc.) for the customer.  Lacks knowledge and understanding about requirements, process (e.g., how/where to apply, etc.) due to lack of publicly available information. Customer may cope by looking for 'middlemen' or a 'connection' with the FSP but this may not be a widespread practice.		Low-income individuals, particularly those in rural areas
Cultural/behavioural domain	Culture of shame or fear of denial – customer copes by waiting for what will be offered or given, opting for take-it-or-leave-it offers. Customer takes advantage of any information received about a provider with easy access (e.g., no collateral, no KYC etc.), tries the FSP even without checking the accuracy or truthfulness of information. Customer may also cope by using DFS or faceless digital loan apps.  Feeling of intimidation as the customer shies away from formal FIs such as banks. Customer thinks that the FSP will not accommodate them because they do not have the financial capacity or is not well educated. Factors that are linked to this are the FSP requirements and low risk appetite for low-income market segment.		

Use	Cross-cutting issue	DFS-specific issue	Personas/segments affected
FSP domain (with incentive to address)	<p>Harassment of borrowers who defaulted on loan payments (e.g., collection at night or in public places)</p> <p>Lacks awareness and understanding of financial products due to bundling (e.g., customers do not pay attention to insurance because the main intention is to get a loan).</p> <p>(Insurance) Long list of claims requirements</p> <p>T&amp;Cs that are difficult to understand due to fine prints in contracts and policies.</p>	<p>DFS related issues and complaints, many of which are about internet banking and ATMs, specifically about fund transfer concerns, uncredited/unremitted amount, unauthorized/disputed transactions and undispensed withdrawals. This then leads to customers' trust issues with DFS products &amp; services.</p> <p>Public shaming and harassment of borrowers who missed loan payments</p>	<p>DFS users/customers</p> <p>Micro-loan clients, including DFS clients</p> <p>Micro-loan users</p> <p>Micro-insurance clients</p>
FSP domain (no incentive to address)		Disempowerment caused by insufficient efforts by DFS providers to prioritize customer treatment in terms of disclosure, truth in lending, fair collection practices, data privacy.	
Market domain		Customers' low uptake and usage due to internet connection issues, such as slow connection, expensive internet, and costly conversion (i.e., in most cases, money in e-wallets can only be used in malls and supermarkets).	
Cultural/behavioural domain			

Voice	Cross-cutting issue	DFS-specific issue	Personas/segments affected
FSP domain (with incentive to address)	Difficulty in using and lacks information about complaints channels (e.g., where to complain, how to send a complaint). Consumer's rights, including right to complain or give feedback, are not communicated clearly to customers.	Less tech savvy customers do not know how to send complaints via digital apps. One way to cope is by asking younger family members to send feedback or complaints for them.	
FSP domain (no incentive to address)	FSP requirement to disclose client's identity when filing complaints (which is also required by regulators and other third-party channels) may cause inconvenience and may lead to fear of intimidation or repercussions.		
Market domain	Limited access to FSP and regulatory complaints channels due to distance, cost and connection issues (when complaints are sent via text, landline, social media, email).		Rural financial customers, particularly those with mobile phone and internet connection issues
Cultural/ behavioural domain	Fear of intimidation or repercussions – customer does not want to disclose identification for fear of consequences if they report the FSP. Fear of repercussions is greater among customers in areas with limited number of providers (i.e., remote rural communities) and may therefore experience difficulty to switch providers.		
	Filipinos, by nature, do not complain or question anything, especially if they can still tolerate an issue or problem or if it is inconvenient to file a complaint. Many Filipino women do not want to argue and voice out their issues and concerns.		
	Customers do not want to go public with their complaints as this may bring about negative perceptions about them (e.g., seen as stupid or ignorant, or be known to have been scammed). This is linked to the requirement for complainants to disclose their identity.		
	Feeling or sense that they do not have a voice and this may be linked to the FSP's failure to communicate consumer's right to give feedback and complaints, including information on complaints channels.		
	Younger clients tend to be quiet (about issues & concerns) because they lack the experience and are not familiar with the consequences (of complaining or not).		Young FSP customers

## Annex B. Disempowerment in a Customer's Journey with Financial Services, By Customer Persona<sup>6</sup>

Persona 1 - Urban low-income women, frequent user of financial products		Customer 2 (Amanda)
Customer 1 (Maria)		Customer 2 (Amanda)
<b>Financial products used</b>	Loans, savings, microinsurance from one MF NGO and one rural bank, bank savings account, and a digital wallet	Mobile cash remittance service and a bank savings account
<b>Search &amp; select - Choice of provider and product/service</b>	<p><b>Distrusts FSP due to fraud</b> Before becoming a member of an MF NGO, Maria had a bad experience with a lending company. She found out that the collector was not depositing her payments, which resulted to her account being past due even though she was paying weekly for almost two years. Because of this incident, Maria decided to discontinue borrowing from them. <i>"I borrowed from a lending company and I was religiously paying my dues weekly to the person assigned to deposit my payments. But after two years, it was found that my account was past due. I was just six months away from paying off my loan. I then found out that the person who should be depositing my payments to the collector wasn't doing so; and they were even allies. I confronted them in order to clear my name. And after that, the lending company persuaded me to come back, but I already refused."</i></p> <p><b>Lacks confidence in using ATMs due to security or tech issues</b> Maria owns a savings account in a bank before but decided to close it because of fear that she might not be able to cash out her money like the experience of customers with other banks. <i>"I heard stories about people who couldn't take out cash from their ATMs. So I thought – how can I save here if other banks are having problems? So I had it closed."</i></p> <p><b>Distrusts FSP due to fraud; Did not file a complaint because it was inconvenient</b> Maria had insurance before, but she was scammed by the agent collecting the payment when she did not return after some time. Maria did not raise this issue with the insurance company because she and her husband do not like filing complaints since it is inconvenient.</p> <p><b>Lacks access to information about financial products</b> Maria is not confident about asking information regarding financial products because she does not know anyone she can approach who is familiar with such matters. But if there is a person who is knowledgeable about different financial products, Maria will not hesitate to approach that person.</p>	<p><b>Lacks financial capacity to open a bank account / no access to banking services due to distance</b> Amanda thought of opening a bank savings account because it is easy to do bank-to-bank transfers. It is also convenient to withdraw money from the ATM. But Amanda cannot open an account because she has no money. <i>"I cannot think about opening an account because of the current situation."</i> Likewise, there are no banks near their house in Mindoro.</p> <p><b>Unable to meet requirement to open a bank account (lacks ID)</b> Amanda asked her employer about opening a savings account, like how much is needed to open one because there is a rural bank nearby. She was told that the bank requires valid IDs to open an account. This is her problem - she only has police clearance and barangay ID. Even her 4Ps ID is not valid to open a bank account.</p>
<b>Onboard - Initial engagement with the provider</b>		
<b>Use/regular use - Experience in using the product/service</b>		
<b>Voice – Providing feedback and complaints</b>		

<sup>6</sup>Names of customer-respondents and FSPs were anonymized to ensure the protection and privacy of information shared with researchers.

<b>Persona 2 - Young urban/rural individual with college education, basic user with a smart phone</b>	
<b>Customer 3 (Ellen)</b>	
<b>Financial products used</b>	MF NGO loan, savings, microinsurance; bank savings account; two life insurances; remittance center; and mobile cash remittance service
<b>Search &amp; select - Choice of provider/ and product/ service</b>	<p><b>Did not assess risk before product uptake</b> Ellen did not assess the possible risks (e.g., her payments not being credited or remitted by the collector) before she applied for an insurance. When she made her first payment, she received a confirmation that her payment was received. She also noticed that there are many other members, so she did not think of such risks anymore.</p> <p><b>Lacks access to information about DFS and providers</b> Ellen does not use the internet to search for information about financial products and services. Although Ellen is familiar with digital lenders, she does not prefer using it because she does not have enough information about it yet.</p> <p><b>Lacks access to banking services due to distance</b> Since her husband is now working in Bicol, Ellen receives her remittance through a mobile cash remittance service. She and her husband did not prefer bank-to-bank transfer of his remittance because it was more convenient for them to send and receive it through a mobile cash remittance service. To access a bank, Ellen needs to travel to Cabanatuan City, which is about 45kms away, while a mobile cash remittance agent is located near their house.</p>
<b>Onboard - Initial engagement with the provider</b>	<b>Lacks confidence to inform FSP about needs (loan)</b> Although her initial loan of PhP4,000 was not enough for her peanut butter business and she wanted a bigger loan, Isabel was not able to raise this with an MF NGO. She thought that she was still a new member and did not have the confidence to tell the MF NGO about her needs.
<b>Use/regular use - Experience in using the product/service</b>	<b>Lacks financial capacity &amp; unable to meet requirement to maintain savings account (bank)</b> Isabel had a savings account in a bank before, but she closed it because they weren't able to deposit money after she lost a source of income due to the pandemic.
<b>Voice – Providing feedback and complaints</b>	

<b>Persona 3 - Rural women, basic user and part of groups/centers</b>	
	<b>Customer 6 (Zenaída)</b>
<b>Financial products used</b>	MFNGO loan, savings and microinsurance; used to be a rural bank client
<b>Search &amp; select - Choice of provider and product/service</b>	<p><b>Did not compare FSPs and products (encouraged by center leader to take out loan)</b> There are other microfinance institutions in their area, but Teresita did not inquire with them since she was already encouraged and convinced by the Center Chief of a rural bank to apply. The Center Chief also happens to be her neighbor.</p>
<b>Onboard - Initial engagement with the provider</b>	<p><b>Unfavorable experience with a provider</b> Before becoming a MFNGO client, Zenaída was a client of a rural bank. She left because they couldn't get their savings anymore. They were told that their savings were gone and that a bank manager made unauthorized withdrawals from their savings. She was a client of the bank for 6 years.</p>
<b>Use/regular use - Experience in using the product/service</b>	<p><b>Unable to file claim due to inconvenience (numerous requirements, cost)</b> It was only when her grandchild got bitten by a dog that Teresita asked the collector about their microinsurance. When Teresita and her daughter (who was also a rural bank client) asked how they can file an insurance claim, the collector asked for many requirements, which would be a hassle to provide and would also cost them. So Teresita and her daughter decided not to file a claim anymore, since the benefit was just a small amount and she would have to shell out money for the certificate being asked. <i>"We did not claim it because it would cost us money for the transportation going to the city health center in Cabanatuan and for the certificate, then we will only be able to claim a small amount."</i></p> <p><b>Does not believe in insurance and its benefits due to an unfavorable experience</b> Teresita will not apply for insurance anymore because it will be an additional cost to her. <i>"I will not apply for any insurance because it would be an additional cost to me, and I haven't tried claiming any benefit yet."</i></p>

<b>Persona 3 - Rural women, basic user and part of groups/centers</b>	
	<b>Customer 5 (Teresita)</b>
<b>Voice – Providing feedback and complaints</b>	<p><b>Did not file a complaint – felt it was not worth the effort</b> Teresita and her daughter did not further voice out her concern with the branch because the benefit was only PhP500 and her grandchild was already fine. Due to this experience, Teresita's daughter dropped out of the rural bank, while Teresita will end her account next month.</p>
	<b>Customer 6 (Zenaida)</b>
	<p><b>Did not file a complaint, felt the issue was not significant</b> Zenaida, as well as other clients of the rural bank, did not file a complaint about their lost savings. They were told that the center chief was handling the problem and the bank will find a way to give their savings back. Zenaida felt it was not needed to complain because the amount of savings she lost was only about Php2,000, and her co-clients did not file a complaint also.</p> <p><b>Does not know how to send a complaint</b> Zenaida said that the MFNGO has not provided any information on how to submit a complaint. In case she has issues with a branch staff or the manager, she wouldn't know how to file a complaint.</p> <p><b>Not consulted nor asked for feedback about products and services</b> Zenaida admits not being consulted or asked for feedback by the MFNGO about its products and services. <i>"Natatawagan po minsan kapag nakaka-delay ng hulong. Ayun po natatawagan."</i> (Sometimes they call if payment is delayed. Yes, they call.)</p>
<b>Persona 4 - Rural self-employed men, basic user</b>	
	<b>Customer 7 (Francisco)</b>
<b>Financial products used</b>	MFNGO loan, savings and insurance
<b>Search &amp; select - Choice of provider and product/service</b>	<p><b>Dislikes engaging with several providers</b> Francisco admits that he is not comfortable having to deal with several providers and wants to have a relationship with the MFNGO only. <i>"Sa akin lang ay ayaw ko na talaga, minsanan nalang dito, ayaw ko ng ibang kausap."</i></p> <p><b>Lacks information about other products and providers</b> When asked why he said that the MFNGO's interest rates are low, Francisco said that he was told it is low. He likes the savings and insurance bundled with his loan but is not sure whether other loan providers have them too. He was told that other FSPs' insurance does not provide benefits but is unsure about this.</p>
	<b>Customer 8 (Armando)</b>
	MFNGO loan, savings and insurance

<b>Persona 4 - Rural self-employed men, basic user</b>	
<b>Customer 7 (Francisco)</b>	<b>Customer 8 (Armando)</b>
<b>Onboard - Initial engagement with the provider</b>	
<b>Use/regular use - Experience in using the product/service</b>	<b>Lacks awareness about insurance obtained from the provider</b> Armando has not asked his provider any questions about his insurance and is uncertain about its coverage and benefits.
<b>Voice – Providing feedback and complaints</b>	<b>Lacks confidence to suggest regarding product T&amp;Cs</b> Armando does not feel comfortable suggesting changes in loan terms to his provider. He thinks the MFNGO's loan terms are good enough - <i>"Mababa naman po ang interest."</i> - although he has not borrowed from other credit providers.
	<b>Distance and non-usage of mobile phone hamper engagement with his provider</b> Francisco finds it more convenient to go to the branch if he has questions or concerns. He lives some 12 kms from the MFNGO branch office and spends about Php100 for transportation. He said he can understand the MFNGO staff's explanation better if he talks to them face-to-face. Apart from this, he does not have a mobile phone that he can use to call the MFNGO staff or send text messages. He relies on his children if he has to call or send a message to his provider. He normally does this when asking the MFNGO about the schedule of loan release or to ask if he can apply for a new loan.

<b>Persona 5 - Urban/rural returnee OF or individuals with OF family member/s</b>	
<b>Customer 9 (Gabriela)</b>	<b>Customer 10 (Judy)</b>
<b>Financial products used</b>	
<b>Search &amp; select - Choice of provider and product/service</b>	<b>Trusts digital lenders due to privacy and unethical collection practices</b> Judy is aware of digital loans, but she does not use them because she has no need for a loan right now, and she does not trust them with her data. <i>"If you use applications, there are certain data that they will capture. There are also companies that are not trustworthy with your data. I have a friend who took a loan from a digital lender; and she was told that if her payment is delayed, they will send a message to all the contacts in her inbox."</i>
	<b>Lacks information or options about insurance product that suits her need</b> Gabriela is looking for health insurance for her business partner and a replacement insurance for her critical illness package, but it has been difficult. Agents would offer her the VUL - insurance with investment - but she doesn't want it. She later learned that insurance alone is not part of an agent's production quota.
	MF NGO loans, savings, and microinsurance; two digital wallets; bank savings account

<b>Persona 5 - Urban/rural returnee OF or individuals with OF family member/s</b>	
	<b>Customer 10 (Judy)</b>
<b>Search &amp; select - Choice of provider and product/service</b>	<p><b>Apprehensions due to bank transactions due to security issues</b>            Judy preferred using online payment platforms because she feels safer, but without linking her bank accounts. For instance, when she was still in Hong Kong, she preferred using a digital payment service because they do not reveal her credit card details when she makes payments. <i>"I read online and in the news that not only online bank transactions but even those with passbooks lose money in their accounts."</i></p>
<b>Onboard - Initial engagement with the provider</b>	<p><b>T&amp;Cs of insurance policy not explained clearly / Unable to compare with other products / Felt the pressure to get the policy from agent-friend</b>  <b>There was a time</b> when Gabriela needed a mutual fund and not insurance but was told that she cannot have a mutual fund without getting an insurance. She contributed Php60,000 annually for her insurance, only to find out that she doesn't have money in the mutual fund anymore. She stopped it and thought that she should have put her money in a cooperative or bank. The terms were not explained to her clearly and she wasn't able to compare it with other insurance products. Gabriela also trusted her agent too much. She likewise felt like she was pressured or forced to get the product because the agent was a friend.</p> <p><b>Not confident about the information received regarding the insurance product / no face-to-face orientation</b>            Gabriela does not feel that she knows everything that she needs to know about her health insurance. When she received her card, she received a booklet but would have preferred an orientation by the health insurance company representative so she knows how she can maximize use of her insurance. She calls the health insurance company whenever she has questions.</p>
<b>Use/regular use - Experience in using the product/service</b>	
<b>Voice - Providing feedback and complaints</b>	<p><b>Complaints/feedback channels are difficult to use</b>            Gabriela returned to the Philippines in January 2018 and got employed by a non-profit organization in June of the same year. During her employment, she was given health insurance as one of her benefits. When she resigned, she accepted her employer's offer to continue her health insurance. It was a good decision because she had health issues and the insurance was very helpful. For Gabriela, however, calling the health insurance company for questions or concerns can be challenging as they do not respond quickly through text or email. She uses the hotline although she must wait before a representative entertains her concern. Calling the health insurance company is her last resort. She would first check its website and see if there is any information available that can answer her questions.</p>

## Annex C. Research Methodology

1. **Sector-level interviews.** Key informant interviews were held with sector players at four levels: (a) regulatory; (b) FSP associations; (c) FSPs; and (d) consumer groups. Below are the names

of institutions that participated in the study. Complaints data shared by the institutions (subject to the Philippines' data privacy law) were analyzed internally as additional inputs to the research.

<b>Regulators</b>	
Bangko Sentral ng Pilipinas (BSP)	Rochelle Tomas, Deputy Director, Center for Learning and Inclusion Advocacy (CLIA) Atty. Charina de Vera, Financial Consumer Protection Department
Cooperative Development Authority (CDA)	Ray Elevazo, Executive Director Pedro Defensor, Jr., Institutional Development Department (IDD) Head Lisa Santos, Cooperative Research Information and Training Division (CRITD) Chief
Securities and Exchange Commission (SEC)	Ryzpah Capacio, Assistant Director, Corporate Governance and Finance Department and Secretary, Microfinance NGO Regulatory Council (MNRC)
Insurance Commission (IC)	Atty. Juan Paolo Roxas, Manager, Microinsurance Division
<b>FSP Associations</b>	
MiMAP - RIMANSI	Jun Jay Perez, Executive Director
National Confederation of Cooperatives (NATCCO)	Sylvia Okinlay, Chief Executive Officer
FinTech Alliance.ph	Lito Villanueva, Founding Chair
Rural Bankers Association of the Philippines (RBAP)	Angelica Torres, RBAP Director / Banko San Vicente (Region V)
Microfinance Council of the Philippines (MCPI)	Allan Robert Sicat, Executive Director
<b>Consumer Associations</b>	
Laban Konsyumer, Inc. (LKI)	Atty. Vic Dimagiba, Founder/President
Consumers Union of the Philippines (CUP)	Atty. Rodel Taton, President
<b>Financial Service Providers (FSPs)</b>	
ASA Philippines Foundation	Kamrul Tarafder, CEO & President
Alalay Sa Kaunlaran, Inc. (ASKI)	Rolando Victoria, CEO
GM Bank	Tomas Gomez IV, President
St. Martin of Tours Development Cooperative	Serafin Celestino, Jr., General Manager
Kabalikat para sa Maunlad na Buhay, Inc. (KMBI)	Eduardo Jimenez, President & CEO Hazel Bayaca, Deputy Executive Director
One Puhunan	Daniele Rovere, President, CreditAccess
GCash/GCredit	Kim Aimei Seng, AVP, Financial Services, Mynt
Pera247	Mike Singh, Chief Lending Officer
Tala	Angelo Madrid, Chief Executive Officer

**2. Customer interviews.** It is the goal of the research to provide a FSP-neutral view of the factors that affect customer choice, voice and use of financial services. The original intention was to get customers independent of providers, which will require sampling of customers in strategic locations (e.g., public market) while also ensuring that a cross-section of customers is reached. Due to restrictions caused by the COVID-19 pandemic, this sampling method was not feasible to do. Through contacts working in the financial services sector, FSP clients were identified and preliminary interviews were done to verify whether they fall under any of the personas/segments considered for this study (see details below). Interviews with the customers were done remotely via phone calls or Messenger.

The study focused on low-income customer segments who use loans, savings, insurance, money transfer and payment services of FSPs (banks, cooperatives, MFNGOs, insurance companies, remittance centers, DFS). The research also built on the previous CGAP customer empowerment research to focus particularly on mapping the customer journey to understand moments of disempowerment and empowerment and exploring how these vary (or are similar) for different customer segments, providers and types of product or service.

**Methodology.** The research used individual, face-to-face (but remote) interviews using customer journey mapping. These are fairly unstructured interviews whereby customers are asked to tell their 'story' of their engagement with financial services.

**Sampling.** For the customer journey mapping, respondents included low-income FSP customers who are existing users of financial products and services. Respondents were identified using personas or written descriptions of representative users in a target group. Personas are another way of segmenting a group of individuals – they represent different perspectives and characteristics, but common characteristics are identified to form an “archetype”<sup>7</sup>. For this research, customers with the following personas were interviewed:

- 1) Urban low-income women, frequent user of financial products

- 2) Young urban/rural individual with college education, basic user with a smart phone
- 3) Rural women, basic user and part of groups/centers
- 4) Rural self-employed men, basic user
- 5) Urban/rural returnee Overseas Filipino or individuals with OF family member/s

These personas were based on a previous CGAP field research on customer empowerment in the Philippines<sup>8</sup> and build on perceptions regarding contexts or factors in customer empowerment or disempowerment (e.g., urban vs rural, age, mobile phone usage).

<sup>7</sup>Koning, A. and G. Murphy. August 2017. Customer Empowerment in Finance: Why greater choice and control for poor customers is better for business and will help achieve financial inclusion. Consultative Group to Assist the Poor (CGAP).

<sup>8</sup>Simanowitz, A. August 2015. Customer Views of Customer Empowerment: Synthesis Report on Field Research in India, Cote D'Ivoire and the Philippines. Consultative Group to Assist the Poor (CGAP).

## Annex D. Customer Centricity Campaign (C3) of the Bangko Sentral ng Pilipinas (BSP)

The C3 is a joint initiative of the Financial Sector Forum (FSF), which consist of heads of the BSP, Philippine Deposit Insurance Corporation (PDIC), Insurance Commission (IC) and Securities and Exchange Commission (SEC). The FSF tasked its Consumer Protection and Education Committee (CPEC), also chaired by the BSP, to implement a multi-sectoral and long-term campaign to advocate and encourage customer-centric business conduct among financial institutions under BSP, PDIC, IC and SEC supervision. Customer centricity is a way of doing business that focuses on customer outcomes and positive customer experience. It can drive customer loyalty, enhance company reputation, and consequently impact on profitability. Financial institutions are encouraged to practice customer centricity, putting the needs and welfare of their retail customers in mind when designing products and services, making policy and investment decisions, and increasing efficiency in all aspects of operations.

The C3 envisions a financial system that responsibly serves, responsively informs, and adequately protects all consumers of financial services. The C3 aims to:

- Develop a culture of responsive and responsible financial service provision among all supervised financial institutions.
- Foster a collaborative environment between regulatory agencies, industry associations and all FSF supervised institutions in advocating for and practicing customer-centric ways of doing business.

The C3 will:

- Advocate for customer-centric ways of doing business among financial institutions through various advocacy initiatives such as, but not limited to, awareness raising events,

information dissemination, collaboration with industry associations in crafting code of ethics in customer treatment, and incentivising customer-centric business practices through an awards program.

- Be branded as a joint advocacy of the FSF and delineated as distinct and separate from the regulatory roles of FSF member agencies by clarifying that it is not linked to supervisory assessments or audits.

The primary target audience of C3 shall be industry associations from the banking, insurance, and securities sectors. As “primary” target audience, they will be consulted in the crafting of the C3 Framework, and considered as co-opted as strategic partners in C3 implementation. The “secondary” target audience shall be all financial institutions supervised by the BSP, PDIC, IC and SEC. These financial institutions shall be incentivized to practice customer centric business conduct through an awards program, to be co-developed and co-implemented with their respective industry associations. The general public, as “tertiary” target audience, shall be informed and updated about various aspects of C3 through regular media releases and advocacy events.

The C3 shall be implemented in stages. The first stage (2019), wherein FSF members were made familiar with concepts, principles and customer centric business models. The second stage (2020) will involve the industry associations in co-creating the campaign framework and encouraging all financial institutions under FSF supervision to put positive customer outcomes at the core of their business objectives. The third stage (2021+) will focus on awarding a “seal of customer centricity” to financial institutions practicing the principles of putting customers at the heart of business.

- Information shared by Ms. Rochelle Tomas,  
Deputy Director of the  
Center for Learning and Inclusion Advocacy (CLIA),  
Bangko Sentral ng Pilipinas

## Annex E. Customer Empowerment Mechanisms: Some Initial Concepts

Structures that may support customer empowerment in the Philippines	Features and functionalities	Potential issues if used to support customer empowerment	Examples from other countries
<p><b>1. Customer empowerment agents</b></p> <p>Part of the agents' roles are: (1) provide information and education about FSPs and their products and services, (2) market monitoring, (3) collect customer feedback (including complaints), and (4) support customers with paperwork and process of engaging with their provider, including when they want to switch providers.</p> <p>Customer empowerment agents will facilitate in helping understand financial aspects and concepts and assist those who are trying to access/use financial services.</p> <p>Will encourage beneficial competition in terms of better products and services as empowered clients can choose a suitable or better provider.</p>	<p><b>Features and functionalities</b></p> <ul style="list-style-type: none"> <li>• Provides a constant feedback loop – one place to drop customer feedback, including complaints.</li> <li>• Provides a facilitative process that will create a connection within the market.</li> <li>• Has visibility in local communities (eg., a kiosk in public markets, a desk in town/barangay halls).</li> <li>• Ideally leverages a trusted structure in the community.</li> <li>• Accessible and with permanency to gain trust and reputation as a reliable source of information.</li> <li>• Can tap highly networked individuals in communities (eg., micro-entrepreneurs), center chiefs, or MBA Coordinators to take on the role of customer empowerment agents.</li> <li>• Provider-neutral or independent</li> <li>• Possibly based in LGUs</li> <li>• Functions similarly as DTI's Negosyo Centers . Explore partnership between DTI and FSPs in the area.</li> <li>• Private-public partnership: BSP/SEC/DTI and FSPs or non-profit organizations such as <a href="#">Teach for the Philippines</a>.</li> <li>• A sample model is for agents to use financial marketplace platforms to get people in local communities to understand the process, walk through what they need in terms of financial product, how much they can afford, how to apply, and then help them understand the basic offerings they see from FSPs in return.</li> </ul>	<p>Negosyo Centers handle matters that are non-financial in nature.</p> <p>Building the credibility of agents might take time.</p> <p>Funding and sustainability – can be initially offered as a service by mass organizations or NGOs, but this structure should be sustainable in the long term.</p> <p>There is no known strong financial consumer protection group where these agents can be housed under.</p>	

<sup>9</sup> The Negosyo Center Program of the department is responsible for promoting ease of doing business and facilitating access to services for MSMEs (source: <https://www.dti.gov.ph/negosyo/negosyo-center/>). The program started in 2014, with 5 Centers established in the islands of Luzon, Visayas, and Mindanao. Negosyo Centers are found in strategic areas convenient for the existing and would-be entrepreneurs, such as DTI offices, local government units (LGU), academe, NGOs, and malls.

Structures that may support customer empowerment in the Philippines	Features and functionalities	Potential issues if used to support customer empowerment	Examples from other countries
<p><b>2. Financial consumer group</b></p> <p>A credible and collaborative consumer group that truly represents the voice of financial consumers, particularly in terms of providing perspectives and raising issues that can inform financial consumer protection policymaking, financial capability program design, as well as redress and resolution.</p>	<p>A consumer group that will tackle financial consumer rights and protection, assists consumers with issues and complaints, and will serve as the collective voice of financial consumers in the Philippines.</p>	<p>Existing consumer groups in the Philippines focus their work and advocacies on non-financial products and commodities. Build on and strengthen the work of existing consumer groups/ associations on financial consumer protection. There is no known financial consumer group in the country. Establishing one will need substantial funding and organizing work. Credibility and reputation must be built and established.</p>	<p>In Brazil, the Instituto Brasileiro de Defesa do Consumidor (IDEC) is advocating for a bill that would provide fair debt restructuring for over-indebted customers.</p> <p>In Russia, consumer group KONFOP conducted mystery shopping in financial services (insurance companies) and found significant discrimination against various vulnerable groups (e.g., people with disabilities).</p>
<p><b>3. FSP associations' complaints resolution mechanisms</b></p> <p>External complaints channels that provide friction-free and shame-free access to channels at no or minimal cost can improve confidence in sending complaints about FSPs and products, particularly among low-income customers of microfinance and microinsurance providers.</p>	<p>Wide availability of friction-free and shame-free access to channels.</p> <p>With designated hotline numbers and call center agents. Customers can also send feedback or complaints through SMS, email or social media. FinTech Alliance's complaints channels are the website, email, and social media.</p> <p>Easy to use and affordable, particularly for rural financial customers.</p>	<p>Resolution of complaints may not be perceived as independent and objective since associations have FSPs as member-institutions and board members.</p>	<p>In the United Kingdom, a network of independent charities called <i>Citizens Advice</i> gives free, confidential information and advice to assist people with money, legal, consumer and other problems. Services are provided by highly trained volunteers who come from a range of backgrounds. There is also a website called <i>Resolver</i> that provides free, independent resolution service to help people with complaints or claims.</p> <p>In the US, the <i>Marketplace Lending Association</i> represents the marketplace lending industry and promotes a transparent, efficient, and customer-friendly financial system by supporting the responsible growth of marketplace lending, fostering innovation in financial technology, and encouraging sound public policy.</p>

Structures that may support customer empowerment in the Philippines	Features and functionalities	Potential issues if used to support customer empowerment	Examples from other countries
<p><b>4 Financial education</b></p> <p>Currently being provided by FSPs, regulators, FSP associations (e.g., NATCCO) and private or non-government entities.</p>	<p>Include or strengthen topics on customer empowerment in existing financial education modules/programs (e.g., in the Pre-Membership Education Seminars of cooperatives for incoming members).</p> <p>For MiMAP - For members who are from hard-to-reach areas or those who are not from traditional channels such as MFIs and cooperatives, MiMAP will look for appropriate technologies that can help MBAs engage their members. This can be through digital platforms or applications where members can access updated transactions, file complaints, and receive reminder notifications for payments. These platforms for member engagement may also be used as feedback mechanisms and in claims handling<sup>10</sup>.</p>	<p>Lacks educational materials on customer empowerment (i.e., choice, access, use and voice).</p>	
<p><b>5. Online community of users and influencers</b></p> <p>Bloggers, vloggers and influencers in social media can help provide information about product features, step-by-step process of how the product works, and their experience in using financial products and services. It builds trust because it shows people have already used the product, and they had a positive experience with it.</p>	<p>Vloggers, blog posts and social media groups of super users who can show others how to use financial products and services (e.g., how to compute the interest).</p>	<p>May include inaccurate information and comparison (with other financial products) is not usually straightforward. Limited access by the low-income segment, particularly those in rural areas and those who have no internet access and no access to social media.</p> <p>In Kenya, “#KOT” or the “Kenyans on Twitter” community has become an important channel for public discourse on a wide range of topics, including financial services. In 2018, a study was done to test the ability of Twitter to provide insights on financial consumer protection problems. The study paved the way for growing interest on the role of social media in financial consumer protection monitoring.</p>	

<sup>10</sup> Through a project that will be supported by Citi Foundation, MiMAP will develop a member strategy plan for the MBAs and this will include five learning modules for the different aspects of membership with MBAs.

Structures that may support customer empowerment in the Philippines	Features and functionalities	Potential issues if used to support customer empowerment	Examples from other countries
<p><b>6. Financial product/service marketplace</b></p> <p>This is a financial marketplace for all types of financial products and providers. It should target rural and low-income financial customers who are experiencing issues regarding access to information.</p> <p>Useful for customers who are more particular in comparing and for those who want to make more informed decisions regarding use of financial services.</p>	<p>If a physical marketplace, it should have high visibility with the general public, particularly with users of financial products (e.g., markets, LGUs, barangay/health centers).</p> <p>If in an online platform, it should be easy to understand (in Filipino) and terms used should be easy to understand. This can be accompanied by an interactive feature (in case users have questions) and videos.</p> <p>In existing financial marketplaces for bank and insurance products (e.g., gobear and eCompareMo), a user indicates the product that he/she is looking for. It will ask a few personal questions, such as income, age, etc., and when entered, it will send products that match the user's profile and need.</p>	<p>Requires funding to set up. Loan marketplaces are mostly common in developed markets. It needs to get to a critical mass for it to be a profitable venture.</p> <p>Needs an entity to compile and update information and a third-party entity to check accuracy of information.</p> <p>Low-income households may not use these platforms right away. There is a need to raise awareness, trust, and confidence in using a financial marketplace.</p>	<p><a href="#">Lending Tree</a> in the US is an online loan marketplace for various financial borrowing needs including auto loans, small business loans, personal loans, and credit cards. It also offers comparison shopping services for auto and educational programs. These services allow consumers to compare and shop among multiple businesses and professionals who will compete for their business.</p> <p>A limited version of a financial marketplace is a place for comparing the market/user rating &amp; feedback. In the UK, for example, there is <a href="#">Trustpilot</a> that is just focused on customer reviews and does not sell anything.</p>