Securities and Exchange Commission PHILIPPINES

BAGONG PILIPINAS

FINANCING AND LENDING COMPANIES DEPARTMENT

NOTICE

FOR : ALL FINANCING AND LENDING COMPANIES

RE: : UPDATED REGULATORY GUIDANCE ON DISCLOSURES AND BUSINESS PLAN REQUIREMENTS RELATIVE TO THE COOLING-OFF PERIOD UNDER THE FCPA IRR

DATE : 24 February 2026

Pursuant to the Financial Products and Services Consumer Protection Act of 2022 (Republic Act No. 11765) and its Implementing Rules and Regulations (FCPA IRR), and in furtherance of the Commission's mandate to promote transparency, responsible lending, and informed financial consumer decision-making, the Securities and Exchange Commission (SEC), through the Financing and Lending Companies Department (FLCD), hereby issues the following regulatory guidance concerning the cooling-off period.

This Notice is issued to clarify the disclosure and business plan requirements applicable to financing and lending companies regarding the recovery of processing costs when a financial consumer cancels a loan during the cooling-off period.

I. Disclosure of Processing Costs in Loan Agreements and Disclosure Statements

1. Requirement to Itemize and Quantify Processing Costs

For purposes of loan agreements and disclosure statements, financing and lending companies are **REQUIRED** to ensure that processing costs recoverable upon cancellation during the cooling-off period are clearly disclosed, specifically identified, and reasonably quantified in advance.

Processing costs that may be recovered pursuant to Section 8(b)(2) of Republic Act No. 11765 constitute a material contractual consequence of loan cancellation. As such, these costs **must be disclosed** in a manner that allows financial consumers to understand, at the time of contracting, the potential financial implications of exercising their right to cancel.

This requirement is consistent with the Truth in Lending Act (Republic Act No. 3765) and its adoption and implementation by the Commission through SEC Memorandum Circular No. 07, Series of 2011, which mandates full and accurate disclosure of the true cost of credit and prohibits the concealment, fragmentation, or understatement of finance charges and loan-related costs.

2. Insufficiency of Purely General Disclosures

A purely general disclosure that merely describes the nature of processing costs, their possible variability depending on payment or disbursement channel, or their reimbursement-only basis is **NOT** sufficient.

Financial consumers must be able to reasonably ascertain the magnitude or method of computation of such costs. Where exact amounts may vary on a per-transaction or percentage basis, financing and lending companies are expected to adopt disclosure mechanisms, such as itemization, formulas, ranges, ceilings, or channel-specific schedules, that preserve clarity and enable consumers to assess the true cost of credit, including the consequences of loan cancellation during the cooling-off period.

II. Treatment of Cooling-Off Period Cancellation Costs in Business Plan Filings

Financing and lending companies are **REQUIRED** to reflect and account for costs associated with loan cancellations during the cooling-off period in their Business Plan filings with the Commission, including Annex D (Loan Products and Pricing Parameters).

The Business Plan is a core regulatory document relied upon by the Commission to assess business viability, pricing logic, operational soundness, risk management practices, and compliance with consumer protection standards. This regulatory purpose is underscored under SEC Memorandum Circular No. 03, Series of 2022, which emphasizes the importance of transparent and coherent pricing and cost structures in evaluating lending operations.

Loan cancellations during the cooling-off period are a statutorily guaranteed consumer right with foreseeable operational and cost implications. Failure to reflect such costs in the Business Plan obscures the true economics of the lending model and impairs the Commission's ability to determine whether the entity can sustainably absorb these costs without resorting to improper fees or practices prejudicial to financial consumers.

Accordingly, financing and lending companies must disclose in their Business Plans:

a) the costs associated with loan cancellations during the cooling-off period; and

b) the internal policies governing the allocation or absorption of such costs.

A purely general or high-level description, without accounting for these foreseeable costs, **shall be deemed insufficient for regulatory review**.

Financing and lending companies are hereby **DIRECTED** to review and align their loan documentation, disclosure practices, and Business Plan submissions with this Notice. Non-compliance may give rise to appropriate regulatory action under existing laws, rules, and Commission issuances.

This Notice is issued for the guidance and strict compliance of all concerned.