

CHAPTER 7



It is just one more week before *Mang* Domeng flies back to the Middle East. He will be gone for a year. He decides for him and *Aling* Lorna to have a chat with Orly to get an overview of how they should handle their finances, particularly their dealings with banks.

Orly agrees to meet with the couple at his PDIC office.



7 Habits of a Wise Saver:

1. Know Your Bank
2. Know Your Bank's Products
3. Know Your Bank's Service Fees
4. Keep Your Bank Records Safe and Updated
5. Transact only with Authorized Personnel Inside Bank Premises
6. Be Informed About PDIC Deposit Insurance
7. Be Prudent

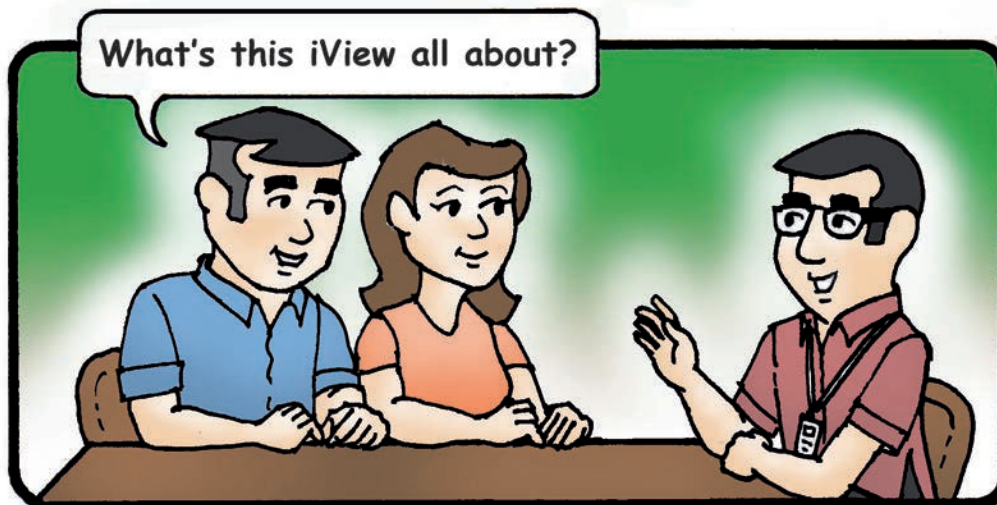
Be a
Wise Saver

1. Know Your Bank

Orly says, “Banking is based on a relationship of trust and confidence. You, *Mang Domeng* and *Aling Lorna*, as the depositors will entrust your hard-earned money to the bank not only for better safekeeping but also for additional earnings in the form of interest and even non-guaranteed returns. The saying that a fool and his money are soon parted literally means that only a fool will give his money to somebody he does not trust. That is why it is only wise to get to know the bank where you will give your trust and confidence.”

“So how do we do that?”, asks *Aling Lorna*.

“The easiest and safest way to know a bank well,” says Orly, “is from official government sources like the Philippine Deposit Insurance Corporation, *Bangko Sentral ng Pilipinas* and the Securities and Exchange Commission (SEC). The SEC, in fact, has a service called *iView*.”



Orly says, “*iView* allows you to view the financial statements of any company that is registered with the SEC from the comfort of your own personal computer at a cost. Each *iView* load comes with a username and password that you can load to the account you will create under the SEC *iView* service. Your load is debited for every page you view and print.

Loads have a validity of one year from date of purchase.

Banks themselves publish their financial statements in newspapers while some make these statements available for viewing on their websites.”

Orly adds, “Apart from official sources, you can also inquire about banks through their current depositors, some of whom may even be your relatives and friends. Other sources would be media, especially if there is significant news about the bank you are considering such as mergers or breakthrough products and services. And if you need assistance in understanding financial statements, you can always call on a financial planner.”

2. Know Your Bank’s Products



“Nowadays, banks form part of large conglomerates. It would not be unusual for banks tasking their branch managers to legally carry several products of their respective affiliates and subsidiaries. It is, therefore, important to know the exact mechanics of the products being sold. It is not enough for the branch manager or sales officer, for example, to know what he is selling. The responsibility of knowing a product inside and out also falls squarely on the shoulders of the buyer. Remember that information is worthless if it is not processed,” Orly explains.

“But whatever the financial product they are selling, we can still run after the bank, right?” asks *Mang Domeng*.

Orly says, “Some products, for example, would allow you to have recourse to your bank. This means that you can run after your bank if interest and/or principal is not paid or not paid on time. Sometimes, your bank acts merely as a broker of products with no liability, provided there was no mis-selling done, as to the payment of interest and principal.”

Financial Expert’s Corner

Some bank products come with PDIC deposit insurance and some do not. Still, some products can potentially pay high returns but with high risk like derivatives while others come with bank guarantees but with markedly lower interest.

Products that banks peddle come with documentation ranging from simple brochures to comprehensive prospectuses. It is your duty to read and understand such documentation. Banks will be more than willing to lend a hand in helping you understand such documentation.

When it comes to finding out whether your bank is paying you reasonable interest on time deposit, compare their deposit rates with the weighted average interest rate (WAIR) on time deposits of all commercial banks. The WAIR can be found in the home page of www.pdic.gov.ph and looks like the table shown below:

WEIGHTED AVERAGE INTEREST RATES (WAIR)* ON TIME DEPOSITS OF ALL COMMERCIAL BANKS	
Month/2013	In Percent (%), Per Annum
	Short Term (<360 days)
August	1.04
September	1.18
October	1.07

3. Know Your Bank's Service Fees



He goes on to show the following non-exhaustive list of fees/charges that banks levy on their depositors:

- monthly service charge for falling below required average daily balance
- monthly dormancy charge
- fee for closing within 1 month from account opening
- interbank ATM transactions
- stop payment orders
- overdraft accrual charges
- ATM card replacement
- replacement of lost passbook
- bank certification
- manager's check
- peso checkbook
- dollar demand draft
- safe deposit box rentals
- peso telegraphic transfer
- remittance charges

In addition to the above fees, the Philippine Clearing House Corporation (PCHC), the company that is tasked to provide, maintain and render an effective, convenient, efficient and economical check clearing service to participating banks, also has charges for:

- Temporary overdraft – honored (funded)
- Drawn Against Uncleared Deposits/ Drawn Against Insufficient Funds
- Stop payment – funded
- Stop payment – unfunded



Did You Know?

Contents of safety deposit boxes are not covered by PDIC's deposit insurance. Technically, the bank should not know the contents of the safety deposit box and would, therefore, not be in a position to know the value of the contents. But more importantly, safety deposit boxes are not in the nature of deposits covered by the PDIC.

Financial Expert's Corner

Apart from the above charges, you should also check the minimum amounts required to open and maintain accounts with your bank. Smaller banks tend to require lower minimum opening and maintaining balances. You should, however, not sacrifice bank stability for this seeming affordability.

4. Keep Your Bank Records Safe And Updated

Orly tells *Mang Domeng* and *Aling Lorna* that bank records are not mere pieces of paper.

He expresses concern over the fact that depositors tend to leave banking documents unfiled and not updated simply because they have become commonplace. Orly advises the couple that banking documents are the evidence of their transactions with banks.

Orly says, "Some banks help out by providing secure Internet-based records of your transactions. But whether your bank provides such a service or not, you should still keep your own records. Deposits and withdrawals can be monitored through your deposit account passbook. You can always have your passbook updated with your bank. Keep your savings passbook in a safe and secure place to avoid unwanted people developing interest in your savings account."

Just like passbooks, Orly also reminds the couple to keep their certificates of time deposit in a safe place. "You do have to surrender such certificates when claiming your time deposit at maturity or when pre-terminating them. If you are the type of depositor who has his time deposit automatically renewed or rolled over, keep track of the validity of such automatic renewal or roll-over."

Finally, Orly mentions that checkbooks should also be kept in a secure place. He adds, "You do not want unauthorized people forging your signature and issuing checks left and right."

Financial Expert's Corner

Regardless of type of deposit account, you should also keep your bank updated on your particulars like a change in telephone numbers or mailing address. Not only will you ensure that you will receive mails from the bank on time, you will also be properly informed by the bank of any important announcements and in a timely manner.

5. Transact only with Authorized Personnel Inside Bank Premises

Aling Lorna recounts to *Orly* and *Mang Domeng* the many stories of depositors in their local association overly trusting bank personnel with their transactions to the point of overlooking the most basic of documentation. She adds that sometimes, people do this just to cut short their waiting time in the bank.



Orly mentions that each banking transaction should also come with evidence that the transaction was done. Examples would be a machine validated deposit or withdrawal slip, an updated passbook, duly signed time deposit certificate, and an official receipt for a remittance. To be safe, you should do all your transactions inside a bank's premises and make sure that you are transacting with authorized bank personnel.

Financial Expert's Corner

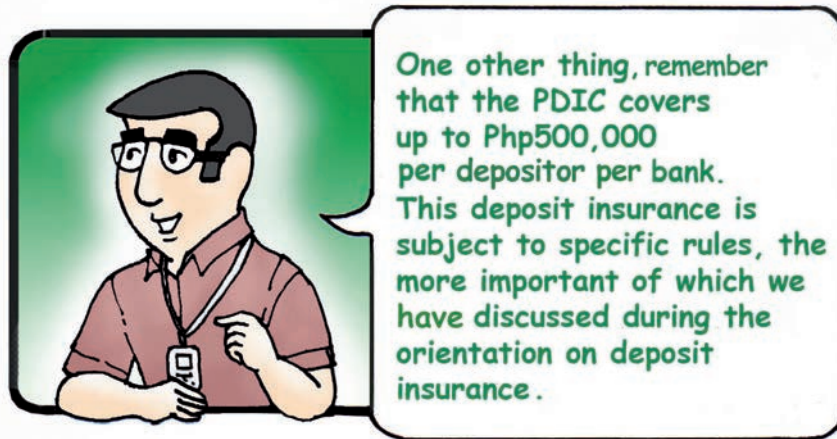
Please note that the Bangko Sentral ng Pilipinas also gives authority to banks to solicit deposits outside their bank premises on the condition that such places of solicitation should be within one (1) hour normal travel time from the bank. This authorization should always be verified with the Bangko Sentral ng Pilipinas before doing any transaction outside bank premises.

There are roving tellers who routinely collect deposits outside of bank premises. But these tellers are contracted by depositors themselves with banks under very specific conditions (e.g., deposit pick-up schedules), are properly identified and are heavily guarded.

Nowadays, banks offer banking transactions via the Internet or telephone. While these transactions are outside physical banking premises, they are conducted under secure websites and telecommunication protocols of banks. Technically, therefore, Internet and telephone banking transactions are still done within banking premises.

So, other than with BSP-authorized deposit solicitors, contracted roving tellers and through banks' official websites/telephone banking numbers, you should not do banking transactions outside of bank premises. When in doubt, always consult the Bangko Sentral ng Pilipinas or your bank's branch manager.

6. Be Informed About PDIC Deposit Insurance



Orly points out to the couple that they can visit the PDIC's website at **www.pdic.gov.ph** for more information on deposit insurance. The PDIC department in charge of assistance and inquiries on deposit insurance is the Public Assistance Department (PAD). The PAD has a Helpdesk to address walk-in clients. The PAD can be reached at (632) 841-4630 to 31 or via e-mail at pad@pdic.gov.ph. Depositors outside Metro Manila can call toll free at 1-800-1-888-PDIC or 1-800-888-7342.

If depositors prefer face-to-face contact, they may also visit the PAD Helpdesk at the 4th Floor, SSS Building, 6782 Ayala Avenue, cor. V.A. Rufino Street, Makati City.

Without missing a beat, Orly adds, "Unknown to many, the PDIC does not only provide services concerning closed banks. It also assists depositors on their complaints against operating and closed banks. The PDIC does play a vital role in fostering stability in the Philippine banking system."

Showing the picture in Figure 9, Orly says, "The Public Assistance Department (PAD) of the PDIC, the department where I belong, handles queries/requests/complaints (QRCs) from depositors and the general public on matters relating to both operating and closed banks through a well-defined process.

Simple QRCs received through mail or email shall be responded to within five (5) working days from the date of receipt by the PDIC while those received over the telephone or from walk-in clients shall be answered within the day. On the other hand, complex QRCs shall be referred to the concerned PDIC unit/group or government agency/office within three (3) working days from date of receipt by the PDIC. The client shall be simultaneously advised of the referral indicating the name of the concerned officer, group/unit contact numbers and email addresses.”

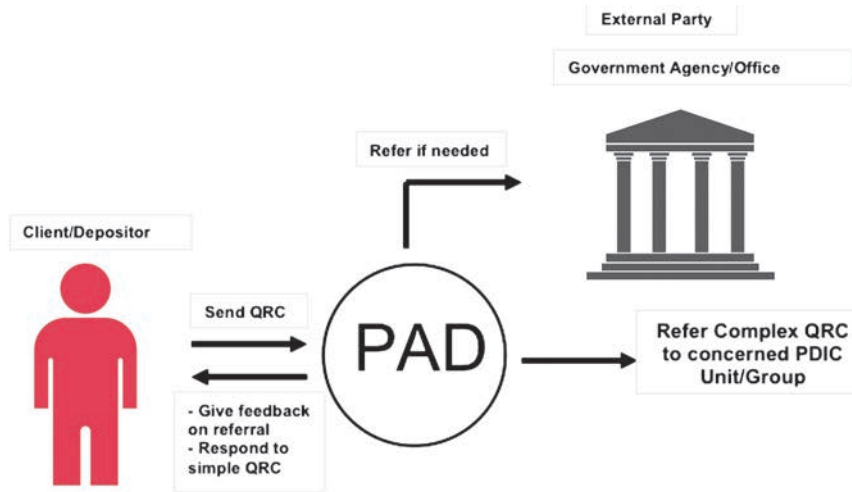


Figure 9

Orly says, “In the case of complaints, it is important that the letter sent to PDIC is signed by the depositor/client and contains the following:

1. nature of the complaint
2. details of transaction that is the subject of the complaint
3. as many supporting documents (photocopies only) as possible.”

Note: At present, QRCs coming from depositors and the public are not referred to the concerned banks that are the subject of complaints. Instead, these are forwarded to the BSP-Financial Consumers Affairs Group for their information and appropriate action.

“Orly, I am an OFW,” *Mang Domeng* says, “is there a way for me to file a complaint from abroad?” “There is, Sir,” replies Orly, “An alternative way of filing a complaint is to fill out the eComplaint Form found on <http://pdic.gov.ph/index.php?complaint=1>.” Orly proceeds to project on the screen a sample of the eComplaint Form as shown in Figure 10 below:

Figure 10

DEPOSITOR CORNER	
Last Name	<input type="text"/> First Name <input type="text"/> MI <input type="text"/>
Postal Address	<input type="text"/>
Age	<input type="text"/> Contact Number <input type="text"/> Email Address <input type="text"/>
Complaint for LIVE BANKS	Complaint for CLOSED BANKS
Name of Live Bank <input type="text"/>	Name of Closed Bank <input type="text"/>
Date Incident Happened <input type="text"/> November <input type="text"/> 27 <input type="text"/> <input type="text"/> 2012 <input type="text"/>	Nature of Complaint : (Please check appropriate box)
Nature of Complaint : (Please check appropriate box)	Claims-Related
ATM-Related	<input type="checkbox"/> To File Claim <input type="checkbox"/> To Inquire
<input type="checkbox"/> No Cash Dispensed <input type="checkbox"/> Card Captured	<input type="checkbox"/> To Receive Check
<input type="checkbox"/> Short Cash Dispensed	<input type="checkbox"/> To Follow-up Claim (entry for Stub No. & Date Filed)
Regular Deposit Account	Claim Stub No. <input type="text"/>
<input type="checkbox"/> Unserviced Withdrawal <input type="checkbox"/> Unauthorized Withdrawal	Date Filed <input type="text"/> November <input type="text"/> 27 <input type="text"/> 2012 <input type="text"/>
Others: (Please specify)	Others: (Please specify)
<input type="text"/>	<input type="text"/>
Brief narration of complaint: <input type="text"/>	Brief narration of complaint: <input type="text"/>
<input type="button" value="Reset"/> <input type="button" value="Submit"/>	

Orly quickly adds, “Even if sent from abroad, the complaint letter prepared by the depositor should contain the following:

1. nature of the complaint
2. details of any transaction that is the subject of the complaint; and
3. as many supporting documents (photocopies only) as possible.”

“The complaint letter as well as supporting documents may also be sent through email at pad@pdic.gov.ph,” Orly adds.

Financial Expert's Corner

If the depositor is following up on claims against a closed bank, the complaint letter should include the depositor's claim stub number and the name of the closed bank.

*For its part, the PDIC will send an official acknowledgment letter to the complainant within 24 hours of receipt of the complaint letter. The PDIC processes all complaints and provides resolution to each case. **Resolution** is defined as "shedding light on all facts and merits of the case without the result necessarily positively favoring the complainant."*

7. Be Prudent

To confirm his own belief, *Mang Domeng* asks Orly if it is safe to place money with banks and other institutions that provide high interest rates.

Orly replies, "*Mang Domeng*, there is an unbreakable rule in investing. The higher the potential return, the higher is the risk not only of not achieving the return but also losing part if not all of your capital."

Orly adds, "It would be best to validate promises of high returns with third party sources like regulators, financial planners and even other investors. And please remember that the PDIC already provides the regularly updated weighted average interest rates of time deposits among commercial banks in the country. This alone is a powerful basis to know whether what is being offered to you is too good to be true."

Mang Domeng excitedly replies, “See, *Nanay*, I knew I was right. If interest rates are abnormally high, they are just being used to lure us to high risk investments.”

Aling Lorna replies, “*Tatay*, I never doubted your wisdom. As you can see, I had taken down a lot of notes that I plan to share with our association.”

Orly adds, “Yes, *Mang Domeng* and *Aling Lorna*, people and institutions that offer unusually high rates know that people have a tendency to be greedy. If we don’t watch our greed, we would easily succumb to such questionable offers.”

Mang Domeng and *Aling Lorna* thank *Orly* once more and head back home.



“Oh, by the way,” *Aling Lorna* says, “we promised the children to open in trust for savings accounts for them.”

“That’s right,” *Mang Domeng* says, “let’s go to the bank now and do just that.”

Financial Expert's Corner

William Pollard was quoted as saying that, "Information is a source of learning. But unless it is organized, processed, and available to the right people in a format for decision-making, it is a burden, not a benefit."

This book, in its entirety, is all about organized information that is being made available to the depositing public. But this information will be useless unless it is processed by you, the depositor.

Treat this book as your shield against unscrupulous people who are out to defraud depositors of their hard-earned money, including you. Chances are, you did not win your savings or accumulate your money over a short period of time. You, therefore, owe it to yourself to also avoid making rash decisions with your money especially when eye-popping returns are flashed before you.

When an offer is too good to be true, it is likely to be fraudulent. To be sure, compare offered interest with the Weighted Average Interest Rates provided in the website of the PDIC. You should also consult regulators like the PDIC, BSP, SEC and IC. These institutions provide advisories and maintain information in their offices and websites that caution depositors and the investing public on fraudulent schemes and perpetrators of scams. Remember that being registered as a corporation with the SEC does not come with the authority to offer investments to the public. There needs to be a secondary license.

But do remember that the person ultimately responsible for your money is you. So be careful. The money you save is your own.

The Power of Information

1. You, as the depositor, will entrust your hard-earned money to the bank not only for better safekeeping but also for additional earnings in the form of interest. That is why it is only wise to get to know the bank where you are going to place your trust and confidence.
2. It is, therefore, important to know the exact mechanics of the products being sold. It is not enough for the branch manager or sales officer, for example, to know what he is selling. The responsibility of knowing a product inside and out also falls squarely on the shoulders of the buyer.
3. Knowing your bank and its products would not be complete if you do not find out if they have the product that suits your needs. Each and every product will also have its own set of documentation, account maintenance rules and fees/charges.
4. There have been many stories of depositors overly trusting bank personnel with their transactions to the point of overlooking the most basic of documentation. Sometimes, people do this also to shortcut their waiting time in the bank. That is why you should, at all times, transact only with the authorized personnel of the bank for the particular transaction.
5. Remember that the PDIC covers up to Php500,000 per depositor, per bank. This deposit insurance is subject to specific rules, the more important of which were discussed in Chapter 5 of this book.
6. The unbreakable rule in investing is the higher the potential return, the higher is the risk not only of not achieving the return but also losing part, if not all of your capital.

