Republic of the Philippines
Securities and Exchange Commission
SEC Bldg., EDSA, Greenhills, Mandaluyong City

In the Matter of

URBAN FINANCIAL SERVICES, INC.,

SEC Admin Case No. 06-04-78
(CED Case No. 01-2651)

COMPLIANCE AND ENFORCEMENT DEPARTMENT,

Petitioner.

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DECISION

For consideration is the Petition for Revocation of Corporate Registration of URBAN FINANCIAL SERVICES INC. ("Urban") for violation of Sections 8 and 13(a) of the Implementing Rules and Regulations of The Financing Company Act of 1998 ("IRR of R.A. No. 8556"), Section 6 (l) 6 of Presidential Decree 902-A, as amended ("P.D. No. 902-A"), and Section 14 (6) of the Corporation Code ("Corporation Code") in relation to Section 5.1 (m) of the Securities Regulation Code ("R.A. No. 8799") filed by then Compliance and Enforcement Department ("CED"), now the Enforcement and Prosecution Department ("EPD"), on 10 June 2004.

FACTS OF THE CASE

Urban is a domestic stock corporation registered with the Commission on 16 February 1999 under SEC Reg. No. A199814425 and with the last known office address at the Urban Bank Plaza, Urban Avenue corner Pasong Tamo, Makati City. Urban is engaged in business as a financing company.

On November 19, 2001, the CED issued an Order addressed to Urban through its President, Arsenio Bartolome III, requiring Urban to submit the reports required by IRR of R.A. No. 8556 and pay the corresponding fines as of 19 November 2001 amounting to one hundred ninety-one thousand two hundred pesos (Php191,200) plus additional one hundred pesos (Php100) for each day of delay in the submission of said requirements reckoned from 19 November 2001 within five (5) days from receipt of said letter. Urban was warned that otherwise, suspension/revocation proceedings will be taken against the corporation. The proof of service indicates that it was received on 26 November 2001, yet it failed to comply with said Order.

CED pointed out that this constitutes a continued and deliberate violation of Sections 8 and 13 (a) of the IRR of R. A. No. 8556 in relation to Section 6 (l) 6 of P.D. No. 902-A, and Section 5.1 (m) of R.A. No. 8799.

P.D. No. 902-A provides:

"SEC. 6. In order to effectively exercise such jurisdiction, the Commission shall possess the following powers:

xxx

(l) To suspend, or revoke, after proper notice and hearing, the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law, including the following: xxx

6. Failure to file required reports in appropriate forms as determined by the Commission within the prescribed period;

xxx"

R. A. No. 8799 reads:

"SEC. 5. Powers and Functions of the Commission. — 5.1. The Commission shall act with transparency and shall have the powers and functions provided by this Code, Presidential Decree No. 902-A, the Corporation Code, the Investment Houses Law, the Financing Company Act and other existing laws. Pursuant thereto the Commission shall have, among others, the following powers and functions:

xxx

(m) Suspend, or ***revoke***, after proper notice and hearing the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law;

xxx"

Upon receipt of the instant petition, the Commission through its Hearing Officer issued an Order dated 22 June 2004 ordering Urban to file with the Commission its Answer to the Petition and SHOW CAUSE, within fifteen (15) days from receipt, why its certificate of registration should not be revoked. In the Affidavit of Service dated 25 June 2005 executed by Mr. Roberto S. Bulacan, the Commission's Clerk-Messenger, he attested that on June 24, 2004, he served a copy of said Order to Urban at its business address, Urban Bank Plaza, Urban Avenue corner Pasong Tamo, Makati City, but Urban no longer holds office at the said address and a different corporation already owned the business establishment. This was confirmed by Jun B. Ilano, the Information Clerk of the building on 24 June 2004.

In consideration of the above, the Commission issued an Order dated 12 May 2010 stating, among others, that any attempt to personally serve the summons upon Urban at the aforesaid address would be a waste of time and effort by the

Commission's process servers. Thus, pursuant to Section 4-9 of Rule IV of the 2006 Rules of Procedure of the Commission, the Order directed that the Summons dated 12 May 2010, the Order itself, and the Petition for Revocation of Certificate of Registration dated 10 June 2004, be immediately posted in the Commission's website for thirty (30) days. A copy of the said Order and the Summons dated 12 May 2010 were likewise mandated to be published once in a newspaper of general circulation.

On July 20, 2010, the CED filed its Compliance attaching a copy of the Affidavit of Publication of the 12 May 2010 Order published in the *Philippine Star* on 29 May 2010, and the Certification from the Director of the Economic Research and Information Department stating that the Order, Summons, and Petition for Revocation have been posted in the website of the Commission.

ISSUE

Whether there is a valid ground to revoke Urban's Certificate of Registration based on CED's Petition and submitted evidence.

RULING

The petition is meritorious.

CED enumerated the following violations of applicable laws and regulations by Urban, which are bases for the revocation of its Certificate of Registration prescribed by Section 6 (l) 6, PD 902-A, as amended.

Violation of Sections 8[1] *and 13 (a)*[2] *of the Implementing Rules and Regulations of R.A. No. 8556*

On 2 February 2004, the Corporation Finance Department ("CFD") of the Commission issued a Certification based on the records on file, that:

"xxx URBAN FINANCIAL SERVICES INC. failed to:

1) Pay its annual fee from 2001 to 2003; and
2) File the following reportorial requirements:

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[1] Section 8. Licensing fees –xxx An annual fee shall be charged as follows and the same shall be paid not later than forty five (45) days before the anniversary date of the Certificate of Authority to Operate as a Financing Company and for as long as its license to operate is in effect. xxx

[2] Section 13. Periodic Reports – Every financing company shall file with the Commission the following reports:
   a. Within forty-five (45) days from the end of each fiscal quarter, quarterly reports which shall include:
      1. Statement of Condition as of the end of the most recent fiscal quarter and Statement of Income and Expenses for the period between the end of the preceding fiscal year and the end of the most recent fiscal quarter; xxx

- Quarterly reports for the quarters ended June 30, 2002 to September 30, 2003.
- Annual audited financial statements for the years 2002 and 2003

in violation of Section 8 and Section 13 of the Rules and Regulations to Implement the Provisions of Republic Act No. 8556 (The Financing Company Act of 1998) xxx"

This was despite the several letters and reminders sent to Urban by the Commission (through Acting Chief of CFD, Armando P. Carag) as early as 16 November 2000, (through then Officer-in- Charge, now Director of CFD Justina F. Callagan) 8 January 2001, and 19 March 2001, regarding its failure to comply with the IRR of R.A. No. 8556.

Violation of Section 14 (6) Corporation Code

A scrutiny of the signature page of the Articles of Incorporation of Urban by CED reveals that Ms. Corazon Bejasa, listed as one of the members of the Board of Directors, signed, for and on behalf of Mr. Arsenio M. Bartolome III on the signature page of the Articles of Incorporation. In a Memorandum dated 21 May 2004 addressed to the CED by the Company Registration and Monitoring Department of the Commission regarding the authority of Ms. Corazon M. Bejasa to sign for and in behalf of Arsenio M. Bartolome III, Director Benito A. Cataran stated that "upon verification of the Original Records on file with the Commission, it appears that there is no such paper/document appended therein signifying such authority."

Consequently, there are only four (4) directors who signed the Articles of Incorporation of Urban. This does not comply with the mandate of Section 14 paragraph 6 of the Corporation Code, which requires that the number of directors or trustees of all corporations organized under the Corporation Code *shall not be less than five (5).*

WHEREFORE, premises considered, the instant petition is hereby **GRANTED.** The Certificate of Registration of URBAN FINANCIAL SERVICES INC. is hereby **REVOKED.**

Let the Company Registration and Monitoring Department be furnished with a copy of this Decision for its appropriate action.

SO ORDERED

Mandaluyong City, 28 October 2010.

FE B. BARIN
Chairperson

MA. JUANITA E. CUETO
Commissioner
Officer-in-Charge

RAUL J. PALABRICA*
Commissioner

MANUEL HUBERTO B. GAITE*
Commissioner

ELADIO M. JALA
Commissioner

* On official travel