What is the Webinar Series on Principles of Client Protection?
This series of trainings is designed to introduce financial institutions to the Principles of Client Protection. In each module you’ll find a presentation on one of the principles. You can use this facilitator’s guide to help you support practitioners as they work through the series. For each presentation, this guide lists the resources and requirements for hosting the training session including suggested speakers, presentation templates, and possible formats for delivery. These presentations are designed so that they can be used in group training sessions in which the facilitator and presenters are physically present or in virtual learning sessions, such as webinars, that allow for broad geographical reach at minimal cost.

Who should use this series?
This series is intended for use by networks and MFIs to train their members and employees on the importance of client protection in microfinance. Networks can deliver the series to member institutions and member institutions can then train their staff. MFI loan officers and collections agents will find these trainings useful because of their extensive client interactions, and managers involved in product development and institutional strategy will also benefit from participating, but adding a client focus to their work. Regulators may also find the series useful to learn more about the latest good practices for client protection in microfinance.

How long will it take to complete the training?
The presentation on each principle can be completed in one to two hours, depending on the number of speakers and the length of participant discussions. Therefore, the whole 7-part series requires about a 12 hour investment of time by the participants. However, because each presentation requires different types of speakers, we recommend that you implement the training series as a weekly, biweekly, or monthly program. This will allow both you and your audience to invest the time necessary to carefully prepare for each session, understand each principle, and apply the lessons learned to daily work activities.
Principle #1 – Avoid over-indebtedness
Time: 1.5 hours
Requirements:
- **Facilitator** – Network personnel for presentations to multiple MFIs, internal consumer protection advocate for intra-MFI presentations.
- **Presenters** – Two recommended - one with experience designing credit methodologies that avoid over-indebtedness, the other with experience confronting and solving over-indebtedness crises/challenges that have already past. Credit managers, Directors of Commerce, and CEOs of MFIs that have confronted client over-indebtedness are ideal candidates to present during this training.
- **Presentation Method** – PowerPoint and projector for in-person sessions or webinar platform for distance sessions.

Recommended Resources:
- Presentation for Module on Avoiding Over-indebtedness
- Matrix of guidelines on consumer protection in the credit process
- Additional tools and resources available, by Principle, on [www.smartcampaign.org](http://www.smartcampaign.org)

Description / Implementation Instructions:
1. The first section of the presentation (slides 1-7) focuses on what the principle means for MFIs and clients. The facilitator should focus on causes and consequences of over-indebtedness and solicit audience participation to add their real world experience.
   a. What kinds of practices have participants seen at their (or other) MFIs that have contributed to over-indebtedness?
   b. How has over-indebtedness affected clients’ ability to use credit effectively?
   c. What consequences have over-indebted clients had on the institution?

2. In the second part of the presentation (slides 8-13), two microfinance practitioners will discuss their experiences confronting client over-indebtedness. Ideally, one presenter will be qualified to discuss prevention and the other will be able to talk about mitigation. The first presenter will focus on how to design and sell financial products that avoid over-indebting clients. The second presenter will talk about his or her experiences facing pre-existing over-indebtedness problems and finding solutions that benefit MFIs and clients. This presenter can also address what measures have been taken to prevent the reoccurrence of a similar over-indebtedness problem.

3. The third section of the presentation (slides 14-18) offers possible actions that MFIs can take to prevent and confront over-indebtedness problems. Examples in this section come from Apoyo Integral, an MFI in El Salvador that dealt with an over-indebtedness crisis in 2009. The good practice example comes from the Beyond Codes project, a collaborative action research project of the Smart Campaign that has examined consumer protection practices at MFIs around the world. Facilitators should modify or change these slides to coordinate with the content that their presenters use. Other examples of good practices are available on the Campaign website.

Audience participation is important for this part of the presentation as participants ask the presenters questions and discuss the feasibility and effectiveness of different actions at their institutions. The facilitator should make sure participants discuss possible actions, challenge existing practices, and propose solutions where appropriate. It is important for the facilitator to
emphasize that practices can and will vary among institutions and universal 'best' practices may be difficult to find.

a. How could a particular action be implemented in ‘X’ institution?
b. What are the costs and benefits of implementation?
c. What solutions have participants seen (or would like to see)?

4. The final section (slides 19-22) of the presentation is reserved for discussion among participants and presenters. The following list of questions can be used to spark discussion:

a. Causes and consequences of over-indebtedness
   i. Are discussions held about over-selling or mis-selling products? (e.g. loans that are too large, selling products that may be more expensive than others on offer, lending to people who cannot afford to repay, incentive systems that push growth without regard to quality)
   ii. How has management shown commitment to adjust procedures, review incentive programs, change operations or begin training programs to address the potential for over-lending?
   iii. What discussions about over-indebtedness have been held at the Board level?
   iv. Are loans approved based on a guarantee, even if borrower repayment capacity is doubtful or unknown?
   v. How are loan officers trained to assess repayment capacity?
   vi. If the organization has group lending products, how are groups trained to assess repayment capacity?
   vii. Are loan applications reviewed for compliance with the procedures?
   viii. Does the credit manual provide specific rules about re-financing loans at higher amounts when clients experience repayment difficulty?
   ix. Is there a standard protocol for debt re-structuring, for example, specific conditions under which a loan can be renegotiated?

b. Good practices to avoid or solve over-indebtedness challenges
   i. Where and how often does management obtain data on client over-indebtedness?
   ii. Has management communicated to staff that over-lending or over-indebtedness might be a problem?
   iii. Are credit products and sales practices reviewed for their potential to cause over-indebtedness or repayment stress? What information is regularly reviewed, and how often?
   iv. What guidance is in the credit manual about assessing repayment capacity and acceptable debt thresholds or levels of debt from other sources?
      1. Are assessments of borrower repayment capacity during the loan application process generally thought to be conservative or optimistic by decision makers?
      2. Are assessments of repayment capacity based on current household income/business performance? Do they include a cushion to allow clients to absorb future shocks?
      3. Does the policy require a check with the credit registry or credit bureau, if one exists. If no credit bureau or registry is consulted, how does the institution gain knowledge about multiple loans from other sources?