



## CLIENT PROTECTION CERTIFICATION

*Report for Bayport Financial Services Zambia  
Lusaka, Zambia*

Mission Conducted by MicroFinanza Rating

Aldo Moauro, Executive Director, MicroFinanza Rating

Njeri Muita and Ben Wallingford, Leading Analysts on the Certification Mission

*“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”*

- *Isabelle Barrès, Director, the Smart Campaign*

This document was prepared by MicroFinanza Rating, a licensed certifier of the Smart Campaign's Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted for Bayport Zambia. MicroFinanza Rating is pleased to announce that Bayport Zambia became client protection certified in December 2016.

Certification missions entail a streamlined desk review of institutional policies and procedures, followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#), proven by complying with [standards](#) associated with principles related to institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Public announcements are made only for organizations that pass the certification. Certification status is valid for up to two years, after which an institution must undergo a certification check-in mission.

This summary presents selected excerpts from the analysis conducted throughout the certification process, which in total covers 25 standards of care. The evidence presented is not exhaustive, but rather meant to illustrate what the certification standards look like in practice and to highlight specific practices by Bayport Zambia. We encourage readers to refer to the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign's website <http://www.smartcampaign.org/certification>.

If you have any questions or concerns about this report please contact:

MicroFinanza Rating, Via Rigola, 7 | 20159

Milan - Italy

Tel: +39-02-3656.5019

aldo.moauero@microfinanzarating.com

## Selected Examples of Practices

### Client Protection Principle 1 – Appropriate Product Design and Delivery

- The product design is appropriate to meet client needs under payroll lending. Savings products were recently introduced and are designed appropriately.
- Sales techniques employed are not aggressive. Portfolio growth targets are set appropriately and take into consideration market potential and historical performance.
- Client feedback is used for product development and to refine existing product features.
- Reasons for client drop-out are investigated and consolidated in reports.

### Client Protection Principle 2 – Prevention of Overindebtedness

- The repayment capacity of the client is primarily guided by the Minimum Take Home Pay (MTHP) threshold of 40% of the basic pay after deductions.
- The repayment capacity policy is standardized and well-disseminated to staff, and Quality Assurance reviews all loan applications.
- The repayment capacity analysis is performed at each loan cycle including for top-up loans.
- Regular portfolio quality reports are produced and reviewed by the management. Portfolio quality levels are sound.
- The credit bureau is checked and outstanding debts are factored into debt threshold calculations.
- Internal Audit and Quality Assurance investigates aspects of client over-indebtedness and compliance with loan appraisal and approval procedures.

### Client Protection Principle 3 – Transparency

- Bayport discloses all pricing components in the loan contract including the total cost of credit, in line with Bank of Zambia requirements. Key terms and conditions contained in the contract are explained to clients verbally during the loan application process.
- Clients are provided with the key facts summary of the credit insurance terms and conditions within the loan contract dossier.
- Savings and payments documentation includes all key terms and conditions.
- Loan interest is calculated on a declining balance and a simple fee structure is used.
- Public pricing information is displayed in loan pricing posters and the savings tariff guide in branches.
- Clients retain a hard copy of the loan contract attached to all of the documents they sign and it also includes the Key Facts Statement and the repayment schedule. Clients are also provided with the savings terms and conditions documentation and the term deposit certificate.

### Client Protection Principle 4 – Responsible Pricing

- Prices are in-line with or slightly below peers depending on the loan size. Fees charged are not excessive.
- Pricing is evaluated on a continuous basis and the cost structure and competition is

## Selected Examples of Practices

taken into consideration when setting prices.

- Operational self-sufficiency is consistently >100%, allowing Bayport to cover costs and operate sustainably.
- Savings rates offered are in general competitive compared to peers.

### Client Protection Principle 5 - Principle 5 - Fair and Respectful Treatment of Clients

- The Code of Ethics and Business Conduct stipulates the standards of appropriate staff behavior towards clients.
- The Disciplinary Code details unacceptable behaviour towards clients in general and specifically for delinquency management.
- The Disciplinary Code details the list of offences and the applicable sanctions depending on the severity of the offence or repetition.
- Staff are trained in line with the Code of Ethics and the Disciplinary Code during orientation training and are informed of the consequent sanctions for not complying with the codes.
- Ethical behaviour towards clients is included in staff performance evaluation forms and Internal Audit investigates client treatment by staff.

### Client Protection Principle 6 – Privacy of Client Data

- A privacy clause is inserted in the loan contract stating that client information will be kept confidential and it specifies the circumstances under which client information will be disclosed to third parties.
- Written consent is required from clients for disclosure of client data with the credit bureau and other third parties which are specified.
- An information security policy is in place including sufficient aspects of electronic/physical data security and data confidentiality.

### Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Complaints handling procedures are formalized in the Customer Experience Policy.
- A Customer Complaints Report is compiled consolidating complaints gathered from the various complaint channels in place, including a dedicated customer care line, suggestion boxes and the website.
- Internal Audit investigates about client awareness of the complaint procedure in addition to whether clients are satisfied with the assistance provided.
- Complaints are resolved in a timely fashion and the status of complaint resolution is tracked.
- Bayport Zambia has improved its operations and product features based on complaints and feedback from clients.