



## **CLIENT PROTECTION CERTIFICATION**

*Report for IMON International, Khujand, Tajikistan*

*Certified in May 2017*

**Mission Conducted by MicroFinanza Rating**

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*“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 IMON International. MicroFinanza Rating is pleased to announce that IMON International became client protection certified in May 2017.

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 IMON International. 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>.

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## Selected Examples of Practices

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

- IMON International (IMON) offers loans, savings and money transfer operations. Loan products cover a wide array of client needs including business, agricultural, housing, consumer and others. Saving products are accessible for vulnerable groups due to a small minimum balance and offer flexible terms. Products do not create a negative value for the customers.
- The institution uses various tools for regular collection of client feedback such as semi-annual client satisfaction surveys, semi-annual borrower dropout surveys, and semi-annual mystery shopping surveys. In 2016, IMON introduced a new tool for capturing reasons for dropout among depositors.
- IMON defines aggressive sales and has a formalized mechanism for determining appropriate sales and productivity targets, which if breached, require additional monitoring by senior field staff.

### Client Protection Principle 2 – Prevention of Overindebtedness

- IMON evaluates borrower repayment capacity through a cash flow analysis that takes into account any existing debt (including that of other household members), anticipated debt from IMON, business incomes and expenses, as well as household incomes and expenses. Money transfers are capped at 30% in the repayment capacity analysis. For business loans, IMON additionally requires that loan officers cross check changes in borrowers' financial position since the previous loan.
- IMON defines adequate thresholds for borrowers' disposable income that can be applied to total debt service. In 2016, following the reduction in overall borrower capacity in the country, IMON raised these thresholds to 200% of net income (i.e. debt service coverage percentage) after all household expenses including future payments on debt from IMON.
- IMON requires that loans be approved by a credit committee, or by authorized senior staff members different from the loan officer presenting the loan proposal for approval.
- For loans disbursed in foreign currency, staff is required to provide several cost scenarios to the client including FX rate that would make loan cost in foreign currency equal to the cost of the loan in local currency and FX rate that would significantly impact the client's repayment capacity.
- The use of credit bureau reports in loan analysis is systematic. To decrease multiple borrowing, IMON limits the number of loans per household to two loans and runs credit check on household members.
- The Board of Directors and Management including supervising staff in branches and banking service centers regularly monitor portfolio performance by branches, products, loan officers and client segments.

### Client Protection Principle 3 – Transparency

- IMON informs clients about terms and conditions of its products and services. Borrowers receive full pricing information, repayment schedule, grace period and other product details. Savers are informed on minimum required balance, interest payment frequency and early withdrawal terms among others.
- At the time of contract signing, clients are provided with a Key Facts Document and the loan contract. Both documents disclose details on loan pricing including effective interest rate, annual nominal interest rate, late payment penalty, commissions and other loan details.

## Selected Examples of Practices

- All contracts are completed and printed from the MIS and contain accurate information and have no blank spaces. Any change to terms and conditions must be agreed between IMON and clients in writing.

### Client Protection Principle 4 – Responsible Pricing

- IMON has a clearly defined pricing policy aligned with a triple bottom line approach combining business criteria with social and environmental considerations. The pricing policy for credit products dictates that interest rates must be take into account the cost of funds, the cost of service delivery, market conditions, profit margin, and risks associated with each client segment. IMON uses a part of its earnings toward social projects including trainings in financial literacy and female entrepreneurship.
- IMON regularly monitors competitor rates and fees and ensures they are within the market range. The APRs for the main products are within the acceptable performance range when compared to those of IMON's direct competitors.

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

- IMON has a formalized Code of Quality Service and Ethics Code that is mandatory for all staff. Training on the Code is systematic.
- A formal policy is in place that defines appropriate and inappropriate debt collection practices including prohibited behaviors.
- IMON informs clients about its adherence to Smart Client Protection Principles and asks them to acknowledge awareness in writing.
- IMON has formal policies for restructuring and writing off loans. The policies state clearly the reasons and procedures for loan restructuring and write-off.
- Loan recovery process provisions for several advance notices and provides time for delinquent borrowers to remedy the default.

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

- Documented policies and procedures are in place for maintaining the confidentiality, security, and accuracy of client information. Staff is regularly trained on confidentiality requirements and aware of penalties for unauthorized disclosure of client's data.
- IT security measures are adequate to prevent client data loss or theft.
- The loan and deposit agreements obliging IMON to keep client information a secret unless its disclosure is required by law.
- IMON runs credit checks (i.e. client, household members) only upon a formal consent.

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

- IMON has an adequate system in place for receiving and resolving client complaints. It provisions for a number of channels including HQ hotline number for Internal Audit (fraud cases), an HQ call center, visiting hours (i.e. branch manager and CEO), email, and complaint and suggestion journals. All of these channels are accessible for clients.
- Designated staff members in branches and Banking Service Units communicate information about received complaints to the HQ unit in charge of complaints on a daily basis.
- The management reviews quarterly consolidated reports on complaints and takes corrective measures as necessary.
- Training on complaints mechanism is comprehensive and covers roles and responsibilities of staff members, complaint channels, resolution timeline and other details of the policy.