



CLIENT PROTECTION CERTIFICATION

*Report for Microcredit foundation EKI,
Bosnia and Herzegovina*

Mission Conducted by Planet Rating
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Selected Examples of Practices

“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 Planet Rating, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at EKI. EKI became client protection certified in January 2013.

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](#) as evidenced by meeting [standards](#) associated with each principle in institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Only organizations that pass certification will be made public. Certification status is valid for up to two years, after which an institution must undergo a new certification mission.

This summary presents selected excerpts from the certification mission analysis, which in total covers 30 standards of care. The evidence presented is not exhaustive but rather meant to illustrate what the certification standards of care look like in practice and to highlight specific practices by this institution. We encourage readers to reference 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

- EKI's products are adapted to its target clientele's needs through features such as flexible credit amounts, duration and grace periods for micro and agricultural loans.
- EKI conducts frequent client research including on the reasons for client exit and on client satisfaction. Understanding client needs has been identified as a strategic goal.

Client Protection Principle 2 – Prevention of Overindebtedness

- Management is well aware of the risk of over-indebtedness and has accordingly refined its market penetration calculations and designed a conservative-enough lending methodology including clear limits on financial ratios.
- EKI's procedures list the cases in which the debt can be rescheduled, for example when clients are willing but unable to pay due to specific reasons.
- EKI has several mechanisms to check compliance with policies such as client focus groups, mystery shopping and random client phone calls.

Client Protection Principle 3 – Transparency

- EKI's loan officers have been trained on communication and customer service; all loan officers must go through a check-list with clients on the loan contract's main points. Field staff compliance with procedures is tested through mystery shopping.
- Contracts do not have fine print. Clients receive all documentation in the local language.
- Pricing information is clearly stated in brochures, on EKI's website and on loan documents. The loan schedule differentiates principal, interest and commissions for all installments.

Client Protection Principle 4 – Responsible Pricing

- EKI's interest rates are competitive in Bosnia when compared to MFIs offering loans of similar amounts and have been lowered in Q1 2012, decreasing the average APR from 23% to 22%. APRs range mostly from 20% to 32%, although it can reach higher levels in some rare cases for smaller loans. According to data collected by Microfinance Transparency in 2011, EKI was among the cheapest microcredit providers in the country.
- EKI offers lower interest rates for clients with good history with the organization; lower rates are never based on preferential treatment.

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

- EKI provides training in responsible and ethical banking based on its Customer Protection Policy. Its non-discrimination rules are included in its code of ethics.
- Collections staff receive training on customer service, specifically how to optimize the client experience at each point of the contract, including the collections phase.
- EKI monitors its operations through phone calls to clients, internal audits and involvement of human resources. Staff education and sanctions are provided as necessary.
- The loan manual states that assets that would deprive clients of their basic survival or revenue generation capacity cannot be confiscated.

Client Protection Principle 6 – Privacy of Client Data

- EKI has a policy protecting personal client data that specifies the penalties for data misuse or misappropriation. EKI's staff sign an agreement to comply with data protection policy. The privacy policy is communicated to staff through documents and in training.
- EKI's clients are told how their data will be used in their loan application as well as other documents; clients also have access to EKI branches where general lending guidelines are displayed that include EKI's privacy policy and employee responsibilities.

Selected Examples of Practices

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- EKI has a dedicated committee for discussion of client complaints and issues.
- EKI informs clients that they may complain through multiple channels including i) brochures and posters; ii) explanation of general lending conditions where the complaints process is explained. Clients can also seek independent third party recourse.
- EKI's complaints are resolved by specialized personnel and are used to improve procedures. An example is how EKI used complaints to improve communication guarantors.
- EKI's marketing department has conducted check-in calls with a random sample of clients to identify any concerns or problems that they have had. In 2011 these calls sampled approximately 8% of active clients.