



CLIENT PROTECTION CERTIFICATION

Report for Finamérica S.A.

Bogota, Colombia

Certified in August 2014

Mission conducted by MicroRate

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Selected examples of practice

“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 MicroRate, a licensed certifier of the Smart Campaign’s Client Protection Certification Program (CPP Certification). It contains excerpts of analysis from a certification mission conducted at Compartamos Banco, which became client protection certified in August 2014.

Certification missions entail, firstly, a review of policies and procedures, followed by an on-site visit that includes staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#) (CPP), according to the [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 covers 30 client protection standards in total. The evidence presented is meant to illustrate how the institution implements the [certification standards](#). We recommend reading this report as a reference for the client protection standards. For more information about the certification program and a list of certified organizations please visit the Smart Campaign website <http://www.smartcampaign.org/certification>

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Selected examples of practice

Client Protection Principle 1 – Appropriate Product Design and Delivery

- FINAMÉRICA offers a diverse range of financial and non-financial products adapted to customer requirements. It specializes in innovative loans such as the “miracle” loan which incorporates a savings percentage into the fee, fostering a culture of saving in its customers and providing favorable conditions for clients.
- Provides financial education and advisory services to clients and non-clients. It also offers a financial rehabilitation program for clients with a poor credit rating, with the aim of helping them to overcome their situation and reinsert them in the financial system, offering education and small loans called “Grow Again.”
- Carries out client satisfaction studies and exit surveys to provide feedback for the improvement of its products and processes.

Client Protection Principle 2 – Prevention of Overindebtedness

- The lender maintains lending policies that aim to reduce the risk of overindebtedness for clients. It has healthy debt to loan limits of 60%, and restrictions on approval by agencies according to the level of delinquency.
- The initial training process and participatory committees in agencies allow for adequate standardization of institution policies. Monitoring in branches by the methodological supervision department reinforces possible weaknesses in the application of the methodology.
- Daily information is available about the quality of the portfolio by agency, analyst and product. The Board of Directors also monitors the evolution of the quality of the portfolio, presented by the Risks department.
- FINAMÉRICA has been undertaking specific actions to reduce its balance of portfolio in arrears, with the aim of reducing its at-risk portfolio. This includes the restructuring of a number of products and the elimination of others that present higher risks, along with training and stricter policies to improve supervision.
- The bonus plan includes additional incentives for analysts who succeed in reducing the balance of their portfolio in arrears, incentivizing both good placement and improving the quality of the portfolio.
- FINAMÉRICA checks and reports all clients in the credit bureau. It also obtains quarterly reports from the bureau in order to analyze the evolution of the payment behavior of their clients and focus their efforts on the most problematic zones and sectors.

Client Protection Principle 3 – Transparency

- FINAMÉRICA presents clients with the rights and responsibilities form, which sets out their principal rights and responsibilities, and the most important product conditions. It also presents a detailed payment schedule, setting out all the additional costs over and above the interest (commissions, insurance, and so on).
- A leaflet is provided to clients together with the contract that includes essential information such as their rights, the obligations of the financial bodies, and information about the Financial Services Consumer Ombudsman.

Selected examples of practice

- The lender publishes the passive and active rates in all the agencies, and information about commissions and additional costs on its website. Explanations are published in branches about the additional commissions charged (MSME Law).
- It is a positive indicator that this information is communicated verbally, in a clear and friendly manner. This aspect is reinforced by the existence of standards of service for both in-person and telephone communication.
- Information is available in agencies informing clients about the consequences of going into arrears (additional costs) and what to do if they have problems paying.

Client Protection Principle 4 – Responsible Pricing

- FINAMÉRICA offers competitive rates, within the average of similar institutions in the Colombian market. The rates are below 51.18% which is the legal limit in Colombia.
- The lender has good operational efficiency, higher than average for Colombian MFIs.
- It is positive that the institution does not charge penalties for early repayment of loans.

Client Protection Principle 5 - Fair and Respectful Treatment of Clients

- The behavior of FINAMÉRICA staff is based on its Code of Ethics, which sets out the organization's philosophy, culture and values.
- The selection processes follow this Code, taking into account qualitative aspects such as leadership, innovation and attitude to the client.
- The Code of Ethics details the penalties to be applied in the event of failure to comply with it, and the bodies responsible for determining the disciplinary measures in each case.
- There is also a specific Code of Conduct for personnel involved in collecting payments. This promotes respectful treatment and clarity in the information provided to the borrower.
- There is a procedure for refinancing loans where clients are experiencing payment problems. This involves approval by a higher body, and is employed in a standardized manner across the institution.
- All documents signed by clients are explained to them. This includes the rights and responsibilities form, which sets out their principal rights and responsibilities, together with the most important product conditions.

Client Protection Principle 6 – Privacy of Client Data

- The Code of Conduct clearly specifies how staff should handle client data, i.e. with confidentiality and subject to banking secrecy. Failure to comply with this stipulation may result in termination of their contract.
- FINAMÉRICA has a Data Security Manual that sets out the guidelines, policies and responsibilities of users.
- Clients are clearly informed of the Privacy Policy, which is found in the rights and responsibilities form. A summary of this Policy is also provided.
- There is an established procedure of reading and explaining the principal documents provided to clients, including the Privacy Policy.

Selected examples of practice

- A positive factor is the existence of controls on access to both physical and electronic information for staff, according to user profile. Furthermore, requests for access to additional information must be approved by the Risks department.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Appropriate customer complaint resolution mechanisms are employed, managed by the Service and Quality department. Of note are the communication methods used by these mechanisms: verbally, in the documents presented to clients, and in branches.
- The handling of complaints and grievances is based on a Manual of Policies and Procedures for the customer service system.
- The customer service system is reviewed every six months by an independent reviewer, as well as by the Internal Audit department.
- It is a positive factor that FINÁMERICA makes use of the information arising from complaints and grievances to improve its processes, products and services.