



CLIENT PROTECTION CERTIFICATION

Report for Fundación delamujer

Bucaramanga, Colombia

Certified in June 2014

Mission conducted by MicroRate

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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*

Selected examples of practice

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 Fundación delamujer, which became client protection certified in June 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

- The institution offers financial products that fit the client’s profile and needs. It displays good design and application of loan policies.
- Of note is the acceptance of irregular payments for agricultural loans, which enables borrowers to adjust to the growing and harvest cycle.
- It provides financial education free of charge to all clients in: business management, basic accounting, overindebtedness, and other areas, as tools to strengthen the economic activity of clients.
- It seeks to continually improve the services on offer on the basis of information gathered from clients. This is achieved and monitored by means of exit surveys, focus groups and telephone calls.

Client Protection Principle 2 – Prevention of Overindebtedness

- The institution possesses mechanisms and policies aimed at protecting the client from the risk of overindebtedness.
- Of note is the good analysis of ability to pay undertaken for all loans. The loan methodology is applied in a consistent manner. Emphasis is placed on double-checking the information compiled by the advisor.
- All clients are checked in the credit bureau.
- There are conservative measures in place for reducing this risk. For example there is an internal tool for monitoring current and potential indebtedness of the client (“Strengthening Route”).
- The quality is adequate (PAR>30 of 4.4% and a write-off rate of 2.9% as of December 2013), which is lower than the Colombian average. These indicators are constantly monitored by the MFI various control bodies.
- The fee/available flow ratios (60%-80%) are prudent, and provide a fair margin to the client to respond to any unforeseen event.

Client Protection Principle 3 – Transparency

- The institution provides a detailed payment plan to each client that sets out all the costs charged that comprise the fee and loan (interest rate, commissions, payment protection insurance). The effective interest rate is also shown.
- Of note is the design and delivery of a welcome booklet that sets out all the information the client needs to know: where and how to make a complaint, the costs connected to the loan, rights and responsibilities of the client, etc.
- Also worthy of note is the simplification of the loan contract, which is written in clear language, in legible, well-spaced type (no minor issue) that is easy to read for clients.
- There is a disbursement protocol in place in order to check that the client has understood all the conditions of the contract and to go over them before signing and disbursement.
- Although the institution is not obliged to publish its prices, it is transparent in the publication of its interest rates and commission charged on loans on the website and in its offices.

Selected examples of practice

- The MFI staff are continually trained in customer service and are able to respond to any queries clients may have.

Client Protection Principle 4 – Responsible Pricing

- The interest rate charged by the MFI is competitive and within the legal limit stipulated in Colombia (51.18%). The nominal annual cost is close to the average of similar institutions in Colombia.
- The high percentage of exclusive clients and clients who seek to renew services with Fundación delamujer is worthy of note.
- The level of efficiency is adequate (22% of operating costs for average portfolio, in December 2013), close to the average for the sector (MicroRate average for Colombia is 21.3%).
- The operating cost per client (US\$197) and clients per advisor (275) compare favorably with the sector averages (US\$212 and 286 clients, respectively).
- The institution does not charge a penalty for early repayment.

Client Protection Principle 5 - Fair and Respectful Treatment of Clients

- The central pillar of the institution is the client. In this sense, Fundación delamujer clients receive good treatment throughout the loan process, including the recovery stage.
- Good service and free non-financial services represent an advantage over the competition.
- Provision of good customer service is indicative of a positive culture and awareness in Fundación delamujer. This is supported by the Committee of Good Governance, maintained by the Executive.
- The institution maintains detailed and well-defined processes concerning appropriate repayment practices. These are formalized in internal policies and set out in posters in offices. Additionally, a document is delivered to clients informing them about the repayment process.
- The personnel selection and training processes are oriented towards positive treatment of clients. The Code of Ethics, Working Regulations, institutional mission and client service are all emphasized. The consequences of failure to comply with internal working regulations are clearly explained.
- Fundación delamujer continually monitors its personnel and processes to prevent fraud. These bodies include the Executive, Presidency, Internal Audit, Risks department and zone and regional directors.
- Information about the refinancing procedure is available on the website for public consultation by clients. This type of operation is carried out in extreme cases where the client is no longer able to pay, but is still determined to meet his obligations.

Client Protection Principle 6 – Privacy of Client Data

- Fundación delamujer maintains clear data privacy policies at all levels (clients, partners and suppliers).

Selected examples of practice

- It maintains excellent mechanisms to safeguard client data in a confidential manner. It is backed up by a robust IT system and the full digitalization of the institution's manuals and policies.
- The contract is short and set out in clear language. It includes a data confidentiality clause. This is supported by publication of the data protection policy on the MFI's website.
- Authorization of the client is requested for credit bureau checks. The client is informed when his data is shared with the bureau.
- Of note are the awareness raising campaigns held among all personnel concerning the importance of Client Protection Principles, including data privacy.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- The institution maintains adequate mechanisms for the resolution of client requests, complaints, grievances and suggestions. These measures are clearly signaled in offices and set out in flyers and the welcome booklet.
- Staff training and induction places emphasis on listening to clients and treating them with respect.
- There is a Client Protection department, which enables monitoring of the appropriate use and management of complaints and suggestions.
- The institution uses the feedback gathered from clients to improve its product range, improve the loan process, or correct any omissions in the service provided. It also holds periodic focus groups and client satisfaction studies. Examples of improvements made include better dissemination of the financial education service offered by the FMI; and offering irregular payments to suit client's income flows.