



## **CLIENT PROTECTION CERTIFICATION**

*Report for Mi-Bospo, Tuzla, Bosnia & Herzegovina  
Certified in February 2013*

**Mission Conducted by MicroFinanza Rating  
Aldo Moauro, Executive Director, MicroFinanza Rating**

## Selected Examples of Adequate 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 MicroFinanza Rating, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at Mi-Bospo. Mi-Bospo became client protection certified in February 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 adequate 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 Adequate Practices

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

- Acceptable variety of loan products including financing business (agriculture, trade, service, production), housing, consumption (including education). Loan officer's performance assessments includes client satisfaction and client drop-out metrics.
- The MFI does not use high pressure techniques to force clients to sign loan contracts. Loan officers are aware that they should never be aggressive in selling products to clients, and that if they breach the code, there will be HR consequences.

### Client Protection Principle 2 – Prevention of Overindebtedness

- The assessment of the repayment capacity includes business and family income, expenses and liabilities. The income sources that can be documented are adequately verified during repayment analysis. Client visit is generally performed for the loan analysis.
- The management regularly reviews the portfolio quality thanks to a number of reports that are automatically generated by the MIS; includes internal audit reports that analyze compliance to policies to prevent over-indebtedness and cross-indebtedness data is produced by the risk manager based on the credit bureau database.
- Control visits check loan use, loan user, object of the visit performed by the loan officer, compliance to the limits on the approval policy. Audit and control visit 5% of the clients per year. Control findings in the last period of analysis: loan used as intended for 85% of clients.

### Client Protection Principle 3 – Transparency

- The MFI participates in MFTransparency. The amortization schedule includes a clear breakdown of the loan installment by principal and interest, detailed by repayment date. The loan contract specifies the pre-payment conditions, penalty fee and measures that can be taken in case of default.
- Contract is in a simple language and avoids fine print. The MFI uses multiple channels to inform clients about products: brochures, advertisement, loan officer explanation, information sheet. Financial education training provided by the women business network.
- An updated balance of loan account is available on request to clients, free of charge.

### Client Protection Principle 4 – Responsible Pricing

- The MFI's APR is overall in line with the median of its peers, with lower price charged on small loans than competitors. Some differences compared to the APR data available arise from this year change in the pricing: Business loans interest rate decreased 1%; other loans' interest rate increased by 1%. In spite of costs increasing more than income, interest rate have not increased in past years.
- No prepayment fee charged and interest discounted; the law states that a prepayment fee can be charged only in the same amount of the disbursement fee. Penalty for late loans is in accordance with the law and is not excessive; in the majority of cases the penalty fee is not claimed

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

- A code of ethics is formalized, approved by the BoD and included in HR policies. A client protection code is also in place and the loan contract says that the MFI is obliged to act in accordance with it. Client protection is even part of the mission.
- The disciplinary policy prohibits behaviors against clients (rude, inhuman, violent behavior, bribery, gifts, violation of privacy) and determines the applicable sanctions in case of violation of the law and the policies of Mi-Bospo (thus covering client protection policy).
- A rescheduling policy is in place, covering the cases with insufficient repayment capacity and clients with good repayment history but business issues at a specific time.

## Selected Examples of Adequate Practices

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

- Privacy policy included in code of conduct and client protection policy.
- Staff is adequately trained on data entry and security during induction. Refreshment training is done in case of changes.
- The privacy clause included in the contract is read to the clients at each cycle.
- Clients, household members and guarantors sign consent to have their credit history checked in the credit bureau.

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

- A complaint policy in place and system is managed by the control department.
- The staff informs customers about the complaint system by reading the contract, which includes a clause on the complaint channel (info line). Promotional materials include the complaint phone line, suggestion boxes and email.
- The MFI has a complaint board that takes disciplinary action on staff if needed.