



CLIENT PROTECTION CERTIFICATION

*Report for Partner Microcredit Foundation, Tuzla,
Bosnia & Herzegovina
Certified in January 2013*

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

“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 Partner. Partner 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 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

- Partner has strong product development and marketing departments that work to incorporate client needs into credit products for income-generating activities (e.g. agriculture, trade, service, production), and non-income generating activities (e.g. improving housing conditions, improving quality of life).
- Partner offers a grace period for the initial months of the loan term and is dependent on expected cash flows.
- Client satisfaction surveys are frequently deployed as well as analysis of client drop-out.

Client Protection Principle 2 – Prevention of Overindebtedness

- Credit department prepares regular reports for management that monitor the risk of over-indebtedness; report analyzes portfolio quality through examination of Portfolio at Risk (PAR), rescheduled and refinancing, write offs, debt consolidation etc.
- Repayment capacity analysis is performed at every cycle and loans are approved only if repayment capacity matches limits set by the Credit Policy. Monthly cash flow analysis performed for all loans above € 500. A dedicated loan approval committee at Partner's HQ decides on cases with higher risk such as refinanced or clients with previous payment difficulties.
- Partner's internal audit department verifies staff compliance with credit policy and reports violations.

Client Protection Principle 3 – Transparency

- Material and information on products and pricing available at the branch level through brochures, flyers, internet, price list and available loan officers. New loan officers receive training on how to communicate clearly to clients and share loan product information.
- Partner loan documentation for clients includes a clear repayment schedule showing the installment, interest and fee amounts per repayment period. In addition, it highlights the effective interest rate (EIR), as well as any fees or conditions for early or late repayment. Partner attaches an amortization table to the contract, and a copy of Loan contract with amortization plan is kept by the client.

Client Protection Principle 4 – Responsible Pricing

- Partner's prices are market oriented and are in line with their peers in Bosnia and Herzegovina. Using MFT data, Partner's effective interest rate varies from 9.5% to 31.4% depending on the product.¹ Interest rates at Partner are expected to increase as a result of a fee (+1%), even with an increase, the organization will remain competitive compared to the country market.
- In the event of prepayment of the loan, the customer pays interest only for those months s/he used the credit.

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

- Partner has policies on how staff must treat clients in both in the Code of Conduct, Ethical Code of Conduct and the Credit Manual. These documents refer to all staff in contact with clients (i.e. Loan Officers, Collection officers, etc) A "Handbook for the Operation of Officers for Delays in Loan Collection" also has a dedicated section where rules of conduct are listed with clear appropriate and inappropriate actions.

Client Protection Principle 6 – Privacy of Client Data

- Employee contracts at Partner include a clause that mandates the confidentiality of company and client information. New staff at Partner is trained on protocol concerning use of the IT system and protection of client data.
- Clients sign a document separate from the loan contract where they agree to share their data with a credit bureau or for the market research activities and post sales activities.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Partner has a comprehensive complaints resolution system that includes processes that cover how to prioritize, mediation and tracking.
- Partner's Internal Audit checks monitors how complaints are handled and creates a verified quarterly report on complaints that are submitted to the Banking Agency.

¹ For reference information of Partner's interest rates see MFTransparency website [here](#).