



## CLIENT PROTECTION CERTIFICATION

*Report for Viator, Ganja, Azerbaijan*

*Certified in APRIL 2015*

Mission Conducted by MicroFinanza Rating

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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 Practices

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 VIATOR. VIATOR became client protection certified in April 2015.

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

- Products are adequately designed to serve clients needs and do not create negative value for clients.
- The R&D department investigates the reasons behind client drop out through a day-by-day survey form and an annual client exit survey. Clients' feedback are systematically reported to the HO and taken into consideration for product development.
- The FI does not employ aggressive sales technique. LO productivity targets are strictly monitored by supervisors, according to LO experience and area of operations.

### Client Protection Principle 2 – Prevention of Overindebtedness

- The FI has a comprehensive system for assessing client repayment capacity, conducted for each loan application, that does not only rely on guarantees or collateral for loan approval, but includes also on-site visits, inflows and outflows analysis of household and business, as well as additional loans.
- Management receives detailed weekly report on portfolio quality, segmentation by sector, type, branch, PAR. The quality of portfolio has been maintained at a very good level throughout the period of analysis.
- The FI systematically checks the client information at the Credit Bureau at each loan cycle.
- The Board is aware of the risk of over indebtedness and receives detailed information related to portfolio quality on a monthly basis.

### Client Protection Principle 3 – Transparency

- The clients are well informed on all prices, installments, terms and conditions he/she is subscribing for, including all charges and fees, associated prices, penalties and whether those can change over time. The loan agreement uses simple legal language understandable to clients and does not employ fine print.
- The clients are provided with brochure reporting product features and a sample repayment schedule to take home prior signing the contract. They are not limited in time to make a decision.
- Billboards and brochures are accompanied with front desk staff being available for consultation upon request.

### Client Protection Principle 4 – Responsible Pricing

- The pricing is competitive and does not significantly deviate from the peers' institutions being slightly below the market average. The prices are defined according to market studies, client requests.
- Clients are always allowed to prepay a loan without any penalties or accrued interests; the related information is well disclosed and clients are well informed and aware of it.

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

- Expected staff behavior is clearly defined in Code of Ethics and Business Conduct, prohibiting use of abusive language, discrimination, physical force and other.
- Appropriate collection practices are clearly formalized and specify the unacceptable behaviors and steps to follow in case of default, including how to determine the client willingness to repay.
- Internal policies on collateral formally prohibit sale of seized assets to bank employees or their relatives. Seizing collateral only occurs after the written approval of the client.
- The HR Training Department provides both induction and on-going training, with interactive sessions on Client Protection Principles and related sanctions in case of breach

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of conduct rules.

- The employee evaluation system includes operational targets, as well as qualitative targets, such as client relation and protection.
- A formalized policy on rescheduling loans is in place and is applied in a consistent and fair way across the FI.
- Clients are well informed on the FI policies (including but not limited to Code of Ethics and Business Conduct, Client Complaint Mechanism and rescheduling). Summary of rights and obligation is given to client upon signing the contract and is also available at branches.

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

- The written privacy policy covers staff currently or previously working at the bank.
- The loan contract includes a privacy clause, which limits sharing of client information with third parties only to loan conditions. Information checking at Credit Bureau is an integral part of the repayment capacity analysis and requires the written consent of the client.
- A control system on security of digital and physical files is in place: employees have different level of access to the MIS, according to their position; the archive officer stores the physical files and tracks the release of documents.

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

- Clients are well informed on the Client Complaint Mechanism during the application and the disbursement stage; a summary page of the different channels available is given to them; information materials are also available at branches.
- The policy clearly disciplines the resolution process that has to occur maximum within a month; the client has to be informed on the complaint status within a week. Complete resolution of a client sample (10%) is verified by internal audit during field visits.
- All complaints and feedbacks received are collected by the R&D Department at the HO on a monthly basis as a potential tool for enhancement and development of product features.