



## CLIENT PROTECTION CERTIFICATION

*Report for CREDO, Tbilisi, Georgia*

*Certified in DECEMBER 2016*

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

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 for CREDO. Microfinanza Rating is pleased to announce that CREDO became client protection certified in December 2016.

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](#), proven by complying with [standards](#) associated with principles related to institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Public announcements are made only for organizations that pass the certification. Certification status is valid for up to two years, after which an institution must undergo a certification check-in mission.

This summary presents selected excerpts from the analysis conducted throughout the certification process, which in total covers 25 standards of care. The evidence presented is not exhaustive, but rather meant to illustrate what the certification standards look like in practice and to highlight specific practices by CREDO. We encourage readers to refer to 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

- Credit products are flexible and aimed at meeting the various clients' needs. Credo's loan products are designed to require principal payments to be paid regularly and grace periods are offered when they are needed, in order to adapt the repayment schedule to the client's cash flow. Collateral requirements are adaptable to suit the clients' needs and do not create harm.
- Credo is proactive in gathering feedback from clients. Apart from the annual consumer research project, which organises focus groups with clients, the FI conducts quarterly client drop-out analysis, post-disbursement surveys, and universal client studies, by using the dedicated research and analytics team.
- Credo does not promote aggressive sales. Staff is adequately trained by the Learning and Development team, in collaboration with the Customer Service Quality team, which have defined customer service standards for almost all job positions. The incentive scheme is designed in such a way that targets are segregated within the month and discourage potential pushy attitudes.

### Client Protection Principle 2 – Prevention of Overindebtedness

- Credo clearly defines the maximum debt exposure limit of their borrowers, including debt from other lenders. Guarantors and insurance coverage are not considered as the main basis for loan approval. The repayment capacity ratio used for loan approval includes the cash flow of both household and business activities, which consider all the liabilities of the customer and household members. Repayment capacity analysis is refreshed at each loan cycle.
- Credo has a comprehensive internal control process to verify the uniform application of policies and procedures. A multilayer control system ensures that several verifications are conducted before and after the loan approval.
- Credit bureau data of the borrower, the household members and any guarantors are verified for every loan product and cycle. The credit data of Credo clients are reported to the credit bureau weekly.
- Credo applies sustainable growth targets, taking into consideration market trends and growth capacity. The senior management and BoD regularly review over-indebtedness related reports about the market and the institution's own clients. Credo's loan officers and branch managers monitor portfolio quality daily.
- Credo maintains a sound portfolio quality with a total credit risk well below the 10%, over the last three years. Credo's productivity targets are reasonable - although above average - compared to peer institutions in Georgia.

### Client Protection Principle 3 – Transparency

- Credo made significant progress towards transparency and clients are now given a complete key fact document, repayment schedule and contract. Information on all loan conditions is clearly presented, including the potential risk with foreign currency denominated loans.
- Frontline staff gives adequate time to customers to review the terms and conditions of the products. The customers are made aware that loan officers are available to answer any doubts they may have about the loan conditions.

## Selected Examples of Practices

- Credo provides clear, complete and updated information on the loan conditions both in branches and on the website. Information is accessible to all types of customers.
- Staff are adequately trained to explain pricing and terms and conditions to customers and verify their understanding.

### Client Protection Principle 4 – Responsible Pricing

- Credo is sufficiently covering its costs and its financial results, allowing to maintain the capital base.
- The pricing policy is frequently revised to match the clients and institution's interests. Credo's interest rate is set to be affordable, taking into consideration operation, funding and loan loss expenses.
- Credo financial ratios do not signal pricing issues with LLER, OER and ROA in line with the Smart Campaign guidelines.

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

- Credo has a comprehensive set of policies in place to ensure that staff are informed about the organizational values and standards of professional conduct. Disciplinary measures are formalized for cases of fraud and other unethical actions. Corporate values are clearly displayed in every branch. The Code of Conduct poster is well designed and clearly refers to honesty and fair treatment of clients.
- Credo adequately states their commitment to zero discrimination in the Code of Ethics, where it states that the institution promotes fair and equal treatment and does not tolerate any discrimination towards employees or clients, on the basis of political view, race, religion, gender, age and other backgrounds.
- Customer service standards for Problem Loan Officers include a clear list of inappropriate debt collection practices. Collateral seizure is guaranteed to be respectful of client's rights. The training material used for field staff is clear and complete.
- Credo has an adequate policy in place regarding rescheduling, refinancing and writing off loans.
- The FI has an adequate internal control process in place, to verify uniform application of policies regarding fair and respectful treatment of clients. This is mainly done through the customer service quality team's branch and client visits and the phone calls conducted by the call centre team for the customer satisfaction surveys.

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

- Credo has adequately documented processes and policies to guarantee the confidentiality of client's data. There is an adequately clear process to guarantee that client data is protected even after the termination of an employment contract.
- Credo's system adequately protects against theft or misuse of client data or identity. Different access levels and other security functions are encoded into the systems Credo staff uses.
- Customers are informed about data privacy. Credo requests clients to give consent to share their information and that of their household members with external entities, such as the credit bureau, by including a clause about it in the loan application and contract.

## Selected Examples of Practices

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

- Credo implemented a new grievance mechanism in 2016 that intentionally makes sure complaints do not have to go through frontline staff, because it relies on the complaints page of the institution's website, its Facebook page and the new unique call centre number for all branch offices.
- According to Credo's grievance policy, all grievances have to be resolved within one month. In Credo, grievances are differentiated by severity, mainly by categorizing them as complaints or grievances, whereby the former is considered less severe. Grievances, instead, are related to violence, humiliation or financial pressure committed by Credo staff.
- The updated Customer Service Standards for field staff includes clear reference to the call centre number that should be provided to clients during the explanation of the complaints channels.
- A comprehensive report has been designed to aggregate monthly results of the complaint received. The report is prepared by the CSR Manager and shared with the Management team to identify suggestions for improvement in case of shortcomings. Complaint and grievance are segregated by branch and region. A summary report of the main reasons for complaint is also available.