



## CLIENT PROTECTION CERTIFICATION

*Report for FINCA KOSOVO, Pristina, Kosovo  
Certified in NOVEMBER 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 FINCA KOSOVO. MicroFinanza Rating is pleased to announce that FINCA KOSOVO became client protection certified in NOVEMBER 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 behaviour. 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 FINCA KOSOVO. 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

- FINCA Kosovo offers an adequate variety of credit products, ranging from business or agricultural loans, to home improvement, life improvement.
- Through the monthly meetings of branch managers, FINCA Kosovo makes sure all informal client feedback collected in the field are reported up to management level. These meetings are an opportunity to update each other on the market, competition and discuss any potential issues or suggestions raised by clients.
- Grace periods, between 3 to 6 months, can be applied to the repayment schedule, when clients manage income-generating activities with high seasonality.
- FINCA Kosovo does not pressure LOs if they do not reach the target and rather, the branch managers take a coaching approach to help them improve their productivity level.

### Client Protection Principle 2 – Prevention of Over indebtedness

- The repayment capacity analysis incorporates both business and household cash flow for agro and business loans (including express loans), which is based on a one-year cash flow and not on financial projections. Other liabilities are taken into consideration for all loans, including those of other household members, in order to calculate the net income surplus.
- Conservative criteria are used for volatile and informal income sources. Remittances can be irregular, hence only 50% of its value is used for the repayment capacity analysis. The same is applied for undocumented income to which LOs found proof. For informal incomes in agricultural loans, LOs have market price guidelines to assess self-declared information.
- The Arrears Committee meets every month to analyse the trend of PAR and write offs and conducts vintage analysis.
- The BoD Chairman also receives weekly reports on the loan portfolio, as he has an operational responsibility to monitor the performance of the institution and in particular its CEO.

### Client Protection Principle 3 – Transparency

- The loan contract of FINCA Kosovo is on average six pages long and it is written in local language in a clear and simple manner, with no fine print.
- FINCA Kosovo effectively shares to the clients all information regarding the loan prior to sales, including a breakdown of costs into capital, interest rate, commission and the additional charges in case of late payments and conditions for pre-payment.
- FINCA Kosovo displays pricing information, including interest rate and fees, split per loan product and new vs. existing clients, in the branch offices and on their website.
- FINCA Kosovo provides adequate time to clients to review the terms and conditions of the loan, by giving them a pre-contractual sheet, which functions like a summary of the main terms and conditions of the real loan contract. This pre-contractual sheet can be taken home for reviewing, before signing the contract.

### Client Protection Principle 4 – Responsible Pricing

- On average, the pricing of FINCA Kosovo loans is responsible and aligned with that of the other MFIs.
- The institution offers different interest rates to new versus existing customers.
- According to a regulation from the central bank and the law on consumer protection, clients can repay the full loan amount without any charges within the first 14 days.

## Selected Examples of Practices

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

- The HR Manual of FINCA Kosovo clearly describes what kind of inappropriate behaviour would be regarded worthy of sanctions or immediate termination of employment contract.
- Code of conduct has a designated section in the induction training and also an annual refreshment training, as per Kosovar regulation; hence, staff at all levels display a good awareness of the content of the code of conduct.
- When PAR30 exceeds 3% then Branch Managers monitor that specific loan officer's performance more carefully and discuss with him/her ways to improve portfolio quality.

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

- The Data Protection Manual explains how data should be processed and protected and when it can be shared.
- The confidentiality agreement incorporated in the HR Manual abides every employee to comply with the privacy policy during and after the termination of their contract with FINCA Kosovo.
- In the business lending guidelines, it states clearly the responsibility of the loan officers to prohibit any disclosure of client information to third parties.

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

- The channels offered to clients to make a complaint are by post, email, designated call centre number, complaint box, in person, or directly to the central bank.
- FINCA Kosovo adequately assigned a complaints handling officer who is part of the legal team.
- Complaints management training is adequately provided to FINCA Kosovo staff both as part of the induction and as a refresher.