



## **CLIENT PROTECTION CERTIFICATION**

*Report for CREZCAMOS SA, Bucaramanga, Colombia  
Certified in September 2013*

Mission Conducted by MicroFinanza Rating  
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## Selected Examples of 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 CREZCAMOS SA. CREZCAMOS SA became client protection certified in September 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 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

- Acceptable variety credit products, mainly aimed at financing income-generating activities (trade, services, manufacturing, agriculture, livestock). Adequate supply of voluntary micro insurance (life, home, small business, and agriculture) designed in conjunction with the insurance company based on customer characteristics.
- Customer segmentation based on customer characteristics and different business needs, with benefits plan including preferential rates.
- Product design methodology based on identification of client needs, validation of the usefulness and satisfaction of customer needs and monitoring of client satisfaction in the pilot phase.
- Crezcamos does not use aggressive sales techniques, loan officers are sensitized to the importance of building long-term relationships with customers and know that aggressive treatment may lead to disciplinary proceedings.

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

- Payment capacity analysis based on data including income, expenses and liabilities of the family unit. Regular sales revenues and other income of the family unit are considered as additional income. For agricultural activities, the analysis is based on the cash flow per production cycle. Crezcamos systematically visits every business and home in each credit cycle.
- Management reviews portfolio quality daily separating the analysis by branch thanks to the automatic generation of reports in an application shared with office managers. Internal audit reports produced policy compliance to prevent over-indebtedness. Risk Unit performs systematic analysis based on cross-borrowing from the credit bureau.
- Internal audit visits to home business and are focused on verifying the existence of the client, purpose of the loan, repayment capacity analysis. The sample of customers accounting for 10% of operations placed in the audit period. Findings from the analysis period: 67% of branches with policy comply with payment capacity policies > 95%.

### Client Protection Principle 3 – Transparency

- The MFI participates in MFTransparency. The payment plan breaks down the components of the fee and indicates the total values to pay for each item, and the total cost of credit. It clearly indicates the nominal interest rate and effective interest rate on arrears and costs related to the collection.
- Contract written in common language, no fine print. The MFI uses different channels to inform the customer about products: Welcome Kit (includes all loan documents and explanatory note, condition and costs of credit and insurance products), verbal explanation of the executives and business advisors, videos in offices.
- Partial account statement given upon request, including current payment information and successive new principal balances, insurance and others.

### Client Protection Principle 4 – Responsible Pricing

- APR interest rate in line with direct competitors.
- Crezcamos has operational efficiency levels in line with regional peer benchmarks (Operational expense ratio of 23% sept 2013). Crezcamos also has reasonable productivity levels, considering the hiring of new operations staff for offices that are being opened (256 clients per loan officer). Peer benchmarks using MIX indicators of 26,7% OER y 203 loan officers/client for LAC (NBFI), 17,8% y

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279 for LAC (Operationally Self Sufficient), 37,6% y 254 for LAC (Young).

- No prepayment penalty applies to the total credit, and discount the interest and insurance premiums due. Legal processing fees are in line with other microfinance institutions and as allowed by law.

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

- Code of Conduct has been formalized and approved by the Quality Committee. It includes ethical guidelines in the relationship with the client, emphasizing respect for the customer. It is presented and discussed in the staff on-boarding.
- Portfolio Recovery Manual includes principles of good client treatment during the collection stage, guidelines for expected behavior, behavior that is considered to violate the rights of clients, confidentiality indications collection activities. A penalty system applies in cases of offenses against the Code of Conduct.
- There is a restructuring policy for customers in arrears or likely to fall into arrears under exceptional hardship in developing micro-enterprise activities.

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

- Crezcamos' privacy policy is included in the internal regulations and code of conduct.
- Voluntarily implements superintendency Circular 052-2012 on safety and quality in the management of information for regulated institutions.
- Module security audit and integrated into the MIS to ensure compliance with safety standards, integrity and availability of data.
- Staff adequately trained on confidentiality, and data security registration; penalties apply if serious acts against withholding information.
- Explanation and read the privacy policy of customer information, including rules to share personal and financial information with third parties.
- The client signs an authorization to query and report on the credit bureaus.

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

- Customer Service Area formalized policies and resolution system Petitions, Complaints, Complaints, Suggestions and Congratulations (PQRSF).
- Commercial Advisors inform the customer of their right to make complaints and claims and channels to process them clearly stated in the welcome kit delivered to the customer. The loan documents and promotional materials include customer service telephone numbers.
- PQRSF Resolution System feeds into action plans prompting review / correction / update / modification of products and services.