



Keeping clients first in
financial inclusion

Standards of Protection for Digital Credit

With an emerging consensus around the importance of responsible digital credit, demand has risen for a shared set of criteria to assess the practices of digital lenders. Investors and regulators want a way to evaluate consumer protection practices among the financial service providers they invest in or regulate. Digital financial service providers also want guidance to improve their practices and demonstrate that they are committed to putting responsible finance into action. This is why the Smart Campaign has been working to develop a set of standards that addresses the risks involved in digital credit. Following research, pilot assessments, and a period of public comment, we have finalized a set of practices reflecting input from consumers, researchers, financial service providers, and on-the-ground testing. We have had extensive discussions with providers who are members of the Fintech Protects community of practice. We have benefitted from and built upon the high quality research produced by institutions including CGAP, GSMA, Microsave, Financial Sector Deepening, and the Better than Cash Alliance. These standards consolidate what we have learned about good practices and where to set the bar. They provide a starting point for further inquiry and discussion across the industry. Given how nascent the digital credit industry is, these standards will be first used for assessments, tool creation, data collection, and eventually certification. **Please share any comments or questions on the standards to comments@smartcampaign.org**

| 1 | 0 | 0 | 0 | Appropriate Product Design and Delivery |
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| 1 | 1 | 0 | 0 | The provider designs and delivers suitable products and services through appropriate channels based on research, client feedback, and performance data. |
| 1 | 1 | 1 | 0 | A product suitability policy is (or policies are) in place that defines how the provider will offer suitable products and services through appropriate channels, including designing products based on research, client feedback, and performance data. |
| 1 | 1 | 2 | 0 | The provider has systematic means of gathering client feedback on satisfaction with products, services and delivery, as well as performance data and does so at least annually. |
| 1 | 1 | 2 | 1 | The provider monitors internal data or data from third party partner organizations, (if applicable and permitted by local data regulation and contractual agreements), on client satisfaction factors such as: application down-time disaggregated by reasons related to the provider or to the mobile money provider (if applicable), call center (internal or outsourced) complaint resolution ratio, average waiting time to talk to an operator, monitoring reports from call center supervisors, and satisfaction ratings from clients. |
| 1 | 1 | 2 | 2 | The provider analyzes loan usage by client characteristic and product terms (e.g. terms, amounts, frequency, timing of borrowing); on a sampling basis it investigates reasons for borrowing, repeat borrowing, and drop-out (verified or self-reported). Based on the analysis, the products are adjusted to better meet client needs. |
| 1 | 1 | 3 | 0 | Management uses client feedback to identify issues as well as improve products, services, and delivery at least once a year. Measures are discussed, implemented and monitored, and records of these actions exist. |
| 1 | 1 | 4 | 0 | The provider demonstrates evidence of clients' ability or improvement of ability to interact effectively with the technologies it uses to provide services and information. At minimum, this includes evidence from the least technology-savvy segment of the target population. |
| 1 | 1 | 5 | 0 | Credit products with a term longer than 6 months are designed to require principal to be paid down regularly, and repayment schedules take into account client cash flows. |
| 1 | 1 | 6 | 0 | The provider trains its staff and, if applicable, direct agents on the product suitability policy. Where applicable: 1) product development staff are trained on product and channel design informed by suitability to clients; 2) sales staff are trained on adequate sales and marketing; and 3) lending staff to ensure collateral policies are understood. |
| 1 | 1 | 7 | 0 | When provider uses blind lending or a lend-to-learn approach, negative consequences do not accumulate to clients. |

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| 1 | 1 | 8 | 0 | In case of incidents, problems, and scheduled/unscheduled downtime, the provider restores the service in a reasonable timeframe. Providers should inform customers if the system is experiencing an extended outage, scheduled downtime, or processing delays. |
| 1 | 2 | 0 | 0 | When products, services, and/or channels are designed or managed by third parties (e.g. other financial institutions, mobile money providers, insurance partners, agents, call center, loan recovery agency, analytics company, etc), the provider considers the extent to which these are suitable, based on research and client feedback. |
| 1 | 2 | 1 | 0 | Due diligence of third-party partners is carried out before entering into partnerships using, at a minimum, publicly available information to assess the third party's reliability and continuity of service, adequate qualifications, reputation, soundness, etc. |
| 1 | 2 | 2 | 0 | When products are offered through third-party partners, the provider has a transparent process for selecting third parties which involves a competitive bidding and/or market study and a consideration of the value and appropriateness of the products and services offered by the third-party provider. |
| 1 | 2 | 3 | 0 | The provider's contract/service level agreement(s) with third-party partners allows frequent opportunities for the provider to review and cancel. Where relevant it incentivizes fair treatment of clients and rapid redressal of problems in service. |
| 1 | 3 | 0 | 0 | The provider does not use predatory or deceptive sales and marketing techniques. |
| 1 | 3 | 1 | 0 | The provider defines predatory and deceptive sales and marketing and applies it in policies and practices. |
| 1 | 3 | 2 | 0 | The provider trains staff involved in sales not to use predatory or deceptive sales techniques and to respect clients' right to opt-out of receiving marketing information and/or delete an app. |
| 1 | 3 | 3 | 0 | Where applicable, the provider monitors that the direct sales agents are trained by their supervisors not to use predatory or deceptive sales techniques and to respect clients' right to opt-out of receiving marketing information and/or delete an app. Trainings are provided to all new agents; refresher trainings are provided at least once a year to all agents. Attendance lists and training material are available for monitoring purposes. |
| 1 | 3 | 4 | 0 | The provider's marketing does not employ predatory or deceptive sales techniques, such as language implying "use it or lose it" opportunities, push messages sent after working hours and/or more than once a week. If applicable, providers offer a way to opt out of marketing messages. Marketing material displays a warning message in normal font and simple language on the financial consequences of borrowing. |

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| 1 | 3 | 5 | 0 | A cancellation period is available for borrowers to cancel the loan agreement, return the loan amount, and be refunded the expenses incurred. Cancellation window is proportionate to loan tenure (e.g. min 1 day for 1 month loan; min 7 days for 1 year loan) and, if applied, the cancellation fee is reasonable. |
| 1 | 3 | 6 | 0 | The provider has a mechanism of robust monitoring of frontline staff and third-party sales techniques (e.g. direct agents, mobile money SMS' or other ATL or BTL campaigns) to impede predatory or deceptive sales. When concerns for client welfare are raised, it triggers corrective measures. |
| 1 | 3 | 7 | 0 | The provider's incentive and/or bonus structure does not promote predatory or deceptive sales at staff or management levels, as applicable. Any staff, agent, or management incentive systems value portfolio quality at least as highly as other factors, such as client growth. |
| 2 | 0 | 0 | 0 | Prevention of Overindebtedness |
| 2 | 1 | 0 | 0 | The provider has a sound policy and well-documented process for loan approvals and makes decisions using appropriate information and criteria. These decisions do not lead to client overindebtedness. |
| 2 | 1 | 1 | 0 | The provider has a working definition of client overindebtedness that they use in underwriting. The definition includes client stress. |
| 2 | 1 | 2 | 0 | For loans below 10% monthly GNI/capita the provider demonstrates how capacity to repay is incorporated either through underwriting or robust portfolio and client monitoring. |
| 2 | 1 | 3 | 0 | For loans between 10% and 6 times the monthly GNI/capita data used in underwriting must include variables (e.g. disposable income) or proxies for client repayment capacity (e.g. transaction data, saving balance, credit history, or revenues/expenses of client, household or business, etc) as well as debt service to other lenders (verified or self-reported) . If the underwriting does not include variables or proxies of client repayment capacity, the provider regularly monitors client outcomes (e.g. annual survey that monitors debt stress or overindebtedness) and makes adjustments accordingly. Guarantees, guarantor income, and/or insurance coverage are not the main basis for loan approval. |
| 2 | 1 | 3 | 1 | For loans above 6 times the monthly GNI/capita, underwriting is based on disposable income, credit history, income, expenses, and debt service to other lenders (including informal to the extent possible) related to business and family. If any of these data are self-reported by clients, the provider verifies them on-site or off-site. Guarantees, guarantor income, and/or insurance coverage are not the main basis for loan approval. |

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| 2 | 1 | 3 | 2 | For loans above 10% monthly GNI/capita, if underwriting includes the client repayment capacity, the provider defines the maximum percentage of a borrower's disposable income that can be applied to debt service and uses this percentage in determining maximum loan amounts and terms. |
| 2 | 1 | 4 | 0 | If the repayment capacity analysis is automated (e.g., through the use of an algorithm), the rationale for an algorithm is documented including the factors/types of variables used and justification for relying on those factors. The document is available to senior management outside of the algorithm development team. |
| 2 | 1 | 4 | 1 | Providers should have a formal way of designating blind and lend-to-learn loans internally at the time those loans are made, as well as records of how long respective periods last and what the volume and performance of those loans were. |
| 2 | 1 | 5 | 0 | If an algorithm is in use, the inputs into the system as well as the effectiveness in predicting the client repayment is reviewed and tested by a unit of the organization independent from the algorithm development team (e.g. internal audit, senior management, or other department). The review includes the compliance between the rationale, the algorithm and its output (e.g. portfolio quality, segments poorly predicted). Documented evidence is available on the review and tests carried out, the recommendations to improve, and the implementation of improvement actions. |
| 2 | 1 | 6 | 0 | Underwriting data and analysis is refreshed in full or in part regularly, either at each loan cycle or at least annually to identify changes in the client's situation. |
| 2 | 1 | 7 | 0 | Clients are prohibited from borrowing on behalf of another person and the provider sensitizes clients on the risks of borrowing on behalf of someone else through campaigns (e.g. SMS, other online communication) or warning messages displayed during the client journey. |
| 2 | 1 | 8 | 0 | Clients are permitted to prepay loans; the provider has a policy that defines when clients are permitted to prepay loans and clearly communicates it to clients. |
| 2 | 1 | 9 | 0 | Provider builds in the ability for staff to override approval process, even when decisions are completely automated. |
| 2 | 1 | 10 | 0 | Staff (or direct agents) involved in underwriting and monitoring portfolio quality are trained on overindebtedness and debt stress. |

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| 2 | 1 | 11 | 0 | The provider has a rigorous internal control process to verify the uniform application of policies and procedures around credit underwriting. This applies both to cases where staff is involved, when the process is automated, and/or when the automation is outsourced to a third party. |
| 2 | 2 | 0 | 0 | The provider uses credit reporting information when feasible in the local context. |
| 2 | 2 | 1 | 0 | Policy and documented process require timely positive and negative reporting to credit bureaus and use of credit reports systematically in the approval process for all loans. If lenders do not use credit reports, they must demonstrate that such use is prohibitively expensive and/or that credit bureaus do not adequately cover their target client segment. |
| 2 | 2 | 1 | 1 | Providers allow customers a window period before being negatively reported. |
| 2 | 2 | 2 | 0 | Unless mandated by regulation, providers do not negatively report loans to the credit bureau that: a) are disbursed as part of a blind deployment; b) have an outstanding principle amount under 5% of that country's monthly GNI/capita. |
| 2 | 3 | 0 | 0 | Management and board monitor the market and respond to heightened overindebtedness risk. |
| 2 | 3 | 1 | 0 | The provider's staff monitor portfolio quality at least monthly to identify areas with high risks of overindebtedness. Analysis is done by geography, products, and client segments. If applicable, the provider tracks the restructured portfolio separately, including the rescheduled (also referred to as roll over) and the refinanced portfolio. |
| 2 | 3 | 2 | 0 | Management and board review results related to overindebtedness in the market and the provider's portfolio quality at least quarterly, using available data. When systemic overindebtedness arises in the market, the provider adopts risk mitigating policies, such as slower growth, more conservative loan approval criteria, or limits on total number of loans an individual can have at one time from multiple providers. |
| 2 | 3 | 3 | 0 | The provider has a policy on sustainable target growth rates considering the provider's growth capacity and the markets being targeted. Policy is discussed and revised as necessary, at least every two years. |
| 2 | 3 | 4 | 0 | The provider defines levels of portfolio quality that trigger additional internal monitoring and response. |
| 2 | 4 | 0 | 0 | The provider maintains sound portfolio quality |

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| 2 | 4 | 1 | 0 | Lenders using automatic loan approval determined by an algorithm set a goal for improvements in portfolio quality as underwriting improves. If the algorithm has been deployed for at least three years, the provider can demonstrate improvement against the portfolio quality targets in the last 3 years. In case the portfolio quality is negatively affected by a riskier mix of segments (e.g. expansion to a riskier region or riskier target market), the provider can demonstrate the link between the evolution of the portfolio composition and of portfolio quality. |
| 2 | 4 | 1 | 1 | If quality of portfolio is expected to decline or credit risk increase, for instance by going down-market, providers should have pre-emptive, corrective measures in place. |
| 2 | 4 | 2 | 0 | For mature deployments (i.e. > 8 years), total credit risk has not averaged more than 20% during any quarter in the past 3 years, including the most recent quarter. |
| 2 | 4 | 3 | 0 | If total credit risk has exceeded 20% at any point in the past 3 years for mature deployments, or in the past quarter, the provider demonstrates that corrective measures have been put in place and tracks their efficacy. |
| 3 | 0 | 0 | 0 | Transparency |
| 3 | 1 | 0 | 0 | The provider gives customers transparent information on product terms, conditions, and pricing. |

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| 3 | 1 | 1 | 0 | <p>Borrowers are given easy access to Key Information in hard copy or in digital form: app multiple screens, USSD multi interface menu, consecutive SMS, pre-recorded voice message/IVR (for mobile lenders), or webpage (acceptable for online lenders only). The Key Information contains the following information:</p> <ul style="list-style-type: none"> - loan amount and disbursement amount after fee deduction, if applicable; - total cost of credit (interest, fees, mandatory insurance, and any cost incurred by the client to obtain the loan); - Monthly Percentage Rate (MPR)—if majority of loans are under 3 months—or APR/EIR. MPR, APR/EIR include all costs mentioned above plus taxes and cash collateral, if any. MPR, APR/EIR are applicable also when fees are the only cost component; - maturity date; - if loan term is over 1 month, repayment schedule with principal and interest amounts, number, and due dates of all repayment installments; <p>The Key Information is available in a major local language (to the extent local alphabet is compatible with software); clients can choose the language in case of multiple major local languages.</p> |
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| 3 | 1 | 2 | 0 | <p>Loan contracts include all information included in the summary document, in addition to:</p> <ul style="list-style-type: none"> - grace period (if any); - penalties for arrears or prepayment; - mandatory savings/mobile wallet amount (if any); - automatic account debiting mechanism (if applicable); - linked products (if any); - member or guarantor obligations (if any); - collateral (if any); - collateral seizing procedures; - any restrictions on loan use; - cooling off periods; - cancellation rights; - consequences of late payment and default (roll over, credit bureau reporting, fees); - prepayment conditions (whether it is possible, if it reduces the cost of credit, if it implies additional charges, or if it does not affect the cost); - whether terms and conditions can change over time; - whether any additional costs incurred to obtain the loan in cash and make the repayments will be charged to the client by third-party partners, such as cost of SMS, cost of e-money transfers, cash-out fee, etc; <p>Loan agreements are available in major local language (if local alphabet is compatible with software) and are fully available prior to signature.</p> |
| 3 | 1 | 2 | 1 | Contracts are written in simple language, do not contain legalese, and do not contain illegal clauses. |
| 3 | 1 | 2 | 2 | For variable rate loans or loans denominated in a foreign currency different from the main currency of the clients' source of income, the provider demonstrates that it clearly explains pricing and cost scenarios to clients, including the risks of borrowing in foreign currency. |
| 3 | 2 | 0 | 0 | The provider communicates with clients at an appropriate time and through appropriate channels. |
| 3 | 2 | 1 | 0 | A process is in place to communicate information related to the product or service (on product terms, conditions, and pricing, including contracts) before the client signs or renews it. |
| 3 | 2 | 1 | 1 | The Key Information is accessibly displayed to the client as a mandatory step prior to signing the loan agreement, with the loan terms supplied either digitally or in hard copy. Ideally this is communicated in four or less screens during application process. |

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| 3 | 2 | 1 | 2 | The provider builds in time to review the terms and conditions of products (e.g. lengthy time limitation to review the app multiple screens, USSD menu, consecutive SMS) and provides a channel for clients to ask questions and receive additional information prior to agreeing to terms and conditions. In case of digital delivery channels, potential clients are given a channel to contact a provider representative (call center number, chat, agent shop, or provider branch, etc.) to receive clarifications on the terms and conditions. |
| 3 | 2 | 1 | 3 | Once agreed upon, the Key Information is automatically saved/stored in a client account directory that the client can easily access any time (e.g. section of the USSD menu or the app, client account). In case of online and smartphone lenders, the full Terms and Conditions (T&C) are available online or in the app. In case of USSD mobile loans, the clients are notified with a message where they can pick up a hard copy of the T&C (with the information remaining available in the USSD menu) or the clients can listen to a IVR in the main local language (a link to a website is not sufficient). |
| 3 | 2 | 1 | 4 | The provider notifies clients before any change, including expiration, cancellation, material change of terms (such as insurance coverage), or price. Where relevant, the provider informs clients of any right or procedure to prevent the change, including cancellation of the contract. The provider should notify customers via an accepted channel of any change in fees and other terms and conditions at least 1 day before these take effect. Customers must actively consent to changes in any services that they are already subscribed to through a digital “reply” mechanism. |
| 3 | 2 | 2 | 0 | Clients are sent communication to explain why they were rejected for a loan in general terms (e.g. affordability, credit bureau check). Clients are afforded a communication channel to ask for feedback if they were rejected for a loan. |
| 3 | 2 | 3 | 0 | Clients are given regular and on-demand information on account balances. Information is accurate and clear. |
| 3 | 2 | 3 | 1 | The provider gives clients receipts via email, paper, or SMS message text, etc for every transaction for free. The provider selects an appropriate format based on the channel and client capability. Records need to be in a form the client can keep or access, such as a digital transaction history. |
| 3 | 2 | 3 | 2 | The updated loan balance should be available any time for clients to consult. Automatic messages are sent to customers at any automatic deduction from the client account |
| 3 | 2 | 4 | 0 | Borrowers receive reminders at least 1 day before loan repayments are due in a format that is accessible to them. |
| 3 | 3 | 0 | 0 | The provider takes adequate steps to ensure client understanding and support client decision-making. |
| 3 | 3 | 1 | 0 | The provider's public information supports informed decision-making by clients. |
| 3 | 3 | 1 | 1 | Basic product information on product and service features, including pricing, is displayed and visible in physical locations, including agents' locations, or digitally, as applicable. |

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| 3 | 3 | 1 | 2 | The provider discloses in the public domain (e.g., website, app, USSD menu, and/or branches) the APR/EIR (or MPR if the average loan size is under 3 months) calculated including interest, fees, mandatory insurance, taxes and cash collateral, using a standard calculation tool. APR/EIR or MPR can be ranges or sample rates for given loan amounts and durations. In addition, the provider can also disclose other formats in markets in which interest rates are quoted in another form by nearly all providers (e.g. CAT in Mexico, TCEA in Peru, TEAC in Bolivia, etc). |
| 3 | 3 | 1 | 3 | Marketing materials provide pricing information that is consistent with product terms and conditions. |
| 3 | 3 | 2 | 0 | The provider participates in industry transparency initiatives and/or data platforms for pricing transparency, if available. |
| 3 | 3 | 3 | 0 | The user interface is clear and simple, providing step-by-step instructions in a major local language (assuming alphabet can be supported by technology) to let clients understand how to use the service (on-board, transfer money, apply for a loan, access account information) and cover frequently faced issues. |
| 3 | 3 | 4 | 0 | Client-facing staff and direct agents (if applicable) are trained to explain pricing, terms, and conditions to clients and verify client understanding in accordance with policies, and they demonstrate this understanding in practice. They receive refresher trainings. |
| 3 | 3 | 4 | 1 | The provider deploys field staff or agents, as relevant, to support users in the following ways: -provide users with instructions in simple language on how to use the technology safely; -provide training, explanations, troubleshooting and/or assistance to first time users and any user having difficulties understanding the service functionalities; -answer questions that clients frequently have. |
| 3 | 3 | 4 | 2 | The provider communicates all information related to products and policies to clients in plain language; information is not hidden in legalese or small print. |
| 3 | 3 | 4 | 3 | The provider communicates all information related to products, services, and policies to clients in the local language and at an appropriate level given financial literacy limitations. For less literate clients, oral communication supplements written information. |

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| 3 | 3 | 5 | 0 | The provider has and uses an internal control process to verify the application of policies and procedures related to transparency and client understanding (e.g. correct functioning of the automated processes and quality of client-facing staff/agent interaction), and makes adjustments accordingly. |
| 4 | 0 | 0 | 0 | Responsible Pricing |
| 4 | 1 | 0 | 0 | The provider is managed to sustainably provide services in the long term. |
| 4 | 1 | 1 | 0 | The provider is covering its costs or rapidly approaching break-even. Its financial results show that it already can or will soon be able to maintain its capital base. If not able to maintain capital base, corrective measures will be put in place to ensure that a company is on track within defined period. |
| 4 | 2 | 0 | 0 | The provider's pricing policy is aligned with the interests of clients. |
| 4 | 2 | 1 | 0 | The provider's pricing policy avoids passing inefficiencies on to clients in the form of higher prices. |
| 4 | 2 | 1 | 1 | Pricing strategies reduce prices over loan cycles for creditworthy clients with a demonstrated track record of on-time repayment and avoids penalizing long-standing customers to cross-subsidize pricing for new customers. |
| 4 | 2 | 1 | 2 | The provider demonstrates commitment to its pricing policy through analysis of pricing trends and documentation of reasons for changes in pricing over time. |
| 4 | 2 | 2 | 0 | There is evidence that the board of directors monitors the provider's pricing against policy. (For example, topics of board deliberation may include opportunities to reduce interest rates and fees, dividend policy, and application of profits for client benefit.) |
| 4 | 2 | 3 | 0 | The provider's pricing practices are responsible. |
| 4 | 2 | 3 | 1 | Price components (e.g. interest, fees) are calculated in a straightforward manner (e.g. interest on a declining balance), unless the provider can demonstrate with evidence that flat interest calculation is used by the vast majority of providers in the country. |
| 4 | 2 | 3 | 2 | The provider has a reasonable limit when loan interest and/or fees (including arrears interest) stops accruing that is proportionate to loan tenure. |

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| 4 | 2 | 3 | 3 | The provider has done due diligence on pricing of third-party partners whose charges or fees impact clients (e.g. for payment and/or cash-in and cash-out services). If partner pricing is outside the market average, the provider can give a reasonable justification. |
| 4 | 2 | 4 | 0 | Loan interest rates and/or accompanying fees are set to be be affordable, taking into account the costs required to deliver credit, such as cost of funding, operations, loan losses, and returns to capital. |
| 4 | 2 | 4 | 1 | Annual Percentage Rate (APR) or Monthly Percentage Rate (MPR) for all of the provider's major products (> 20% portfolio) is within the accepted performance range, i.e. APR/MPR range of similar products in the market (e.g. by size, term, model etc). If it is outside the range, the provider can provide a valid justification.-If data is not available in the market, APR/MPR shows decreasing trend over time and if not decreasing, provider gives valid justification. |
| 4 | 2 | 4 | 2 | Portfolio Yield is within the accepted performance range and/or reasonable compared to market peers. If it is outside the range, the provider can provide a valid justification. If data is not available in the market, APR/MPR shows decreasing trend over time and if not decreasing, provider gives valid justification. |
| 4 | 2 | 5 | 0 | The provider's fees are reasonable (e.g. penalty/pre-payment/additional). |
| 4 | 2 | 5 | 1 | The provider does not charge clients for confirmation of transactions upon payments or single balance inquiries with reasonable frequency, pre-determined by the provider (at least weekly for loans of 1 month term or less, and at least monthly for other loans). Fees are acceptable for repeated balance or receipt requests that are made above the pre-determined frequency. If a third-party partner of the provider charges fees for the confirmation of transactions and balance inquiries, the provider can demonstrate those fees are in line/favorable to the client compared to alternative third parties available on the market. |
| 4 | 2 | 5 | 2 | In case of prepayment, clients are not charged the interest that would be accrued or ongoing fees between time of prepayment and the end of the loan term. If prepayment fees are charged, they apply only in case the prepayment is made during the first half of the loan term. Prepayment fees are lower in amount than the interest that would be accrued between time of prepayment and the end of the loan term. |
| 4 | 2 | 5 | 3 | Arrears interest/fees and penalties do not compound debt; they are calculated based on principal amount only. |
| 4 | 3 | 0 | 0 | The provider's financial ratios do not signal the unnecessary transfer of costs to clients. If outside market ranges, provider will be asked to explain and justify. |

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| 4 | 3 | 1 | 0 | The provider is not transferring unnecessary costs to clients. For new organizations (i.e. 1-4 years in operation), the Loan Loss Expense Ratio (LLER Ratio) over the past 3 years show stability or a decreasing trend. If not trending downward, the provider can provide a valid justification. For mature organizations (5 or more years in operation), the LLER Ratio is within an accepted performance range based on market averages. If it is outside the range, the provider can provide a valid justification. |
| 4 | 3 | 2 | 0 | The provider is not transferring unnecessary costs to clients. For new organizations, the Operating Expense Ratio (OER Ratio) over the past three years shows stabilization or a decreasing trend. If not trending downward, the provider can provide a valid justification. For mature organizations, the OER Ratio is within the accepted performance range based on market averages of providers with similar loan size and model. If outside of the range, the provider can provide a valid justification. |
| 4 | 3 | 3 | 0 | For new organizations, the provider sets targets for Return on Assets (ROA) that are reasonable and balance profitability with client well-being. If the provider is not able to meet targets, valid justification is shared. For mature organizations, ROA is within the accepted performance range based on market averages of providers with similar risk profile. If outside of the range, the provider can provide a valid justification. |
| 5 | 0 | 0 | 0 | Fair and Respectful Treatment |
| 5 | 1 | 0 | 0 | The provider promotes and enforces fair and respectful treatment of clients in line with a code of conduct. |
| 5 | 1 | 1 | 0 | The code of conduct (or equivalent) clearly spells out organizational values, standards of professional conduct, and treatment of clients that are expected of all provider or third-party provider staff or agents. Policies also spell out what sanctions to apply in case of a breach of the code of conduct. |
| 5 | 1 | 1 | 1 | The contracts with third parties under direct management of the provider include observation of provider's code of conduct and identifies the sanctions that are applicable in case of breach. |

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| 5 | 1 | 1 | 2 | <p>The following behaviors are always prohibited and sanctions are specified in writing and enforced:</p> <ul style="list-style-type: none"> - using abusive language; - using physical force; - limiting physical freedom; - shouting at the client; - entering the client's home uninvited; - publicly humiliating the client; - violating the client's right to privacy; - mistreating a client based on any Protected Categories; - using intimidation or threats; - harassment of any kind; - debt collection: maximum 1 call and 2 SMS or other contacts per day and during working hours. |
| 5 | 1 | 1 | 3 | Fraud and unethical actions (e.g. corruption, theft, kickbacks) by staff, management, and board are prohibited and sanctions in such cases are clear and enforced. |
| 5 | 1 | 1 | 4 | Clients are informed (written, electronic, and/or face-to-face) about the provider's standards of professional conduct and the prohibited behaviors mentioned in the code of conduct. |
| 5 | 1 | 2 | 0 | Human resource policies and procedures reinforce the standards identified in the code of conduct. |
| 5 | 1 | 2 | 1 | All staff sign a document acknowledging that they will abide by the code of conduct. |
| 5 | 1 | 2 | 2 | The provider has a training program in place to ensure that staff understand and have the skills to implement policies and procedures related to fair and responsible treatment of clients in alignment with the code of conduct. Unacceptable behavior is highlighted. For staff involved in design of digital customer interfaces and/or underwriting, training highlights how design of such systems may affect fair and responsible treatment. |
| 5 | 1 | 2 | 3 | The provider verifies that third parties under direct management of the provider (e.g. call centers, external debt collectors) train their own representatives on fair and responsible treatment of clients. The training is aligned with the provider's code of conduct and spells out unacceptable behavior and applicable sanctions. |

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| 5 | 1 | 2 | 4 | Employee and direct agent performance evaluations include reviews of adherence to the code of conduct, ethical behavior, and the quality of interaction with customers, when applicable. |
| 5 | 2 | 0 | 0 | The provider has a policy and documented processes to systemically commit to not discriminating against Protected Categories in selecting clients and setting terms and conditions. |
| 5 | 2 | 1 | 0 | Protected Categories include ethnicity, gender, age, disability, political affiliation, sexual orientation, caste, and religion. |
| 5 | 2 | 2 | 0 | Terms and conditions for individuals may differ based on: 1) risk-based analysis; 2) target markets defined in the provider's mission; or 3) accommodations based on special needs. Such differentiation should be consistently applied, stated in advance, and made with the goal of benefiting clients. |
| 5 | 2 | 3 | 0 | Algorithms should not be designed to discriminate against clients on the grounds of ethnicity, gender, age, disability, political affiliation, sexual orientation, caste, and religion. The provider tests the algorithm at least annually to identify variables and dynamics leading to direct or indirect discrimination on the basis of the characteristics listed above. The tests are documented including: algorithm features tested, date, description, outcome, discrimination items identified (if any), and corrective action taken. |
| 5 | 2 | 3 | 1 | After an initial learning phase, provider conducts analysis on connections between non-discriminatory variables and discriminatory variables to check for unintentional bias in automated credit decisions. Such analysis is done at least every two years. |
| 5 | 2 | 3 | 2 | If the provider outsources the algorithm development, the provider requires the same standards of documentation and testing for bias. |
| 5 | 3 | 0 | 0 | Loans are collected in an appropriate manner. |
| 5 | 3 | 1 | 0 | A policy is in force that clearly defines appropriate and inappropriate debt collection practices by provider and/or-third parties through digital or non-digital interactions. |
| 5 | 3 | 1 | 1 | Any debt collection contact, whether electronic, through telephone calls, or face-to-face, clearly identifies the provider, uses clear and simple language (no legalese), and does not misrepresent consequences of late or non-payment. |
| 5 | 3 | 1 | 2 | The provider has documented policies governing the actions that should be taken in the collections process. The schedule of collections actions allows time for the provider or contractor to determine the reasons for a client's default, as appropriate given the loan size. |
| 5 | 3 | 2 | 0 | The provider trains staff on the provider's debt collection practices and loan recovery procedures. They verify that third-party partners train their own representatives on the provider's debt collection practices and loan recovery procedures. |

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| 5 | 3 | 3 | 0 | For loans over a certain pre-defined outstanding balance level, the provider has a policy for rescheduling, refinancing and/or writing off loans in specifically identified cases of distress (e.g. disaster, hospitalization, etc). |
| 5 | 4 | 0 | 0 | The provider management and oversight support fair and respectful treatment of clients. |
| 5 | 4 | 1 | 0 | The provider has an internal control process to verify uniform application of policies and procedures related to fair and respectful treatment of clients. The provider can produce evidence/records of monitoring/reporting of corrective measures that were taken to address cases of partial or incorrect implementation of the policies and procedures that ensured an adequate compliance in the practice. |
| 5 | 4 | 2 | 0 | Management reviews key results (e.g., client satisfaction survey, complaints handling summary) related to fair and respectful treatment of clients. Measures for improvement are discussed, implemented, and monitored, and records of these actions exist. |
| 6 | 0 | 0 | 0 | Data Privacy, Security, and Integrity |
| 6 | 1 | 0 | 0 | Client data is handled appropriately to maintain confidentiality and protect clients. |
| 6 | 1 | 1 | 0 | Policies and processes are in place and kept updated to maintain the confidentiality, security, and accuracy of clients' personal, transactional, and financial information. The policies and processes address the gathering, use, distribution, and retention/deletion of data. |
| 6 | 1 | 1 | 1 | The personal data collected, the personal data shared, and the period of time during which personal data is stored are minimized and directly justified by operational needs to provide the service or by law. |
| 6 | 1 | 1 | 2 | The provider conducts regular formal assessments and documents the personal information it needs from clients in order to deliver the service (e.g. identity, transactions etc). The assessment identifies data privacy risks to consumers during collection, processing, storage, and transfer of personal data. |
| 6 | 1 | 1 | 3 | Mitigation measures are identified and implemented for the privacy risks identified. |
| 6 | 1 | 1 | 4 | There are penalties for staff data privacy breaches (e.g. exposing or revealing client data to third parties including guarantor and family not party to the account). There is a clear process to safeguard client data when staff leave. |
| 6 | 1 | 1 | 5 | The provider applies its internal standards on the gathering, use, distribution, and retention/deletion of data on third-party partners through service level agreement(s), where applicable. Service level agreement must also include a penalty or termination clause on third-party partners in case of data privacy breach. |

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| 6 | 1 | 2 | 0 | The provider has an effective training program in place to ensure that staff understand and have the skills to implement the policies and processes related to privacy of client data. |
| 6 | 1 | 2 | 1 | All staff with access to personal data should be trained in data protection during induction, along with periodic refresher training. The training should be tailored to the different staff receiving the training. |
| 6 | 1 | 2 | 2 | The provider verifies that third parties (agent network managers, etc.) train their own representatives on policies and processes related to privacy of client data. |
| 6 | 2 | 0 | 0 | Clients are informed about data privacy and consent to the use of their data. |
| 6 | 2 | 1 | 0 | Clients are asked to consent to specific uses of their data. Consent requests explain clearly, in simple, local language how data will be used. Consent is required for: a) sharing data with specific third parties (to be clearly identified) as part of service provision; b) reporting data to credit reporting bureaus; c) use of data for marketing; d) sales to third parties; and e) use of geo-location data (e.g. GPS, satellite imagery). For services delivered through USSD or SMS, internet links to disclosure statements are not sufficient. |
| 6 | 2 | 2 | 0 | The client right to opt out of a service and withdraw the permission granted to an organization to use data (of whatever type) is clearly displayed and accessible to clients, together with the consequences of opting out. |
| 6 | 2 | 3 | 0 | Clients should have convenient access to and be informed about a specialized customer service that can provide them with information on their data stored with the provider, and respond to queries. |
| 6 | 2 | 3 | 1 | Clients have the right to challenge data relating to them and, if the challenge is successful, to have the data erased, rectified, completed, or amended. |
| 6 | 2 | 4 | 0 | Product terms and conditions include a clear, concise explanation of how client data may be used or shared and with whom. |
| 6 | 3 | 0 | 0 | The provider's systems protect against misuse of client data and security breaches in accordance with international best practices. The provider has in place procedures to test and adequately prepare for threats to data security. |
| 6 | 3 | 1 | 0 | Data security measures are in place to protect against unauthorized access to data (i.e., passwords, firewalls, access levels, software infrastructure). IT passwords are changed periodically with different access levels according to the position of the staff member accessing the data. |
| 6 | 3 | 1 | 1 | Audit trails in the system track events and activities. For each event including for administrators, the following is tracked: username, date/time, action. |

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| 6 | 3 | 1 | 2 | The provider performs at least daily back-ups of its client data. |
| 6 | 3 | 2 | 0 | A security audit and/or compliance review should be regularly carried out by an external entity or an internal, independent audit team. |
| 6 | 3 | 3 | 0 | A Business Continuity Plan is in place which defines the responses in the event of a disruptive incident such as fire, flood, power failure, staff loss, or DOS attack. The plan includes the provider and all affected business functions, including agents and third parties where relevant. The plan is updated every 3 years at a minimum. |
| 6 | 3 | 4 | 0 | Mobile application (app) security is regularly tested to ensure that it is safe and compliant with suitable standards of security. Vulnerability scans are performed at least quarterly to identify potential security weaknesses. Corrective actions are taken. |
| 6 | 3 | 5 | 0 | The provider has effective systems to prevent and detect fraud, a documented process to avoid fraud related to client accounts, and is in line with international best practice. |
| 6 | 3 | 5 | 1 | The provider has a robust system in place to detect fraud committed by staff, agents, and others. |
| 6 | 3 | 6 | 0 | Staff and direct agents are trained on fraud risk, including common frauds, fraud identification, and fraud reporting. |
| 6 | 3 | 7 | 0 | Staff and agents have accessible channels to report potentially fraudulent activity. |
| 6 | 3 | 8 | 0 | Internal controls are in place to monitor and respond to fraud. |
| 6 | 3 | 8 | 1 | Providers perform on-site and off-site audit or monitoring (e.g. mystery shopping) of staff and third parties with access to clients or to client information to detect possible fraud. |
| 6 | 3 | 8 | 2 | Sanctions apply to employees and agents in case of fraud based on the severity and repetition of the offence. Employment contracts and third-party agreements flag the existence of such sanctions. |
| 6 | 3 | 8 | 3 | A client is compensated by the provider (financial providers should be liable) for any direct loss due to mistakes not imputable to the client and fraud committed by agents, employees, and third-party service providers (such as their agent network managers), as well as for third-party fraud caused by a reasonably preventable security breaches (hacking). Client contracts may not absolve the provider of this liability. In the case of lost or stolen access to devices, security credentials, or identity, the provider will refund a client for any transaction that occurs after the client has reported the loss or theft to the provider. |

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| 6 | 3 | 8 | 4 | Incidents and problems are analyzed, prioritized, escalated as needed, and resolved according to the service level defined by the provider. |
| 6 | 4 | 0 | 0 | Staff are adequately prepared to follow data security procedures and engage with clients. |
| 6 | 4 | 1 | 0 | All staff receive training on the security policy and procedures including protection of client data. |
| 6 | 4 | 2 | 0 | Staff inform clients on the importance of protecting Personal Identification Numbers (PINs) and how to do so. The provider proactively informs and sensitizes clients on how to use and protect their PIN through relevant channels. |
| 6 | 4 | 3 | 0 | Clients should be informed within reasonable time in case of hack/unauthorized access to their data. |
| 6 | 4 | 4 | 0 | Clients should be notified about available updates that are important for their security and/or privacy. |
| 6 | 4 | 5 | 0 | Clients are informed of a communication channel for reporting loss or theft of handset or SIM or suspicious activity related to the service. |
| 7 | 0 | 0 | 0 | Mechanisms for Complaints Resolution |
| 7 | 1 | 0 | 0 | The provider has an effective system in place to receive and resolve client complaints. |
| 7 | 1 | 1 | 0 | Providers (or third parties in case the complaint handling is outsourced in part or in full) have a customer complaints policy that includes the use of multiple channels for customers to make complaints, roles and responsibilities. The provider defines minimum performance standards on complaints resolution (e.g. complaint resolution ratio, client satisfaction resolution time, supervisor monitoring results). |
| 7 | 1 | 1 | 1 | The provider has defined a complaints escalation process to manage complaints internally based the complaint type, severity, and client satisfaction with the outcome. The process covers referral to external recourse options if applicable. |
| 7 | 1 | 1 | 2 | Complaints about the third-party partners can be submitted directly to the third party or to the provider. Service level agreements with third-party partners cover reporting on complaints. Even if third parties are not under direct management of a provider (e.g. mobile money agents), the provider has formalized how to handle complaints. |
| 7 | 1 | 1 | 3 | Mechanisms to submit complaints are adapted to clients' needs and preferences and easily accessible with at least two channels available. A channel with live interaction is available, even if complaints are initially handled through automated means, email or e-chat. Complaint channels are free of charge or at standard telco rates for clients. |
| 7 | 1 | 1 | 4 | Resolution of complaints and turnaround time (TAT) is prioritized based on severity, and almost all complaints are resolved within one month (some exceptions may be permitted due to complexity). |
| 7 | 1 | 1 | 5 | There is a clear and secure system in place so that complaints from branch/satellite offices and direct agents (as applicable) reach the provider's complaints handling staff and/or management. |

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| 7 | 1 | 1 | 6 | Providers should ensure that customer care personnel have access to relevant customer data, including transaction details and notes from previous contact. |
| 7 | 1 | 2 | 0 | If a provider receives complaints via call centers or live interaction, the call center/response unit is adequately staffed to achieve an appropriate average waiting and handling time. |
| 7 | 1 | 2 | 1 | Provider should have a verification procedure in place to verify the customer in order to lodge complaints. |
| 7 | 1 | 2 | 2 | Providers have a process and script for client-facing staff when their clients submit complaints about third-party partners such as agents. These scenarios have clear guidelines and escalation measures (external if applicable). Providers also track incidents of these types of complaints to be included in their management reports. |
| 7 | 1 | 2 | 3 | Providers define target metrics such as wait times, abandonment rate, etc., and report against those targets. |
| 7 | 1 | 2 | 4 | The call center or response unit in charge of complaints handling is monitored with a focus on interactions between staff and clients. |
| 7 | 1 | 3 | 0 | The provider's complaints handling training includes important elements on policy and procedures (e.g. covers how the complaints mechanism works, the role of complaints staff, how to appropriately manage and/or escalate complaints until they are resolved, and how to refer them to the appropriate person for investigation and resolution). |
| 7 | 1 | 3 | 1 | The provider's service level agreement with third parties (agent network managers, etc.) stipulates that they train their own representatives on how the complaints mechanism works, the role of complaints staff, how to appropriately manage complaints until they are resolved, and how to refer them to the appropriate person for investigation and resolution. |
| 7 | 2 | 0 | 0 | The provider informs clients about their right to complain and how to submit a complaint. |
| 7 | 2 | 1 | 0 | During the product application process the client is informed on how to submit a complaint. |
| 7 | 2 | 1 | 1 | The customer care contact details are communicated to the clients upon registration (e.g. SMS/email/in app) and are indicated on the handset menu or on equally accessible menus. |
| 7 | 2 | 1 | 2 | Information on how to submit a complaint is displayed visibly in branch offices, at agent locations (if applicable), and/or included in product documentation (e.g. in app). |
| 7 | 2 | 2 | 0 | Clients are notified when complaints are received and when they are resolved. If complaints are not resolved within a reasonable time frame (e.g. 1 month) the client is notified of the delay. |
| 7 | 3 | 0 | 0 | The provider uses information from complaints to manage operations and improve product and service quality. |

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| 7 | 3 | 1 | 0 | Complaints are tracked and management regularly reviews complaint system KPIs (e.g., percent resolved, average time to resolve) and takes corrective action to resolve mishandled cases and improve systematic shortcomings. |
| 7 | 3 | 2 | 0 | Complaints and their resolutions are taken into account in complaint unit staff bonuses or performance evaluations. |
| 7 | 3 | 3 | 0 | The analysis of complaints data, satisfaction surveys, and reasons for drop out contributes to improving operations, services, and user interface. |