



CLIENT PROTECTION CERTIFICATION

Report for Izwe Loans Zambia Ltd (Izwe)

Certified in October, 2016

Mission Conducted by Micro-Credit Ratings International Ltd. (M-CRIL)

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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 M-CRIL, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at Izwe Loans, Zambia. Izwe, Zambia became client protection certified in October, 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](#) 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>.

If you have any questions or concerns about this report please contact:

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Selected Examples of Practices

Client Protection Principle 1 – Appropriate Product Design and Delivery

- Izwe provides payroll loans which are collateral free, processed quickly, have variable terms/amounts, and have credit life coverage.
- Izwe tracks the reasons for client settlement (before the end of the loan term). It has recently also introduced a mechanism to collect feedback from a sample of drop-out clients and report to the management.
- Izwe acquires clients through its client service centers and direct sales team who receive a commiserate remuneration with no incidents of forced selling being reported.

Client Protection Principle 2 – Prevention of Over-indebtedness

- Affordability as well as additional credit risk scoring are adequately covered in the Izwe Zambia Updated Credit Loan Policy - March 2015.
- Repayment capacity is applied consistently for every disbursed loan because it is based on a predetermined formula.
- Izwe management has monthly SQL extracted dashboards for financial and operational performance tracking, include adequate coverage of portfolio quality.
- Izwe Zambia has relatively good portfolio quality with single digit total credit risk for each of the last three years.
- Staff incentive structures are appropriate to motivate both volume and book quality. Targets are based on a realistic assessment of the current market and updated monthly. The payment structure is relatively consistent with other market players.
- Izwe checks the credit bureau for each loan disbursed and reports on a monthly basis.
- The loan application process has multiple levels of controls passing from the sales environment to the back office to senior Administrators and through a series of system validations and ultimate disbursement by a Financial Authority.
- The Quality Assurance Officer checks compliance with a post disbursement audit of each loan.
- Parallel loans are not allowed and rollovers are allowed after establishment of credit history. Rescheduling, without the reclassification of arrears history, is offered to clients with genuine difficulty in repaying through an extended repayment plan.

Client Protection Principle 3 – Transparency

- Via the loan application, insurance application and the loan disclosure agreement, the T&C of the loan product and insurance are adequately communicated to clients.
- Izwe Zambia Sales force effectively communicate with clients due to good relationships with them and relevant language abilities.
- Izwe discloses the pricing information publicly via the BOZ quarterly, but the EIR is only for a sample of 12 month term. The BoZ's pricing disclosure for all FIs is prominently displayed in the branches along with the cost of credit disclosures which are placed in areas easily accessible to clients.
- There is adequate written communication and awareness of the main T&Cs by clients as well as verification by the sales force of prominent T&Cs.
- Clients are afforded time to review T&Cs, ask questions, and also have enough access to account statements and other information.

Selected Examples of Practices

Client Protection Principle 4 – Responsible Pricing

- Izwe has reasonable portfolio yield, EIR, and operating efficiency compared to available benchmarks. The EIR data (BOZ) shows Izwe is within the normal range on pricing.
- Based on benchmarks, Izwe is adequately efficient. Izwe fees are not excessive based on Smart Campaign indicative guidelines.

Client Protection Principle 5 - Fair and Respectful Treatment of Clients

- Three documents adequately cover standards of conduct for employees and sales staff (Disciplinary code and procedure, HR manual, and the sales staff contract). All staff are trained on the Code of conduct, customer service standards and ethics.
- The Izwe Loans collections policy is adequately detailed to allow staff to understand their responsibilities. Izwe collections staff are also bound by the Code of Conduct.
- Izwe Zambia accepts a margin of risk in its portfolio quality. It has targets in place for receivables on new loan and portfolio performance.
- A formal performance appraisal system has been introduced in the current year; for both supervisory and non-supervisory staff, qualitative aspects has a weightage of 20%.
- The Disciplinary code and procedure has been introduced in 2015 and is part of staff training.
- The Izwe sales force, are adequately managed by BMs and AMs.
- Main aspects of the Code of Conduct are communicated to clients in verbal and written form (under 'Rights & Obligations' in the loan disclosures). Provision for rescheduling is implicitly covered.

Client Protection Principle 6 – Privacy of Client Data

- The HR Manual and memo covers the privacy policy for employees. The Sales staff contract covers the privacy policy for Sales staff and need to maintain client information confidential.
- The staff force is also trained on the same. Training also emphasizes on importance of communicating clauses regarding share and use of data from credit bureau to the clients.
- The circumstances under which client information is shared (i.e. CRB) is disclosed in the Loans T&Cs.
- Soft copy data is kept secure via a system managed by the IT Manager. Hard copy data is also stored securely at the HO and external location.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Clients can register enquiries/complaints to branch either directly through walk-ins or through call/e-mail/post/website accessed by the Customer Support Officer (CSO) based at Head Office.
- The Complaints Handling procedures include process to handle complaints/queries at the branch level and directly at the CSO level, various ways in which clients can report grievances, process for recording, resolution, escalation and the turnaround time (TAT).
- CSO has been hired in 2016 responsible for handling queries & complaints received through phone, e-mail, website or post and for managing the central Query/Complaint Log Sheet. Responsibilities also include checking with the clients on resolution. Proposed internal audit mechanism intends to collect feedback on the resolution process as well.
- Sales staff are trained on customer rights including the right to complain and the redressal process. Clients are also informed through loan disclosure and loan application forms.