



## CLIENT PROTECTION CERTIFICATION

*Report for Microinvest, Moldova*

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This document was prepared by Planet Rating, a licensed certifier of the Smart Campaign's Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at Microinvest in November 2014.

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 adequate 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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### **Client Protection Principle 1 – Appropriate Product Design and Delivery**

- Microinvest offers a diversified range of loan products that are adapted to its target client's needs and do not harm them.
- Microinvest through its Loan Officer Checklist instructs staff to inform clients about the potential increase in their loan interest rates and the highest level the rates can be increased to, and to explain to clients about potential consequences.
- It conducts on a regular basis client research through several mechanisms including phone calls to client, external satisfaction surveys, and complaints mechanisms.

### **Client Protection Principle 2 – Prevention of Overindebtedness**

- The management team is aware of the risk of over-indebtedness. All phases of the credit process are designed to determine client capacity to repay loans without becoming over-indebted. They require business clients with informal revenues be visited prior to loan disbursement. Conservative debt capacity thresholds are included in loan procedures: 35% for consumer loans, 50% for business loans.
- Microinvest has clear procedures in place for loan rescheduling and refinancing that include situations in which loans can be restructured and spell out eligibility requirements such as good credit history.

### **Client Protection Principle 3 – Transparency**

- Microinvest fully discloses to the clients all prices, installments, terms and conditions of all financial products, including all charges and fees, associated prices, penalties, linked products.
- To non-Romanian speaking clients, Microinvest provides contracts in Russian.
- The pricing information is visible on posters in the branch offices. It is clearly stated before the sale in brochures, on Microinvest's website and on loan documents. The loan schedule differentiates principal, interest and commissions for all installments.

### **Client Protection Principle 4 – Responsible Pricing**

- Microinvest's prices are market oriented and competitive within the country context and its interest rates are not discriminatory.
- According to the regulator, Microinvest offers competitive conditions compared to other NBFIs since most of them are smaller and have hidden costs.

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

- Microinvest provides training in responsible and ethical behaviors; its non-discrimination rules are included in its code of ethics.

- Microinvest’s policy guarantees that confiscated assets are evaluated with a fair and precise methodology; seizing collateral only occurs after a court decision and upon receipts of client consent.
- Recruitment procedures include a background check on employees by reviewing their labour book, an official document that contains the work history of the employee.
- Microinvest’s code of conduct includes standards of fair and responsible treatment of clients, a detailed description of debt collection practices, the steps to follow in case of default and a description of sanctions by type of the misconduct.
- The staff trainings define acceptable and unacceptable debt collection practices.
- The loan contract contains a loan-rescheduling clause. Microinvest through its Loan Officer Checklist instructs staff to inform clients that alternative options exist in case they are facing severe repayment problems.

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

- Policies address confidentiality of client information and detail all stages of the product; the staff involved in the processing of data is covered by the privacy policy.
- The IT systems have different passwords that are changed automatically every 40 days. The staff has different level of access depending on their responsibility.
- The loan contracts contain a privacy clause; staff as a standard procedure is required to explain to clients orally the contents of the clause.
- Microinvest sanctions violations of clients’ privacy.

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

- Information on how to submit a complaint (phone number, dedicated email address, suggestion boxes and complaint register both at the entrance hall and near the cashier) is displayed in branch offices. The loan officers are required by policy to inform clients orally about their right to complain and how to file complaints.
- Client complaints are resolved by the customer services department and have been used to improve procedures: for example, after client complaints about the disbursement period, this latter was shortened.
- Staff trainings include a session about the complaints mechanism.
- Internal audit verifies complaint resolutions by contacting a representative sample (10%) of clients who have submitted complaints.