



CLIENT PROTECTION CERTIFICATION

Report for Vision Fund, Cambodia (VFC),

Phnom Penh, Cambodia

Certified in May, 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 Vision Fund Cambodia (VFC). VFC became client protection certified in May, 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 four years subject to a check-in after 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

- Vision Fund, Cambodia (VFC) offers range of financial products depending upon the intended use and cash flow of the clients. Loan products are offered using both the group and individual lending methodology. Clients engaged in agriculture activities have the option of availing products with balloon or semi-balloon repayment.
- The collateral value to loan ratio needs to meet the requirement for approving the requested loan. It has detailed policies on collateral and capping on the collateral value to loan ratio. The collateral value should not exceed 200% of loan amount for Individual Loan (IL) and 180% for Solidarity Group (SG) methodology loans. VFC does not take additional collateral if first collateral meets the requirement.
- Business Development (BD) team conducts annual client exit survey to identify factors that drive clients to leave VFC and clients' satisfaction survey to determine the satisfaction of clients and get input for product modification and development.
- Despite incentive being linked to profitability and client retention rate, productivity targets are not aggressive. The Client Service Officers (CSO) are comfortable with their individual targets.

Client Protection Principle 2 – Prevention of Over-indebtedness

- Repayment capacity analysis is the key component of loan appraisal process at VFC and conducts for all loans. The CSO collates the required information during the physical verification of the client's house and business and verified by the Branch Manager (BM).
- The net income of household should be greater than or equal to 1.3 times of proposed installment amount. This policy is followed rigorously and adherence is monitored.
- As a policy, no loans are sanctioned without undergoing the Credit Bureau of Cambodia (CBC) check except loan size less than US\$50. VFC also conducts CBC checks for co-borrowers of all loans higher than US\$1,000.
- Quality Assurance Officer (QAO) and internal auditor regularly monitor compliance with policies and procedures and verify whether the loan appraisal is conducted after a thorough analysis.
- VFC has maintained a very good portfolio quality as PAR has never exceeded 1%.
- Board regularly reviews portfolio quality and its trends, social performance and level of indebtedness.
- VFC has a detailed loan restructure (rescheduling and refinance) policy and made provision in the MIS to track restructure loans.

Client Protection Principle 3 – Transparency

- Openness and transparency is emphasised in both Product Policy and Code of Practice for client protection. The pricing policy encourages clients to make an informed choice as VFC offers a wide range of products with varied terms.
- Terms and conditions are communicated both verbally and in written form in local language.
- A copy of all the documents including the loan contract and repayment schedule is given to

Selected Examples of Practices

clients during the disbursement. Similarly, depositors are given savings passbook and fixed deposit certificates (in case FD customer). All the documents provided to the borrowers are in vernacular.

- The pricing details (including ranges of interest rates for varying loan sizes) of loans and deposits are displayed in the branches and on promotional materials. VFC also displays the price range of loans in the VFC website.

Client Protection Principle 4 – Responsible Pricing

- Like other institutions in the Cambodian market, VFC charges differential interest rates (range of interest rates). Pricing is competitive and non-discriminatory.
- No penalty is charged if the loan is foreclosed after 3 installments. Penalty in case of late payment is reasonable.
- VFC's Operating Expenses Ratio (OER) is comparable with its peers who follow similar methodology; OER has decreased from 15.95% in FY2014 to 13.53% in FY 2015 and maintains high staff productivity (423 on 31 December 2015).

Client Protection Principle 5 - Fair and Respectful Treatment of Clients

- VFC has detailed Code of Conduct (CoC) guidelines and approved by the Board. The CoC highlights importance of treating clients with respect.
- The CoC includes VFV's mission, values, appropriate and unexpected behavior of staff. At the time of joining all employees agree to abide by the CoC by signing declaration; implications of violating the CoC are also communicated.
- Recruitment process of VFC is non-discriminatory.
- The 15-day induction for employees includes sessions on institutional values, customer relationship management, CoC, overdue management, CPP, compliance handling and restructuring policy.
- The incentive structure of field staff does not promote zero tolerance for PAR. Field staffs are eligible for incentive till PAR of 1% to avoid coercive collection.
- The rights and responsibilities of clients are communicated at multiple times; additionally, each group receives a printed plastic folder, which contains clients' rights and responsibilities and complaints mechanism.
- The monitoring staff supervise adherence to the various operations on a regular basis and provide feedback on expected behavior. The quality assurance officer and internal auditor conduct surprise audits to check clients' perception of the services provided to them.
- Behaviour with clients is one of the parameters for performance assessment of the CSO and BM. Disciplinary action is taken for misbehaviour with clients.
- The restructure policy of VFC outlined the scope and conditions and process of loan restructuring. Customers are informed about the policy.

Selected Examples of Practices

Client Protection Principle 6 – Privacy of Client Data

- VFC has a detailed Privacy Policy in place which governs gathering, processing, use, distribution and storage of client data.
- Staffs are trained to maintain confidentiality of client information. Disciplinary action is taken if any staff violates the privacy policy.
- The IT systems are secure with defined user rights for all employees. All systems are password protected and employees are trained to keep their passwords confidential.
- Hard copies of loan documents are kept in locked cabinets with fire proof safe; only authorized personnel have access to this information.
- VFC shares indebtedness information of its clients with the Credit Bureau of Cambodia (CBC) on monthly basis. By undersigning the 'Privacy Clause' in the loan contract, clients provide their consent to share their information with the CBC, NBC insurance company, lenders, auditor, and as required by law.
- The privacy policy is communicated by both the CSO during the loan application and by the BM during disbursement to the borrowers.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- VFC developed a detailed Compliant Handling Policy in December 2015 and approved by the Board. The policy includes channels of compliance, reasons, how to handle complaints and how to inform client about the complaint mechanism.
- Clients can submit complaints/feedback using complaint box at the branches, hotline number, email and directly contact staff/branch office.
- Grievance process is communicated orally and written to clients. Loan repayment schedule and printed group folder contain the hotline number and process of complaints mechanism.
- Call center team based in HO receive, record in an Excel based system and escalate the complaints to relevant departments. Weekly and monthly reports are sent to the Business Development Manager (BDM).
- Staff are trained on complaints handling process during induction training. Regular refresher trainings are conducted that recapitulate the grievance mechanism.
- Depending upon the severity, the complaints have been assigned priorities and an escalation matrix has been developed. The turnaround time is clearly defined for various categories of complaints. The critical issues take maximum of 10 days.
- The QAO and internal auditor verify whether the clients are aware of the grievance mechanism.