

UGAFODE Uganda: *Listening to client complaints*¹



AMFIU



BACKGROUND

UGAFODE (Uganda Agency for Development) Microfinance Limited was launched as an NGO 1994 to provide financial services to economically-active Ugandans. It was incorporated into a company limited by shares in 2010 in preparation for its transformation into a Microfinance Deposit Taking Institution (MDI) in 2011. Since then, UGAFODE has grown extensively with twelve (12) networked branches offering loans, savings, insurance and money transfer services (see performance indicators in **Table 1**).

Its mission is to promote economic, social and holistic transformation of our customers through provision of quality microfinance services in a manner that improves on household income. UGAFODE's focus on SPM and client protection has been fully integrated into its strategic plan. Among its core values, respect and dignity for customers is key — captured in its company tagline: “We listen, we care”. As part of this commitment, UGAFODE provides customer-focused financial services that are responsive to their needs and feedback.

The development of UGAFODE's Customer Complaints Handling System (CCHS) was a result of Management's commitment to put excellent customer service at the center of the institution's business growth strategy. As Wilson Twamuhabwa, the CEO, explains: “We believe the best weapon for us to beat the competition in the market is to offer products and services that meet the needs of our customers, through constant and open engagement with them”. For this reason, UGAFODE's

management undertook to integrate the Client Protection Principles into business operations.

This case study describes UGAFODE's customer complaint handling system, and how this lines up with both Client Protection Principle 7 (mechanisms for complaint resolution)² and with the Universal Standards for Social Performance Management³ (See **Annex 1** for details).

This Case Study has been written as part of Microfinance Centre's Social Performance Fund, funded by the Ford Foundation and with support from the Association of Microfinance Institutions in Uganda (AMFIU).

Table 1: Key performance indicators

Area/year	2011	2012	2013
Active Loans	6,099	9,127	10,281
Gross loan portfolio (US\$ K)	3,616	5,307	6,996
Voluntary savings clients	14,346	27,634	38,220
Deposit Portfolio (US\$ K)	207	1,606	3,114
PAR 30 (%)	3.06	3.43	3.88
OSS (%)	122	104	103
% of Female Customers	28	31	33
% Rural customers	71.7	77.4	81.6
Client retention rate (%)	47	53	57
No of staff	120	149	155
No of Branches	9	12	12

Box 1: The Social Performance Fund⁴

The Social Performance (SP) Fund for Networks is designed to mainstream the new Universal Standards for Social Performance Management. The SP Fund works with 10 networks that run 18-month projects to document learning and experience around innovative solutions to implementing the essential practices of the Universal Standards. They also support their members to reach full or partial compliance with one or more dimensions of the Universal Standards. Supported by the Ford Foundation, the Fund is managed by the Microfinance Centre (MFC), a microfinance resource center and network serving the Europe and Central Asia region and beyond.

¹This case study was written by Adia Joseph (SPM Champion, UGAFODE), and was reviewed by Leah Wardle (Smart Campaign). More information about the institution can be found at: www.ugafode.co.ug

²The Client Protection Principles (CPP) were launched in 2008 in recognition of the need to make MFI commitment to client well-being explicit and implementable. See www.smartcampaign.org for more information.

³The Universal Standards are a set of management standards that apply to all MFIs pursuing a double bottom line. Learn more at www.sptf.info/spmstandards/universal-standards

⁴For more information visit www.mfc.org.pl/en/content/social-performance-fund

OVERVIEW

Policy overview

UGAFODE's Customer Service Policy, approved by the Board of Directors, spells out the institution's mechanisms for customer grievance redress. Among other things, the policy emphasizes:

- Customer complaints should be taken seriously
- Complaints must be fully investigated without bias
- Complaints must be resolved and feedback given to clients within a maximum of 14 days
- Timely feedback must be given even for unresolved complaints
- Unresolved complaints must be escalated to the appropriate departments/units and feedback given within 14 days.

Reporting structures

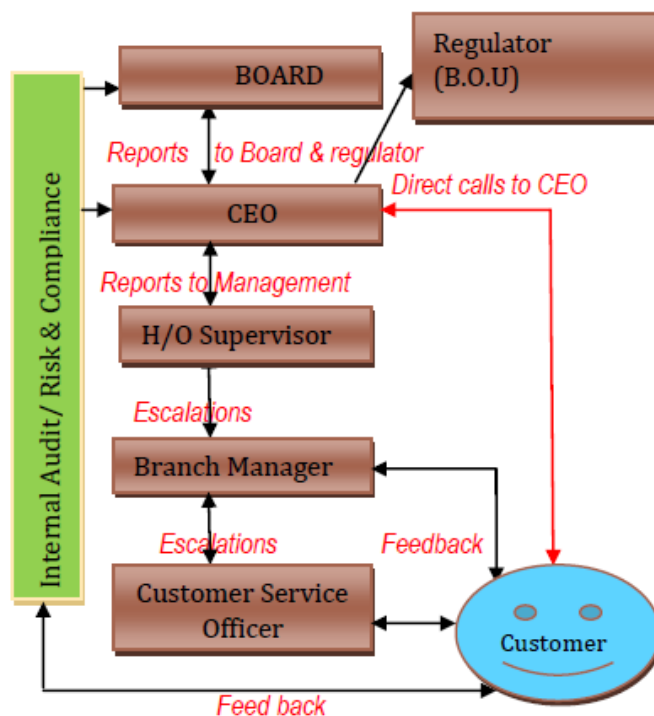
UGAFODE has established a clear structure for customer complaint handling: from Branch level, to senior Management and the Board as well as the regulator (Bank of Uganda) as shown in Chart 1. Each Branch has a Customer Service Officer who handles day-to-day customer service issues and reports to the Branch Manager.

Customers also have unlimited access to the Branch Managers during office hours. It is an "open door" policy, where a client is free to go to the Branch Managers' office if they feel their issue has not been handled by the field staff. Alternatively, customers may also call a direct line to the CEO's secretary, especially those who feel their complaints have not been exhaustively addressed or recognized by the Branch in question.

Branch Managers are responsible for customer service in their respective branches and report to head office on these matters. Branch Managers (on weekly basis) forward a list of complaints received (both resolved and unresolved) to the Head Office Supervisor (see reporting tool format in Annex 2). The Head Office Supervisor oversees the institutional customer service function and reports to Senior Management/CEO on matters of customer service especially unresolved complaints.

In terms of quality control, the Internal Audit and Risk and Compliance departments check whether customer complaints have been fully and fairly investigated, and resolved in a timely manner. They review all complaints raised. Follow-up calls and visits are made on sample

Graph 1: Complaint handling structure



basis depending on the nature of the complaint. All complaints related to unfair treatment of clients by staff are followed up directly.

SOLUTION DETAILS

UGAFODE's Customer Complaint Handling process revolves around four important factors:

Sensitization of customers on their rights to complain

The institution has trained a group of Credit Officers on the Client Protection Principles. Client training helps raise awareness on using the suggestion boxes, customer complaint register, customer service desk, Branch Manager's office as well as the direct call line to the CEO's office. UGAFODE's Customer Service officers are also trained on client protection, and they interact with clients who walk into branch offices and talk to clients about the complaint handling system.

The CEO also has radio talk show programs in local dialects, which he uses to emphasize this process to customers. The radio programs are held twice monthly in different regions on local stations, with a wide coverage in each particular region. These programs are used to promote the institution's products and share information on various issues relevant to both clients

and potential clients of the institution, and listeners can call in with questions. For instance, the program has tackled issues on debt management, savings, negotiating with financial institutions, clients' rights and obligations. Each radio program lasts one hour. UGAFODE signs contracts with the local radio stations to secure guaranteed airtime on a consistent day and time, which is advertised in the course of the week to attract a wide audience. Because the radio station contracts are long-term in nature, the institution benefits from a discounted airtime fee.

Different channels to collect complaints

UGAFODE collects client complaints through a number of means, and ensures that clients can freely provide feedback on products, services and staff behavior without feeling intimidated. This is done through the following:

- All branches have strategically-placed suggestion boxes to collect written complaints. The keys to the suggestion box are manned by the Branch Manager.
- All branches have a complaints/compliments register to collect written complaints.
- All branches have an inquiries desk manned by a dedicated Customer Service Officer (CSO) to collect verbal complaints from the customers. The CSO records unresolved complaints in the complaints register and escalates them to the Branch Manager, who reviews complaints on a daily basis. When the complaints are resolved, they are closed off in the register by the Branch Manager.
- Customers can also call the CEO through a direct line to CEO'S Secretary provided to them during radio talk shows. The secretary takes note of the issues raised and the CEO calls the customer and directs the responsible department to address the issues raised accordingly, and provide feedback to the customer.

Encouraging complaints

UGAFODE also decided to encourage complaints by reducing the formal barriers between clients and management. To do this, it moved each Branch Manager's desk into the branch lobby, so that clients could walk in and get an answer to their question from management at any time.

To create a positive enabling environment for complaints, UGAFODE also looked at the broader role of staff by:

- Training all employees in the Client Protection Principles and customer care. All new staff members

receive training as part of their orientation. Additionally, UGAFODE carries out "refresher trainings" on customer care and client protection during annual team-building workshops. UGAFODE also has 2 client protection trainers in every branch, who mentor new staff members after they have been trained.

- Adjusting the staff appraisal tool to emphasize social performance indicators by including parameters such as time management, service quality (measured turnaround time, number of complaints/compliments attributed to the staff member, number of customers served etc.), integrity, and teamwork.

Documenting and reporting complaints

Customer complaints (including verbal complaints) and those placed in the suggestion boxes are recorded in the Customer Complaints/Compliments Register. The Branch Manager reviews the register on daily basis. At the end of the week, the branch compiles all the resolved and unresolved complaints using the record in the Customer Complaints Register and Suggestion Box (See Report format in Annex 2 below) and forwards it to head office.

Generally, complaints related to service quality (e.g. turnaround time, queries about accounts, etc.) are handled at branch level. Most escalations relate to complaints on products features and delivery channels like ATM requests, unethical staff behavior (e.g. asking for bribes which is proscribed in the Human resources policy). The Branch Manager escalates complaints that cannot be resolved at branch level (e.g. request for reduction of interest rates or charges, request for ATM Machines etc.) to Head Office through the Supervisor In-charge of Customer Service. The Branch Manager informs the customer about the escalation.

The Head Office Supervisor reviews the complaints from the branches, reaches the customers if necessary, makes and recommendations to Management with a view to resolving the complaint. S/he communicates Management decision to the Branch Manager who then gives a feedback to the customer within 14 days. Complaints are categorized according to the following areas; loan process related, account opening related, fees & charges, funds transfers, delivery channels etc., with recommendations for management's decision, based on the nature of the complaints. The report is discussed during the weekly Senior Management meetings.

The Central Bank also requires all regulated financial

Institutions (like UGAFODE) to report bi-annually on customer complaint resolution. The report submitted to the Central Bank covers a summary of the number of complaints raised during the period under different categories, and actions taken.

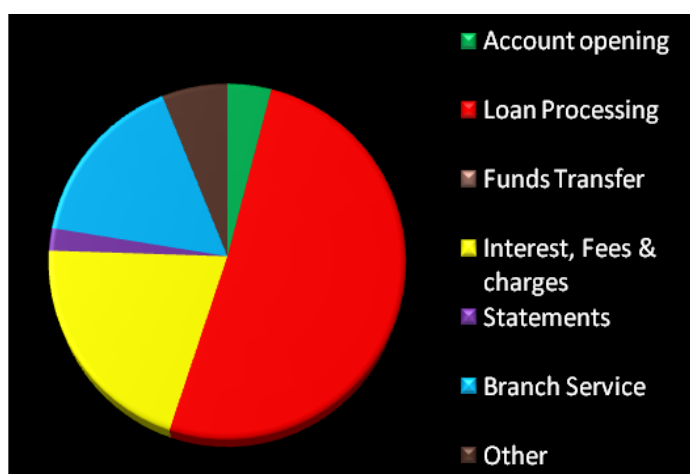
EFFECTIVENESS AND COSTS

In financial terms, the system is not very costly to implement, as the tools used are simple and inexpensive. The major cost incurred is in continuous staff training. This is mitigated by having in-house trained trainers, who continue to train and mentor other staff in customer care and rights issues. In terms of time, the activities involved in running the system are part of the job description of the concerned staff, meaning there is no extra burden in terms of time allocation.

The system is effective to the extent that it has enabled the institution to get reasonable feedback from customers about its services. The complaints received are urgently given attention and addressed appropriately. Apart from inquiries and clarifications, on average a branch receives 8 complaints per month concerning its services. For instance, in 2012, the majority of the complaints were related to the loan processes and interest rate as shown in **Graph 2**.

On the other hand, the suggestion boxes have not been effective. The complaints register is fairly effective, but only used by clients who are literate. The majority of customers who are illiterate tend to complain verbally through the Branch Manager and call in during the CEO's radio talk shows.

Graph 2: Categorizing complaints



BENEFITS

The customer Complaint Handling System has helped UGAFODE in the following ways:

Decision-making

It has created an opportunity for the institution to get feedback on (and improve its):

- Products and services: for example whether its products and services offered appeal to the needs of the customers in terms of the product pricing and charges, access, eligibility criteria, terms and conditions.
- Processes/delivery channels in terms of convenience of the processes and procedures, accessibility and availability.
- People and staff for example how receptive and friendly they are, their knowledge, professionalism, integrity while handling the customers and how they treat the customers

UGAFODE takes client feedback seriously, and has taken a number of important decisions as a result. For instance it:

- Revised its micro mortgage and agricultural loan products, and introduced grace periods as client feedback
- Reduced interest rates on its loan products across the board
- Revised the loan insurance premium from 1% to 0.85%
- Is currently piloting a mobile banking platform to address customer complaints on the cost of transport to branch offices to make loan repayments.

Public image

Being serious about client complaints helps UGAFODE retain its clients, and create positive word-of-mouth referrals among existing and potential clients — which UGAFODE feels is a less costly approach to marketing. Building a positive institutional reputation will also ensure the long-term financial survival of the institution.

Creating a competitive edge

UGAFODE's attitude to client complaints has helped it beat the competition. UGAFODE was voted by clients across the country as one of the most trusted MFIs in Uganda as part of the Uganda Responsible Investment Award Initiative sponsored by the United Nations and East African Community.

Benefits to clients

UGAFODE also identifies four key benefits of this system to its clients, in that it:

- Provides the means for clients to express their feelings about UGAFODE's services, which in turn leads to improved products and services that meet clients' needs.
- Helps clients highlight cases of unfair treatment by staff.
- Empowers clients to freely express themselves in terms of their rights, while fulfilling their obligation to the institution.
- Helps to build a positive long-term relationship with the institution.

DEVELOPING THE SYSTEM

Getting started

In 2011, UGAFODE embarked on a process of integrating Social Performance Management and Client Protection Principles into its strategy and operations. The customer complaint handling system was developed as part of this. With support from its partner Oikocredit, it started by carrying out an Institutional Self-Assessment⁵ on the Client Protection Principles. This assessment gave UGAFODE an insight into their strengths and weaknesses regard to client protection practices, and helped it create an institutional action plan.

Focusing on quick wins

In the institutional action plan, UGAFODE focused on the gaps identified and designed relatively cheaper and easy initiatives that can be quickly implemented to

address key gaps, with minimal investment and budgetary constraints. These initiatives included the following:

- Including customer service in the institution's strategic objective to enable management to create various activities aimed at addressing customer complaints
- Installing suggestion boxes at all branches
- Introducing Customer Complaint Registers at all branches.
- Establishing customer service desk at all branches
- Recruiting Customer Service Officers at all branches
- Training all UGAFODE staff in customer service
- Training all UGAFODE staff on the client protection principles, and selecting branch staff to monitor client protection principles implementation at branch level
- Communicating the customer handling process to all staff
- Using a media campaign through the call-in radio talk shows to educate customer about UGAFODE's services and complaints procedures.

IMPLEMENTATION CHALLENGES

The following are some of the major challenges that have affected successful implementation of an effective customer complaint handling system:

Inadequate commitment from staff: UGAFODE recognizes that staff commitment and motivation are key to creating a conducive environment where customers can freely give feedback on the quality of services, and where customers will not be victimized for giving feedback or complaints.

Box 2: Sound practices in handling customer complaints

- A written policy that requires customer complaints to be taken seriously, fully investigated and resolved in a timely manner without bias.
- A mechanism to handle customer complaints is in place, has dedicated staff resources, and is actively used. (Suggestion boxes alone are generally not adequate.)
- Customers are informed of their right to complain and know how to submit a complaint to the appropriate person.
- Staff are trained to handle complaints and refer them to the appropriate person for investigation and resolution.
- Internal audit or other monitoring systems check that complaints are resolved satisfactorily.
- Complaints information is used to improve products, sales techniques and other interactions with customers.

This is being addressed through:

- Carrying out a staff satisfaction survey and using the report to address issues that affect staff motivation and performance
- Including customer service as key parameter on staff appraisal
- Continuous staff sensitization is also being to enable staff take customer feedback as an opportunity to enable them improve on the service.

Illiteracy levels of the customers limit the usage of some of the tools like suggestion boxes, as they cannot read and write.

Fear factor: Some clients are afraid to report cases of mistreatment by staff, especially credit officers, as feel they may be denied future service. This is being addressed through constant sensitization of customers, especially by the CEO on his radio programs, by encouraging customers to feel free to air their dissatisfaction with the services.

Un-conducive environment: Despite having a dedicated Customer Care Officer seated in the lobby, the front office environment sometimes impedes the free provision of feedback, especially when the hall is crowded. In this case, a client may feel reluctant to express their complaints when other clients can easily overhear.

Delays in provision of feedback: Sometimes there are delays in giving feedback to customers. This is being addressed by monitoring complaint resolution turnaround time through weekly reports from the branches. The Branch summarizes unresolved complaints and gives an explanation as to why it has not been resolved. Complaints are required to be resolved within 14 days, with updates to the client on the status of their process.

Unsatisfactory resolution: some clients may feel that their complaints have not been adequately addressed and opt out e.g. if a client gave his loan instalment payment to a credit officer without an acknowledgement/receipt and the credit officer refuses to provide this. The client would be made to pay because he does not have evidence of payment, and the institution would fail to take action on the credit officer because there wouldn't be any evidence to support the client's complaint.

IMPROVING THE SYSTEM

A number of ways exist to improve the complaints handling system to make it more effective and bring it more in line with the Universal Standards. These include:

- Installing a toll-free line for receiving customer grievances. This will benefit low-income rural clients, especially when it is costly to travel to the branch.
- Improving publicity about the complaint handling system e.g. through the institution's website, posters, leaflets, etc., which are translated into local dialects.
- Conducting regular customer satisfaction surveys. This will help collect additional feedback from those clients who do not feel they can openly complain through the current system.
- Exploring and developing other tools that are friendlier to clients, especially those who cannot read and write.

LESSONS LEARNED

UGAFODE reflects on a number of key lessons that emerge from its experience, which it would encourage other microfinance providers to consider when designing and implementing similar systems in their own institutions. These are:

Successful client grievance handling starts with clear strategic oversight and commitment from the Board and top management as stipulated in Customer Service Policy.

It is important to have the systems, tools, processes and procedures for receiving and resolving feedback/grievances from customers.

The systems, tools, processes and procedures for getting feedback/grievances can only be effective if the institution has trained, committed and motivated staff who are willing to listen and to go the "extra mile" to ensure that complaints are received and resolved in a timely manner.

Institutions need to create an environment where staff, tools and procedures in place do not impede or discourage the customers to give vital feedback to the institution.

A good complaint resolution system is one where clients do not feel intimidated to provide feedback on what they feel about services, processes, staff etc.

ANNEX 1: COMPARING UGAFODE'S COMPLAINT HANDLING SYSTEM TO THE UNIVERSAL STANDARDS

Essential Practice	Notes on UGAFODE's Complaint Handling System
1A. The institution has a strategy to achieve its social goals.	<ul style="list-style-type: none"> • UGAFODE has in place a 5 year Strategic Plan and a Business Plan (revised annually) which define its economic and social goals. • UGAFODE considers good customer service as a key strategy in achieving its economic and social goals. • Client retention which is one of the benefits of a Customer Complaints Handling System is one of its Social Indicators.
2A. Members of the board of directors are committed to the institution's social mission.	<ul style="list-style-type: none"> • The board provides oversight by reviewing and approving the Strategic/ Business Plans which define economic and social goals. These goals include growth and retention of its target clientele through provision of customer-focused financial services. • The Board approved the Customer Care Policy, which defines the procedures for handling customer grievances.
2C. Senior management sets, and oversees implementation of the institution's strategy for achieving its social goals.	<ul style="list-style-type: none"> • As stated above UGAFODE's Senior Management sets the social goals in its strategic plan which is approved by the Board and implements them. • Strategies for achieving the social indicators include understanding customer needs through getting feedback and addressing it.
2D. Employees are recruited, evaluated, and recognized based on both social and financial performance criteria.	<ul style="list-style-type: none"> • The appraisal system includes financial parameters and non-financial parameters like turnaround time, integrity, teamwork and client retention, which all relate to good customer service.
3B. The institution communicates clear, sufficient and timely information in a manner and language clients understand so that they can make informed decisions.	<ul style="list-style-type: none"> • UGAFODE deploys front office staff (customer care officer, Credit Officers, sales & marketing officers, tellers, Branch Managers) who can communicate fluently in the local languages to enable customers feel comfortable interacting with them. • Brochures and training materials for groups (side sellers) are translated into local languages. • Staff receive orientation and annual refresher trainings on products & services, processes, customer care and client protection.
3C. The institution and its agents treat their clients fairly and respectfully, and Without discrimination. The institution has safeguards to detect and correct corruption as well as aggressive or abusive treatment by their employees and agents, particularly during the loan sales and debt collection processes.	<ul style="list-style-type: none"> • The customers handling system provides an avenue for the customers to provide feedback on unfair treatment The customers can escalate their complaint by calling a direct line to the CEO • Internal Audit and the Risk and Compliance Unit spot check on complaint resolution and also collect feedback from them on the services. • Credit staff are trained to adhere to policies, procedures and practices laid down in institution's Credit Manual. • The institution has recruited internal debt collectors who operate within the confines of the policies and procedure for debt collection as opposed to use of external agents.
3E. The institution has timely and responsive mechanisms for complaints and problem resolution for their clients and uses these mechanisms both to resolve problems and to improve products and services	<ul style="list-style-type: none"> • UGAFODE has a complaints handling policy, communication tools at the customers' disposal to use when they have complaints and dedicated staff in charge of complaints handling • Aggregation of complaints is done per quarter to provide information on major complaint areas and this feedback is used to improve products and services
4A. The institution understands the needs and preferences of different types of clients.	<ul style="list-style-type: none"> • The customer complaint handling system is one of the ways to get feedback on client needs. Some of the feedback received has helped the institution to review its products and introduce new ones e.g. the school fees loan

For more information:

UGAFODE: www.ugafode.co.ug

UGAFODE on the MIX Market: www.mixmarket.org/mfi/ugafode

AMFIU Network: www.amfiu.org.ug

The Microfinance Centre: www.mfc.org.pl

Social Performance Task Force: www.sptf.info

ANNEX 2: UGAFODE'S CUSTOMER COMPLAINTS REPORTING FORMAT

BRANCH: _____

Period ending: ____/____/____

Section A: Summary of Complaints											
Category	Account opening	Loan Processing	Funds Transfer	Fees/charges	Cheque Clearing	ATM Operations	Mobile and Electronic Banking	Statements	Branch Services	Other	Total
No of Complaints received?	0	0	0	0	0	0	0	0	0	0	0
Complaints unresolved by the end of 2 weeks after receipt? (Turnaround time)	0	0	0	0	0	0	0	0	0	0	0
No. of un resolved complaints?	0	0	0	0	0	0	0	0	0	0	0
How many complaints did not require further action?	0	0	0	0	0	0	0	0	0	0	0
How many cases involved compensation to the customer?	0	0	0	0	0	0	0	0	0	0	0
What was the total amount of payments made to complainants during this period?	0	0	0	0	0	0	0	0	0	0	0

Section B: Details of Unresolved complaints

Date of complaint	Ref.No	Branch	Customer details	Details of Complaint	Action(s) taken

Section C: Recurring Complaints

Has the financial Institution identified any recurring or systemic problems in this period? If so, please describe them.	