



## CLIENT PROTECTION CERTIFICATION

*Report for Fusion Microfinance Private Limited (Fusion)  
Certified in August, 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 Fusion. Fusion became client protection certified in August, 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>.

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

- Fusion offers small sized group loan of loan amounts ranging between Rs20,000 to Rs30,000. Higher sized loans were introduced for graduated clients.
- The Branch Managers (BM) record reasons for dropout in the MIS for all clients; the reasons are presented to the management during the Management Review Committee (MRC) meetings every month and to the Board every quarter.
- Client feedback is collected informally to make improvements in process and products.

### Client Protection Principle 2 – Prevention of Over-indebtedness

- Repayment capacity is determined by analysing the cash flows of the client. Credit information report (CIR) is generated prior to filling the loan application forms. Total indebtedness is capped at Rs70,000.
- Staff are trained on the indebtedness limits and methods for collecting information required to determine clients' repayment capacity during the initial induction and the on-the-job training.
- Loan application forms are filled during the house visits and the Credit Bureau (CB) report is generated for all loans irrespective of the loan cycle; the information is verified by BMs during GRTs.
- Loan sanction is centralized and done by the Credit Health department, which verifies the information and the CB report.
- PAR information is reviewed and analysed by the management on a regular basis. Staff is paid fixed incentives in branches with PAR exceeding 10%.
- Compliance to policies and processes is regularly monitored by the Internal Audit team. Bi-monthly audits are conducted for each branch where auditors check compliance with loan assessment guidelines and adherence to institution's policies.
- Fusion has a Board approved rescheduling policy which delineates circumstances and possible actions for rescheduling. Rescheduled loans are tagged separately in the MIS.

### Client Protection Principle 3 – Transparency

- The product details and related terms and conditions are communicated to the clients multiple times by the staff prior to disbursement.
- The declining interest rate and the annual percentage rate (APR) are stated in the loan card.
- A group guarantee cum loan agreement is given to the center leader and individual loan cards to the clients; all the documents are in vernacular.
- The loan card contains an amortization schedule. A consolidated centre receipt is provided to the clients for every repayment.
- Information pertaining to products and prices are disclosed in the public domain.

### Client Protection Principle 4 – Responsible Pricing

- Financial products are offered by Fusion at competitive interest rates. Pricing is non-discriminatory, market based and compliant with the regulations.
- No penalty is charged from clients for delayed payment or prepayment of loan.
- Fusion's OER has been following a declining trend (OER reduced from 10.33% on 31<sup>st</sup> Mar-14 to 8.56% as on 31<sup>st</sup> Mar-15). It has undertaken measures such as the introduction of the Data Management System (DMS) to improve efficiency.

## Selected Examples of Practices

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

- The CoC is regularly perused and approved by the Board. The Code of Conduct (CoC) states that Fusion would strive to improve the quality of lending, transparency, grievance redressal, ethical behaviour and client protection.
- At the time of joining all staff sign the appointment letter wherein they agree to "maintain the highest standards of personal conduct and integrity" and abide with the company's policies and procedures, and that a failure to do so would result in initiation of disciplinary action.
- Staffs undergo training during the induction period which includes sessions on appropriate collection practices, disciplinary actions, CoC, and customer service.
- The list of prohibited behavior and disciplinary actions to be taken in case of violation of any guidelines including CoC are outlined in the Human Resource Manual.
- Client pledge, which is communicated to the clients during CGT and is printed in the loan cards, contains clauses reaffirming that the clients will respect the other group members.
- Behaviour with colleagues, attitude, work quality, consistency, etc. are taken into consideration during the annual appraisal of the field staff.
- The rescheduling policy is communicated to the clients during the CGT.

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

- The Policy on Privacy of Client Data in the Operation Manual clearly states the purposes for which client information is collected and shared with third parties. During the induction training, the staff is oriented on the privacy policy during the sessions on CoC and the operational policies.
- The IT systems of Fusion are password protected with well-defined user rights.
- Violation of privacy policy is considered a misconduct, which would lead to appropriate disciplinary action as defined in the HR Manual.
- Client files are securely stored at a warehouse and unauthorized personnel do not have access to the clients' documents.
- Client data privacy policy is communicated by the RO during the CGT and at the time of disbursement.
- Fusion seeks written consent from clients to share their personal information with relevant third parties such as the Credit Bureau and insurance company.

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

- The Grievance Redressal Policy outlines the grievance redressal process for complaints received at the Head Office and complaints received at the branches.
- During the induction training, the new recruits are trained on the client grievance handling process.
- Clients are informed about the grievance mechanism process during the CGT; the auditors verify clients' awareness during the bi-monthly audits. The loan card contains details of the toll free number and the HO contact number as well as contacts details of the RO and BM are also provided.
- The customer care assistant based at the HO receives, records and escalates the complaints to relevant departments and confirms whether resolution was provided.
- Client complaints/feedback are used as inputs for improving operations, processes and products.