INTRODUCTION

“Smart Lending: Client Protection in the Savings Process” is a tool to assist microfinance institutions (MFIs) in incorporating good client protection practices into their process for accepting savings deposits. The tool is applicable to a wide range of institutions, and can be adapted for use by banks, NGOs, and other types of financial institutions.

The savings process is segmented into five key phases: (1) Promotions & Sales, (2) Application & Approval, (3) Opening & Servicing the Account, (4) Accepting Withdrawals & Paying Deposits, and (5) Closing the Account.

Like other Smart Tools,¹ this tool is structured as follows:
• The tool identifies distinct “Service Points” (SP’s)—points of interaction between the client and the institution.
• For each Service Point, the tool:
  • demonstrates how an MFI can model good practice in client protection in:
    • their policies, and
    • their operations; and
  • identifies which Client Protection Principles are affected.
• The document provides recommendations for the use of client protection tools that could help MFIs improve client protection practices at each service point. These recommendations are listed in the Annex. Some of these tools have already been developed by the Smart Campaign, but for those not listed on our website, we encourage you to share your tools and/or tool ideas with us (info@smartcampaign.org).

THE CLIENT PROTECTION PRINCIPLES (short form listed below; for complete description, see www.smartcampaign.org).

1. Avoid Client Over-indebtedness       4. Ethical staff behavior
2. Transparent and responsible pricing  5. Mechanisms for redress of grievances
3. Appropriate collections practices     6. Privacy of client data

¹ The Smart Campaign offers a wide range of tools for improving client protection practices among MFIs, networks, and investors. Among these are: “Smart Lending: Client Protection in the Individual Loan Process;” and “Smart Lending: Client Protection in the Group Loan Process.” Visit www.smartcampaign.org to download these tools.
**PHASE 1. PROMOTION AND SALES**

<table>
<thead>
<tr>
<th>SERVICE POINT (SP)</th>
<th>SP1</th>
<th>SP2</th>
<th>SP3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROMOTIONS</strong></td>
<td>Institution promotes its savings product(s) to potential clients.</td>
<td>Institution discusses with the client their financial needs and goals, to decide if the savings product is a good fit.</td>
<td>Institution provides specific product information, including interest rates and client access to savings.</td>
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<tr>
<td><strong>SALES DIALOGUE</strong></td>
<td></td>
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<td></td>
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<tr>
<td><strong>PRODUCT DESCRIPTION</strong></td>
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</table>

**GOOD CLIENT PROTECTION POLICIES**
- Public disclosure of terms, conditions, fees, interest rates on savings, minimum balance requirements, and limits on withdrawals.
- All staff trained to speak to clients in local language, using clear terms the client can understand.
- Compliance with all legal requirements for marketing of financial services.
- Internal audit checks staff interactions with clients for ethical behavior and compliance with client recruitment policies.

**GOOD CLIENT PROTECTION PRACTICES**

**Clear communication with clients always includes:**
- Use of local language(s)
- Plain terminology
- Verbal explanation for illiterate clients

**For marketing materials specifically:**
- Marketing materials should include:
  - Basic eligibility requirements for taking a loan;
  - Contact information for the institution;
  - Instructions for registering a complaint or question.
  - Consider financial education messages for savings products promoted to youth.

**CLIENT PROTECTION PRINCIPLES**
- Transparency; Redress of Grievances
- Transparency; Ethical Staff Behavior; Privacy of Client Data
- Transparent and Responsible Pricing; Privacy of Client Data
### PHASE 2. APPLICATION & APPROVAL

<table>
<thead>
<tr>
<th>SERVICE POINT (SP)</th>
<th>SP4</th>
<th>SP5</th>
<th>SP6</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPLICATION FORM</td>
<td>Institution guides client through the process of filling out an application.</td>
<td>DATA COLLECTION</td>
<td>Institution collects client data for account opening; explains process and protects data.</td>
</tr>
</tbody>
</table>

#### GOOD CLIENT PROTECTION POLICIES
- Institutional policy dictates how the institution maintains the security and privacy of client data.
- Loan officers are trained in data management and how to explain data protection to clients.
- Staff is trained in how to help clients set savings goals.

#### GOOD CLIENT PROTECTION PRACTICES
- Follow guidelines on clear communication—see SP #1.
- Allow the client to bring a third party to assist them in reading/understanding forms.
- Explain the client consent form and what a signature implies.
- Include institution’s contact information on the application.
- Explain how application data will be used and stored.
- Take the opportunity to help clients set savings goals (not contractual) and record these on the application form or other documentation.
- If an additional signature is required on the application, explain the responsibilities and limitations for the signatory.
- Allow time for the client to consider the above information carefully before proceeding.

#### CLIENT PROTECTION PRINCIPLES
- Transparency; Redress of Grievances; Privacy of Client Data
- Transparency; Privacy of Client Data
- Ethical Staff Behavior; Privacy of Client Data
# PHASE 3: OPENING & SERVICING THE ACCOUNT

<table>
<thead>
<tr>
<th>SERVICE POINT (SP)</th>
<th>SP7</th>
<th>SP8</th>
<th>SP9</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACCOUNT OPENING SPEECH</strong></td>
<td>Institution verbally reviews important account information before opening account.</td>
<td></td>
<td></td>
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<tr>
<td><strong>DOCUMENTATION</strong></td>
<td>Institution provides client with a summary document to take home.</td>
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<tr>
<td><strong>ONGOING CUSTOMER SERVICE</strong></td>
<td>Institution continuously supports client satisfaction and product understanding.</td>
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</tbody>
</table>

## GOOD CLIENT PROTECTION POLICIES
- Account opening process allows the client to ask questions and address concerns.
- Institutional Code of Ethics spells out values and standards of conduct required by all staff, and clearly defines sanctions for unethical behavior.
- Staff is evaluated and/or incentivized on the quality of their interactions with clients.
- Client complaints are taken seriously, investigated, and resolved in a timely manner.
- Staff is trained on the institution's complaints handling process.
- Clients receive copies/duplicates of any and all signed documentation.

## GOOD CLIENT PROTECTION PRACTICES
- Follow guidelines on clear communication—see SP #1.
- Verbally summarize any account documents, including the savings contract, and review the summary information sheet with the client (see SP #8, at right).
- Remind the client of any fees associated with account activity and minimum account balance requirements.
- Advise clients to ask for a receipt of account balance when making deposits or withdrawals.
- Explain how to receive confirmation of electronic transactions (e.g. ATM savings deposit).
- If savings is linked to credit account, explain any instance in which the institution can confiscate savings (e.g. if savings are confiscated in case of credit default).
- Inform the client how to contact the institution if they have questions or want to make changes to their account.
- Institution verbally reviews important account information before opening account.”

## PROVIDE THE CLIENT WITH A SUMMARY DOCUMENT THAT INCLUDES:
- The rights and duties of both the client and the institution.
- Complaints information.
- Information on how to access and protect the pin number/account number and report potential fraud/theft.
- Information on how to deposit, withdrawal, and transfer money.
- Whether and how savings are legally protected by a regulatory body.
- All fees and interest.
- Encourage clients to raise questions and concerns regarding the documentation.
- Ensure that the client receives a signed copy of the summary sheet.
- Institution provides client with a summary document to take home.

## CLIENT PROTECTION PRINCIPLES
- Transparency; Privacy of Client Data; Ethical Staff Behavior
- Transparency
- Transparency; Ethical Staff Behavior; Redress of Grievances; Privacy of Client Data
### PHASE 4. ACCEPTING DEPOSITS & PAYING WITHDRAWALS/INTEREST

<table>
<thead>
<tr>
<th>SERVICE POINT (SP)</th>
<th>SP10</th>
<th>SP11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACCEPTING DEPOSITS</strong></td>
<td>Institution accepts savings deposits from clients at various service locations.</td>
<td><strong>PAYING WITHDRAWALS AND INTEREST</strong></td>
</tr>
<tr>
<td><strong>GOOD CLIENT PROTECTION POLICIES</strong></td>
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<tr>
<td>• The institution provides clients with easy access to complete account information.</td>
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<tr>
<td>• Institution trains cashiers to:</td>
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<tr>
<td>• Use all available means to verify the identification of clients/third parties before accepting deposits and paying withdrawals; and</td>
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<tr>
<td>• Provide a verbal summary of the transaction before finalizing.</td>
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<tr>
<td>• Clients are ideally notified before, and at least immediately after account balance falls below the minimum allowed.</td>
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<tr>
<td>• Account maintenance fees and fees for falling below the minimum balance do not exceed an established percentage of the average savings balance.</td>
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</tr>
<tr>
<td><strong>GOOD CLIENT PROTECTION PRACTICES</strong></td>
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<tr>
<td>• Count deposits in front of the client and ask client to confirm the amount.</td>
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<tr>
<td>• Issue a transaction receipt after each transaction.</td>
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<tr>
<td>• If the institution accepts deposits in multiple currencies, inform the client of the current exchange rate on the currency the client is depositing.</td>
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<tr>
<td>• If ATM deposits are allowed, ensure ATMs are accessible for clients with low literacy, and that ATMs issue transaction receipts.</td>
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</tr>
<tr>
<td><strong>CLIENT PROTECTION PRINCIPLES</strong></td>
<td>Transparent and Responsible Pricing</td>
<td>Transparent and Responsible Pricing; Privacy of Client Data</td>
</tr>
</tbody>
</table>
### PHASE 5. CLOSING THE ACCOUNT

<table>
<thead>
<tr>
<th>SERVICE POINT (SP)</th>
<th>SP12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CLOSING THE ACCOUNT</strong></td>
<td>The institution honors client request to close the account, and closes dormant client accounts only after multiple attempts to notify dormant account holders.</td>
</tr>
</tbody>
</table>

#### GOOD CLIENT PROTECTION POLICIES

- Complaints handling policy requires that the institution systematically record and respond to client grievances. Staff resources are dedicated to complaints handling.
- Institution uses exit client grievances to improve understanding of client needs.
- Institutional policy provides a clear process for safely disposing of former-client data.
- Institution makes multiple attempts to notify clients with dormant accounts before closing the account.
- Institution provides account closing receipts to all exiting clients.

#### GOOD CLIENT PROTECTION PRACTICES

- Do not pressure the client to keep account open.
- Ask if the client is willing to share reason(s) for closing the account, especially whether the client has grievances to share with the institution.
- Handle grievances of former clients in the same way as existing clients—record and respond to these grievances.
- Inform client on how the institution will treat personal and financial information after the account is closed (e.g. client personal and financial information will be erased from the system; or it will be saved and used for marketing purposes, etc.)
- Advise the client on how to properly dispose of any financial documentation, debit cards, etc.
- Inform the client if the institution will charge fees for dormant savings accounts.

#### CLIENT PROTECTION PRINCIPLES

- Ethical Staff Behavior; Redress of Grievances; Privacy of Client Data
ANNEX: CLIENT PROTECTION TOOLS TO IMPROVE PRACTICE AT EACH SERVICE POINT

Institutions can benefit from the many tools already available for download on the Smart Campaign website, at no cost. Tools include guides for client protection in the individual lending process and the savings process; mini case-studies; Excel-based tools for calculating appropriate loan size; guidelines on how to develop an institutional code of ethics; a client protection self-evaluation for MFIs, and many more.

In the chart below, each service point is listed alongside a list of client protection tools that can improve an institution’s ability to protect clients at that particular service point. Where resources already exist through the Smart Campaign, a link is provided to the website. Other tools have yet to be developed and we encourage MFIs to develop these on their own, and share these developments with the Smart Campaign (info@smartcampaign.org).

<table>
<thead>
<tr>
<th>SERVICE POINTS</th>
<th>CLIENT PROTECTION TOOLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP#1. MARKETING MATERIALS</td>
<td>Sample “good practice” promotional tools; Guide for creation of marketing materials.</td>
</tr>
<tr>
<td>SP#2. SALES DIALOGUE</td>
<td>Sample “good practice” sales dialogues; Guide for talking with clients about their financial goals and needs.</td>
</tr>
<tr>
<td>SP#3. PRODUCT DESCRIPTION</td>
<td>Guide for assessing client needs for available products; Sample “good practice” summary document.</td>
</tr>
<tr>
<td>SP#4. APPLICATION</td>
<td>Guide on how to request information from a client; Sample plain-language savings account contract; Guide for helping clients set goals for savings.</td>
</tr>
<tr>
<td>SP#5. DATA COLLECTION</td>
<td>Checklist for information to cover with client regarding shared accounts; Guide for collecting financial and personal information.</td>
</tr>
<tr>
<td>SP#6. DATA PRIVACY AND MANAGEMENT</td>
<td>Guidelines for developing data management protocols; Checklist for information to cover with client regarding savings/debit cards; Checklist for internal audit to verify institutional compliance with data security measures.</td>
</tr>
<tr>
<td>SP#7. ACCOUNT OPENING SPEECH</td>
<td>Guide for the account opening speech; Sample “good practice” speech.</td>
</tr>
<tr>
<td>SP#8. DOCUMENTATION</td>
<td>Guidelines for summary document; Sample “good practice” summary document.</td>
</tr>
<tr>
<td>SP#9. ONGOING CUSTOMER SERVICE</td>
<td>Guidelines for serving illiterate clients; Checklist for informing clients of term changes; Guidelines for receiving and resolving client complaints; Sample consent for use of client information/photos; Sample Code of Ethics; Guide: How to Develop an Institutional Code of Ethics.</td>
</tr>
<tr>
<td>SP#10. ACCEPTING DEPOSITS &amp; SP#11. PAYING WITHDRAWALS</td>
<td>Guidelines for honoring account information requests; Guidelines for client data security during ATM transactions; Checklist for discussing exchange rate information with clients.</td>
</tr>
</tbody>
</table>

For more information on data security see “Smart Note: Customized IT at Caja Morelia safeguards client data,” here: http://smartcampaign.org/tools-a-resources/2/248.

View sample Codes from around the world, here: http://smartcampaign.org/tools-a-resources/2/44.

Download the Smart Campaign’s “How to Develop an Institutional Code of Ethics” here: http://smartcampaign.org/tools-a-resources/2/84. Browse sample Codes from around the world, here: http://smartcampaign.org/tools-a-resources/2/44.