An Indicative Board-Level Policy for Assessing Appropriateness can cover every aspect of product sale and post-sale servicing, as well as ex-post customer protection measures internal to the business. Here, you can see an example of what such a policy might look like.

This tool supports financial service providers to implement Principle One, Standard One of the Client Protection Standards 2.0. It was first developed by Deepti George at IFMR Trust during the evolution of standards process and has now been adapted by the Smart Campaign.

Suitability Assessment: An Indicative Board-Approved Policy Example

1. Reasonable steps must be taken to collect detailed information about the current financial status of the provider’s clients. This should include information on the following that must involve a physical visit to the customer’s residence:
   - Assets
   - Liabilities
   - Income
   - Expenses
   - Objectives and needs of the customer.

   This information should be updated on an annual basis, or at the time of product recommendation or sale, whichever is earlier.

2. This information must be input into a customer management system of the provider and be used to generate an analysis of the household’s financial situation and recommend appropriate products for the customer. The customer must be informed of her household’s financial well-being and how specific financial products or services that she seeks could potentially improve or weaken her financial well-being.

3. It must be ensured that:
   - The product or service that is recommended or sold completely matches the stated requirement of the household.
   - The customer completely understands the key features of the specific product that is recommended, and how the product interacts with the existing financial portfolio of the household. Upon ensuring this, the ‘informed consent’ of the customer to enter into the specific financial transaction must be sought in a written form.
   - A product that does not match with the stated requirements or could deteriorate the financial situation of the household, even if demanded by the customer, is not recommended to the customer. It must be clearly communicated to the customer that buying an unsuitable financial product could place her household in financial distress.
   - In the event that the customer wants to disregard this and purchase the product or service, a signed document stating that the customer understands the consequences of purchasing the unsuitable product must be obtained.

4. The customer must have ease of recourse to the internal grievance redressal mechanism of the provider with a toll-free number prominently displayed in all branches of the provider. In addition, the existence of this mechanism and the modalities to access it (phone, SMS, e-mail, written complaints) should be clearly articulated to the customer in the first meeting as well as any subsequent meeting when there is a product recommendation or sale. The customer must also be informed of the exact timeline within which she should be able to expect an outcome for grievances registered. The internal redressal mechanism should look to resolve the complaint of the customer in an unbiased and speedy manner.

5. The customer should be informed of her right to approach the external redressal mechanism with details of how to access such mechanism, in the event that she is unsatisfied with the response of the internal mechanism or if the issue remains unsolved within a reasonable span of time.

6. A Customer Audit team will conduct an annual audit to assess compliance with the
Appropriateness provisions, and efficiency of internal grievance redressal mechanism. This team will report directly to the Board.

7. Employees will not be incentivized based on quantitative targets or other such targets that could potentially lead them to adopt practices that are in conflict with the provisions mentioned above. Instead, the employees will be incentivized to adhere to provision of suitable products or advice to customers. Employee adherence to the process of ensuring Appropriateness will be established through the annual customer audit.