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Microfinance investor institutions signed on to the Client Protection Principles

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The following 35 microfinance investor institutions have signed on to the Client Protection Principles, a microfinance industry-wide initiative that encourages providers to ensure that low-income clients are treated fairly and protected from potentially harmful financial products. The Principles are distilled from the path-breaking work of microfinance institutions, international networks and national microfinance associations to develop pro-consumer codes of conduct and practices. While there is little evidence of substantial problems with regard to clients in the microfinance sector, these Principles represent a proactive effort to define minimum standards to safeguard the interests of vulnerable clients.

These early signatories have committed to a process to translate the Principles into standards, policies, and practices appropriate for different types of microfinance clients, products, providers, and country contexts. By doing so, these institutions commit to incorporate the Principles into their investment selection and oversight processes. While it is microfinance providers themselves that are in a position to apply the Principles, investors can encourage compliance and provide positive incentives.

Over the past several years, consensus has emerged that providers of financial services to low-income clients should adhere to the following six core principles:

- Providers will take reasonable steps to ensure that credit will be extended only if borrowers have demonstrated an adequate ability to repay and loans will not put the borrowers at significant risk of over-indebtedness. Similarly, providers will take reasonable steps to ensure non-credit financial products, (such as insurance) extended to low-income clients are appropriate;
- The pricing, terms and conditions of financial products (including interest charges, insurance premiums, all fees, etc.) will be transparent and will be adequately disclosed in a form understandable to clients;
- Debt collection practices of providers will not be abusive or coercive;
- Staff of financial service providers will comply with high ethical standards in their interaction with microfinance clients and such providers will ensure that adequate safeguards are in place to detect and correct corruption or mistreatment of clients;
- Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients;
- The privacy of individual client data will be respected, and such client-identified data cannot be used for other purposes without the express permission of the client (while recognizing that providers of financial services have an important role to play in helping clients achieve the benefits of establishing credit histories).

Much work is needed to identify practical approaches that adequately protect microfinance clients. CGAP is joining with others to support an industry-wide awareness-raising campaign and consultative process to develop appropriate client protection standards. While the Principles are universal, meaningful and effective implementation on the ground will require careful attention to the diversity within the provider community and conditions in different markets.

Additional signatories are welcome, and indeed, sought after. Investor Endorsers of the Client Protection Principles for Microfinance to date include:

Aavishkaar Goodwell India Microfinance Development Company Ltd and Goodwell Microfinance Development Company B.V.
 ACCION Gateway Fund and ACCION Investments
 Aga Khan Agency for Microfinance
 Belgian Investment Company for Developing Countries SA/NV (BIO)
 Calvert Foundation
 CHF International
 Citigroup
 Co-Operative Bank (UK)
 Deutsche Bank
 Developing World Markets
 Development Finance Equity Partners
 European Bank for Reconstruction and Development (EBRD)
 European Fund for Southeast Europe (EFSE)
 FINCA International, Inc.
 FMO
 Global Microfinance Group SA
 Grassroots Capital Partners
 INCOFIN
 Inter-American Development Bank/Multilateral Investment Fund
 KfW
 Kiva
 LocFund
 MEDA/Sarona Fund
 Mercy Corps
 MicroCredit Enterprises
 Microfinance Development Company B.V.
 MicroPlace
 Oikocredit
 Opportunity International and Opportunity Transformation Investments
 ResponsAbility
 ShoreCap Management/ShoreCap International
 Triodos Investment Management B.V.
 Triple Jump
 VisionFund International - the microfinance subsidiary of World Vision
 Women's World Banking Microfinance Equity Fund

(Note: the International Finance Corporation is in the final stage of the approval process)



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Investor Endorsement of Client Protection Principles