

# **Consumer Protection in Microfinance**

## **Microfinance India 2008**



**CENTER FOR  
FINANCIAL INCLUSION**  
AT ACCION INTERNATIONAL

**Robin Ratcliffe**  
**Campaign Director**  
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# Motivations

- **Sub-Prime crisis in the United States**
- **Microfinance crises in several countries**
- **Media and political concern with high interest rates**
- **Rise of keen competition and consumer lending in microfinance markets**

# The Business Case

- **Successful customer base**
- **Increased customer loyalty**
- **Protect reputation**
- **Solid portfolio**

# Campaign for Consumer Protection in Microfinance

**Vision:** A microfinance industry distinguished by the responsible treatment of its customers.

- **Recognition and “branding” of the microfinance industry as pro-consumer**
- **Informed and confident customers**
- **Influence on mainstream financial sector**

***Client protection in the “DNA” of microfinance***

# The Three Year Campaign

**The Goal:** Build global acceptance and implementation of a code of responsible practice for microfinance.

- Website
- Toolkit for MFIs
- Training modules
- Client Education & Marketing Materials
- “Microbanker’s Oath”
- Certification Process

# The “Microbanker’s Oath”

**As a microfinance institution or professional, I will strive to implement these principles:**

- **Avoid reckless lending that creates over-indebtedness**
- **Commit to transparent and reasonable pricing**
- **Utilize collections practices that are not abusive or coercive**
- **Ensure high ethical standards for staff**
- **Provide recourse mechanisms for client complaints**
- **Ensure the privacy of client data**

# The Challenges

- **Lending methodologies & sales techniques**
- **Compatibility with staff incentives**
- **Collections Outsourcing**
- **Financial literacy**
- **Credit information**

# Founding Endorsers

- **ACCION International**
- **Al Amana (Morocco)**
- **BANEX (Nicaragua)**
- **CIDR/PAMIGA (West Africa)**
- **Compartamos Banco (Mexico)**
- **CGAP**
- **Deutsche Bank**
- **Freedom from Hunger**
- **Opportunity International**
- **Pro Mujer**
- **Unitus**
- **Women's World Banking**
- **WWB Colombia**

- 1. Avoidance of over-indebtedness**
- 2. Transparent and reasonable pricing**
- 3. Appropriate collections practices**
- 4. Ethical staff behavior**
- 5. Mechanisms for redress of grievances**
- 6. Privacy of client data**