



Keeping clients first
in microfinance

Educating Clients About Client Protection: A Guide for Financial Service Providers

This educational tool is based on the 6 Client Protection Principles from the Smart Campaign, which is now outdated. The current standard includes 8 Client Protection Standards. However, the guide remains a useful resource for financial service providers to educate clients on how to protect themselves, make informed decisions, and understand their rights and responsibilities. It includes scripts for staff, a detailed responsibilities table, and materials that can be used in training or as visual aids for clients.

Key words: Smart Campaign Client Protection - Educating clients about client protection - Client Protection training tool - Financial consumer education - Client responsibilities microfinance - Financial service provider toolkit

Introduction

Financial service providers and clients share the obligation of responsible provision and responsible use of financial products and services. Clients depend on providers to uphold their responsibility for client protection, and likewise, providers depend on clients to be informed users of financial services.

Providers have a responsibility to avoid over-indebting clients, offer transparent and responsibly priced products, use appropriate collections practices, behave ethically at every point of contact with clients, provide a way for clients to make complaints and have them resolved, and keep client data secure. Clients should know their product options, ask questions when they need clarification, provide the institution with accurate information about themselves, and speak up about problems.

Rather than making decisions *for* clients, financial service providers should clearly communicate important financial information—some of which may be new to the client—so that clients can make good decisions on their own. Additionally, providers must enter into a conversation with clients; *dialogue* turns information into communication. **This tool is a resource for financial service providers to talk with clients about how to be informed consumers of financial services.**

Using the Tool

The table on pages 3–4 lists each of the six Client Protection Principles—a framework developed by the Smart Campaign, which is now outdated. Today, the sector follows the 8 Client Protection Standards. Alongside each principle, the table provides financial service provider responsibilities and client responsibilities for fulfilling each of them. The table demonstrates how institutions and clients share the obligation of *responsible provision* and *responsible use* of financial products and services. **Institutions can use this table in several ways:**

1. As a staff training tool:
 - To help staff understand the role of the financial service provider and the role of the client in client protection; and
 - To train staff in how to talk with clients about these responsibilities.
2. As a client education tool:
 - To help clients understand what to expect from the financial service provider, while highlighting the institution's commitment to client protection; and
 - To help clients understand their own responsibilities as an informed consumer of financial products and services.

3. As a poster, flyer, or handout targeted to clients and staff, to remind them of the shared responsibility for client protection.

In addition to the table, this tool provides guidance for staff who discuss this information with clients. Staff may find the “Suggested Script for Staff” on **page 3** useful for discussions with clients.

I. Suggested Script for Staff

Financial service providers can use the sample script below to guide field staff (such as loan officers, sales staff, or education officers) in how to talk with clients about client protection. They are encouraged to modify this script to fit their client education goals. They are also encouraged to provide staff with specific examples for each of the Client Protection Principles, so that staff can demonstrate how the institution is putting the principles into practice (see the box at the bottom of the page).

Script

“[Institution] believes that our clients have important rights and that we must never harm the people that use our products and services. This means that we respect you and help you make good decisions about your money when using our services. It also means that we protect your personal information and give you an answer when you have a problem with us. These are our responsibilities.”

“As a client of [Institution], you also have responsibilities. You are responsible for honoring your contracts (which is anything you’ve signed). You are also responsible for knowing about the services you use, asking questions when you don’t understand something, giving us correct information about yourself, and keeping your financial information private. By doing your part, you help [Institution] serve you.”

“I want to talk to you about six important areas where we share responsibilities. For each of these responsibilities, I will first discuss [Institution]’s role, and then I will discuss your role as a client.”

Directions for staff: Use the table below to discuss: a) the institution’s responsibility for protecting the client, and b) the client’s responsibilities for being an informed and proactive consumer. During this explanation, try to use specific examples from your institution (see box below).

*Consider presenting the institution’s responsibilities for Principle 1, then stopping to ask, “Now that you’ve heard our responsibilities to you, what do you think is **your** responsibility for protecting yourself and helping us keep our commitments?” After the client provides their opinion, discuss the “client responsibility” points provided on the table. Continue this back-and-forth discussion one principle at a time.*

After the discussion:

- *Ask clients:* “Do you have any questions about this information?”
- *Inform clients:* “If you ever have questions or you feel the institution is not keeping our commitments to you, you can ask a question or make a complaint to [Institution] by: [describe the institution’s process for receiving and responding to client complaints/questions].”

Box. Use examples to explain the institution’s responsibilities

When staff explain the institution’s responsibility to fulfill a client protection principle, they will be more effective if they can demonstrate a **specific example** of an institutional policy or practice.

Consider providing staff with examples of the institution’s good practices: The following is an example list, based on the original framework of six Client Protection Principles promoted by the Smart Campaign. Please note that this framework has since evolved into the current eight Client Protection Standards, which offer a more comprehensive and updated approach to client protection.

Principle 1: Loan officers visit client businesses to evaluate repayment capacity before issuing a loan.

Principle 2: The institution has staff who speak the indigenous language, so clients always have staff with whom they can communicate.

Principle 3: The institution has a strict rule against using intimidation to convince clients to repay their loans. If staff is caught intimidating a client, they are punished.

Principle 4: The institution’s Code of Ethics is posted in all branch offices and clients receive a copy in their Client Welcome Kit.

Principle 5: Clients can call a toll-free Customer Service Line to make confidential complaints.

Principle 6: The institution does not sell client information to third parties for marketing purposes.

II. Table of Financial Service Provider Responsibilities & Client Responsibilities
(Based on the 6 original principles — now updated to 8 Client Protection Standards)

Client Protection Principle	Our Responsibilities	Your Responsibilities
1. Avoid over-indebtedness	<ul style="list-style-type: none"> • We need to offer you products that don't harm you or put you in a situation where you can't repay us. • We need to be careful to loan you the right amount of money so that you are able to repay it without needing to take out another loan or give up things that are important to your family, like food. • We need to tell you that you have the right to choose your products, and the right to refuse a product. 	<ul style="list-style-type: none"> • Learn about the costs and rules for our products and think carefully about your money and how you will use a loan. • Don't take anything you don't need or can't repay. • Be truthful so we can help you find the best product for your needs. • Tell your loan officer if you're having trouble making loan payments or if something happens that changes your ability to repay the loan.
2. (A) Transparent and (B) Responsible pricing	<ul style="list-style-type: none"> • (A) We need to give you all the information that you need to make a good decision. We need to give you the information using words that are easy for you to understand, and in a language, you are comfortable speaking. • We must tell you about the costs of your loan, your rights and responsibilities, and information about any other companies that may be involved with the product you choose (such as an insurance provider). • (B) Our prices should be fair and similar to others in the area. If our prices are much higher or lower than other local banks, we should be able to explain why. • Our extra fees and penalties should not be a big burden on you. 	<ul style="list-style-type: none"> • (A) Only buy a product if you understand the cost and conditions. Ask questions if you don't understand. Give us accurate information when we ask for it. • (B) Know the price of your product, including the interest rate, how much you have to pay, and the total cost of your loan. • Know what you get for that price, including customer service and extra services besides your loan. • Compare our prices to the prices other banks are charging, and ask us if our prices seem too high or too low.
3. Appropriate collections practices	<ul style="list-style-type: none"> • We should treat you with respect all the time, even if you're behind in your payments. • We should not make you feel ashamed or dishonored when you are late with payments. • We should not accept very important family or business items as collateral. 	<ul style="list-style-type: none"> • Pay your loan back on time. If you can't, talk to your loan officer so that you can find a way to repay the loan. • Always treat our staff politely and with respect.

4. Ethical staff behavior	<ul style="list-style-type: none"> • We should always treat you and every customer fairly and with respect. • We must find and fix any abusive or dishonest behavior by our staff. • We have a Code of Ethics and our staff should understand it and follow those rules. If our staff do not follow our rules, they should be disciplined. 	<ul style="list-style-type: none"> • Tell us if you are not treated well or if you see any dishonest or bad behavior by staff. • If you know of other clients who have a complaint, ask them to report it to us. • Do not accept gifts or money from staff.
5. Redress of client grievances	<ul style="list-style-type: none"> • We need to give you a way to tell us if there is a problem. • We need to tell you that it's OK to complain or ask questions. We should explain to you <i>how</i> to tell us about a complaint and make it easy and safe for you to do so. • We need to respond quickly to complaints and make them right. 	<ul style="list-style-type: none"> • Tell us in a respectful way if you have a complaint. • Don't talk badly about us to others without telling us there is a problem and giving us a chance to fix it.
6. Privacy of client data	<ul style="list-style-type: none"> • We must keep all of your data private and follow the laws about privacy. • We must ask your permission before sharing your information or photo with anyone outside the institution. • We must tell you how your personal information is being used. 	<ul style="list-style-type: none"> • Read and/or discuss our Client Privacy Agreement and ask if you have questions. • Keep your personal and financial information updated with us. • Carefully protect any information that you have, such as your password and account statements.

III. Summary of Key Client Responsibilities

After discussing with the client, the Table of Financial Service Provider Responsibilities & Client Responsibilities (above), consider providing a summary of key client responsibilities, like the one below. A short list will help clients retain the information, and they can refer back to it when they want to review their responsibilities. A list like the one below may also be used as a handout, poster, or page in the provider's Client Welcome Kit.

Key Client Responsibilities

- Be honest and truthful in all your communication with the institution.
- Ask questions when you do not understand something.
- Use information provided by staff to decide whether or not you can afford to pay for the loan.
- Tell us if you think our prices are unfair or if you do not understand them.
- Pay your loan on time, but tell us if you have trouble paying it.
- Report abusive or dishonest behavior by staff. Do this even if you are late on your payment.
- Protect your own personal and financial information. Tell us if your information changes.