



## **CLIENT PROTECTION CERTIFICATION**

*Report for SAFCO Support Foundation-SSF, Hyderabad,  
Pakistan*

*Certified in January 2020*

**Mission Conducted by MicroFinanza Rating (MFR)**

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*“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”*

- *Isabelle Barrès, Director, the Smart Campaign*

This document was prepared by MicroFinanza Rating, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted for SAFCO Support Foundation-SSF. MFR is pleased to announce that SAFCO Support Foundation-SSF became client protection certified in January 2020.

Certification missions entail a streamlined desk review of institutional policies and procedures, followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#), proven by complying with [standards](#) associated with principles related to institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Public announcements are made only for organizations that pass the certification. Certification status is valid for up to two years, after which an institution must undergo a certification check-in mission.

This summary presents selected excerpts from the analysis conducted throughout the certification process, which in total covers 25 standards of care. The evidence presented is not exhaustive, but rather meant to illustrate what the certification standards look like in practice and to highlight specific practices by SAFCO Support Foundation-SSF. We encourage readers to refer to the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign’s website <http://www.smartcampaign.org/certification>.

If you have any questions or concerns about this report please contact:

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## Selected Examples of Practices

### Client Protection Principle 1 – Appropriate Product Design and Delivery

- A product development policy is in place, covering how products and services are designed and launched, including through which channels they are made accessible to clients. The launch of new products is based on the demand from customers.
- Safco conducts annual client satisfaction and exit surveys.
- Safco has appropriate mechanisms in place to avoid aggressive sales in marketing practices and client onboarding process i.e. Definition of aggressive sales, caseload levels, ongoing monitoring.
- A comprehensive induction training program in place for new staff with practical exercises (case studies and role plays) covering the Safco's relevant policies, target clients, loan characteristics and sales techniques and the staff is tested at the end, also the refresher trainings are conducted every six months on need basis.
- Social Performance had been made the permanent agenda of the Board, whereas the designated SPM Champion had been designated for the implementation and monitoring of Social Performance Initiatives.

### Client Protection Principle 2 – Prevention of Overindebtedness

- The loan approval process is well formalized in the credit policy and always involves at least one staff member other than the MFO. Safco has a rigorous internal control process to verify the application of policies and procedures about client underwriting. There are multiple cross verifications of loan files, from Microfinance Officer to Audit department to ensure that the analysis is accurately completed and to cross check of client's understanding on loan terms and conditions and completeness of loan documents.
- Every loan application goes through credit bureau (CIB) verification, regardless of the loan amount, type or cycle.
- Board of Directors and Senior Management frequently revise Safco's market positioning, growth, portfolio quality and outreach.
- The loan approval process consists of a repayment capacity analysis that is based on both business and household cash flow, including the client's outstanding loans.
- An in house credit scoring module is developed to measure the credit worthiness of the client with the analysis to support in decision making for the loan approval based on client's defined financial and social indicators.

### Client Protection Principle 3 – Transparency

- The Operational Manual details clear guidelines on what to communicate to clients during the application phase and before the signature of the loan contract.
- Key Fact Document is included in the loan contract and read to the client before he/she signs the agreement. The document includes all the total cost of credit as well as the APR.
- Providers include pricing information in public domain, including the APR.

### Client Protection Principle 4 – Responsible Pricing

- The interest rate of Safco is set to be affordable and it is regarded as competitive, compared to its local peer groups.
- Safco's Board of Directors regularly reviews the institution's performance against policy. There is evidence that the BoD regularly discusses pricing, compares it with competitors and approves revisions.

## Selected Examples of Practices

- Safco does not charge and penalty on arrears from its borrowers and does not charge clients for confirmation of transactions and balance inquiries, receipts for loan payments are provided free of charge and the passbooks can be replaced upon request free of charge.

### Client Protection Principle 5 - Principle 5 - Fair and Respectful Treatment of Clients

- Safco has two different Code of Conducts (CoC): one more operational, focusing on the relationship with clients and quality of the services provided, and one specific for staff behavior (with other employees, in Safco's premises, etc.). Both spell out organizational values, client protection guidelines and standards of professional conduct expected from all staff.
- Acceptable and unacceptable debt collection practices are formalized in the Operational Manual, CoC, Delinquency Management Policy and HR Policy.
- The Risk and Compliance Department regularly performs an assessment of compliance with CPP principles. The Internal Audit also performs regular client visit during the branch audit covering, among others, client awareness of loan conditions and fraudulent activities.
- The management team regularly reviews key results related to fair and respectful treatment of clients, adopting the necessary actions.

### Client Protection Principle 6 – Privacy of Client Data

- Several policies aim at maintaining the confidentiality, security and accuracy of clients' data, including the IT Policy, the Data Safety Security Policy and the Operational Manual.
- Safco Management Information System (MIS) is adequately protected against theft or misuse of client data or identity. The overall security of the system is good and physical loan files are not allowed to be taken outside offices and are stored in shelves with protection against inappropriate access.
- Before starting the loan application, clients are informed that their data will be extracted from the credit bureau and that Safco has the right to share their data back to the credit bureau.

### Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Several channels are available to submit complaints to someone other than main point of contact, including phone call, SMS, complaint registers and boxes.
- Management regularly reviews KPIs on client's complaints. Monthly reports are prepared and shared with the Client Grievance Committee which in turn shares quarterly reports with the management.