



Advancing financial access for the world's poor

Responsible Finance – The “What”, “Why”, and the “How”

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Responsible Finance – What?

Responsible finance encompasses practices ranging from consumer protection (do no harm) to social performance (do good)



Responsible Finance – Why?

- It is the right thing to do . . .
- It is the smart thing to do . . .
- It is the only thing to do . . .

Client Protection – Why?

- Prevent consumer abuse/deception
- Encourage trust/confidence in the whole financial system
- Promote competition, efficiency and improvements in products and service quality

Six Principles for Client Protection

1. **Ability to repay, appropriate products**: Borrowers have adequate repayment capacity and are not at significant risk of over-indebtedness. Non-credit products are suitable.
2. **Transparency**: Pricing, terms and conditions are transparent, adequately disclosed, understandable.
3. **Appropriate collections**: Collections practices are not abusive or coercive.
4. **Staff ethics**: Personnel comply with high ethical standards, and anti-corruption processes are in place.
5. **Recourse**: Clients have access to timely, responsive mechanisms for resolving complaints and problems.
6. **Data privacy and security**: Client data privacy respected.

→ Strong link to SPM indicators, though SPM goes further

Global Initiatives

- Pocantico Declaration of Microfinance Leaders
- Global Campaign for Client Protection
 - Client Protection Principles
 - Beyond Codes
- CGAP initiative for investors & donors' endorsement of CPPs
- Social Performance Indicators (SPTF)

Achieving Responsible Finance - How?

- How to balance regulation by the state and industry self-regulation?
- What role can consumer awareness and education play?
- What does endorsement of Client Protection Principles (CPPs) mean and how can CPPs be implemented?




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www.cgap.org
www.microfinancegateway.org



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Mapping the Responsible Finance Landscape

