

Responsible client choices in finance Whose responsibility is it?



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Dilemma 1

You are a loan supervisor visiting a client. She runs a small food stand and would like a loan for \$3000 to upgrade her stand and buy supplies. She passed the income assessment and has been a good client so far. As always, she provides land as collateral.

However, you also heard from a neighbor that her husband and eldest son are planning migrate illegally to a wealthy country. Many in your village have been making this journey, paying smugglers a fee of about \$3000. Those who succeed, get jobs and send money home. But many are turned back. Some even die on the way.

You're torn. The loan could be for migration or for the food stand. What do you do? Can you trust the client to make the right decision? And what are

Dilemma 2

You are the head of supervision at the central bank, overseeing a very competitive market. You recently commissioned research that shows clients with more than 3 loans have high rates of overindebtedness – about 30-40%. But even among this group, most clients have no difficulty making repayments and have put these loans to good use.

Your staff has prepared a draft regulation prohibiting more than 3 loans per client. But by protecting those who become overindebted, you will also prevent many others from accessing the loans they need.

Despite your best efforts, you have no means to distinguish between the two groups. What should you do? Approve the new regulations or leave it to clients and institutions to decide?

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