

# **Consumer Protection /Conduct of Business Regulation: AMFIU's experiences**



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Institutions of Uganda

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# Presentation outline



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1. Introduction: Meaning of Consumer Protection.
2. Rationale for consumer protection
3. How to ensure Transparency and client orientation of MFIs
4. Codes of business regulation (CCP)
5. The CCP and MFIs
6. CCP: Process of Development
7. CCP implementation
8. Key provisions of the CCP
9. What has worked:
10. Sanctions for non compliance
11. Challenges
12. Lessons learnt and practical recommendations
13. Conclusion

## 2. Rationale for consumer protection



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- Aggressive unprofessional marketing by some microfinance institutions.
- Over indebtedness of the productive poor has raised public concern.
- Commercialization of microfinance has created greater need for consumer awareness and education as a way of protection.
- Vulnerable borrowers are exposed to potentially abusive lenders and make poor borrowing decisions.
- Growing customer dissatisfaction

## 2. Rationale [Cont'd]



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- Moral arguments focus on imbalance of power between lenders and borrowers.
- Illiterate and low levels of awareness of the borrowers
- Strategic reasons aiming at promoting harmony (transparency) amongst policy makers/government, MFIs and consumers.

### 3. How to ensure Transparency and client orientation of MFIs

These include the following:

- a) Total Disclosure requirements (Display of total costs)
  - b) Consumer Financial Education.
  - c) Establishing a mechanism for handling complaints and disputes (Redress system).
  - d) Applying an industry consumer code of practice for Microfinance Institutions .
- AMFIU has ably implemented the above with its members MFIs and consumers



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## 4. Codes of business regulation (CCP)

A Consumer Code of Practice for MFI's is a statement:

- on how Microfinance Institutions in Uganda are to relate and deal with Consumers,
- sets out standards of sound practices for the microfinance industry.



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## 5. The CCP and MFIs

The CCP provides the framework for a customer care policy for the MFIs.

- The CCP provides incentives (peer group, marketing tool) for implementation.
- The CCP describes implementation measures (e. g. train staff, display of information in premises, suggestion box, etc.).
- The CCP provides institutional capacity building



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## 6. CCP: Process of Development

Carry out consultation at various levels were done and these include:

- Literature reviews on existing codes (those that relate to financial institutions and Associations).
- AMFIU management and board involved.
- Regional AMFIU workshops for member input.
- Shared with stakeholders for input.
- The Consumer Affairs Sub committee of the Micro Finance Forum

# 7. CCP implementation



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1. Detailed booklets on provisions and posters
2. Dissemination-Both to the public and financial institutions
3. Publicity –Radio (programs & spots), TV (feed back from the audience)
4. Flyers/brochures
5. Workshops-Road map implementation development plan, dissemination to key stakeholders and the public-  
Step by step implementation strategy.

# 8. Key provisions of the CCP



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- a) Information on loans, terms and conditions
- b) Lending
- c) Protection and Confidentiality
- d) Operation of client account
- e) Complaint procedures
  - Internal procedures
  - External procedures
- f) Suppliers of other goods and services



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## **9. What has worked:**

### **a) Actualizing Key Commitments by some MFIs**

- Act fairly, reasonably and responsibly in dealing with customers.
- Offer to customers services and products that reflect standards of good practice and are in line with the relevant laws and regulations.
- Adhere to the CCP and all relevant laws and regulations.
- Never discriminate against a customer because of race, religion, sex, disability or ethnic background.
- Help the customer when she/he needs information or guidance.
- Keep customers' personal information confidential.



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## 9. What has worked: (cont'd)

- Correct mistakes and handle customer complaints quickly.
- Ensure that all officers and employees of the institution are aware of and apply the standards outlined in the CCP.
- Display the CCP in MFI premises.
- Train staff to make sure that the procedures they follow reflect the commitments set out in the code.



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## 9. What has worked [cont'd]

- b) MFI buy in and signing into the code of practice.  
Binds them to adhering to the CCP.
- c) Developing a communication strategy-Helped in developing messages and channels for CCP dissemination.
- d) Use of multi channels for communication.
- e) Develop a rewarding process e.g. the most consumer friendly MFI of the year.
- f) Consumer financial education

# 10. Sanctions for non compliance



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Actions to taken:

1. Dialogue
2. No reward
3. Black listing
4. Publicize deregistered members in media
5. Deny the benefits that accrue as a member of Network

# 11. Challenges



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1. Different levels of development of AMFIU MFI members.
2. Capacity by the MFIs to implement the CCP
3. Complaints handling at MFI level-creating synergies for arbitration beyond AMFIU
4. Long term funding
5. Drawing a line between customer care (Marketing) and complaints handling (Rights and responsibilities)



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## **12. Lessons learnt and practical recommendations**

1. Stakeholders involvement very key
2. Communication strategy: Use of community channels e.g. Radios, drama, Posters, Financial extension workers; MFI specific channel e.g. TOT
3. Information well packaged and consistent
4. Reward system/recognition
5. Institutional support to MFIs for adherence especially Tier 4.

# 13. Conclusion



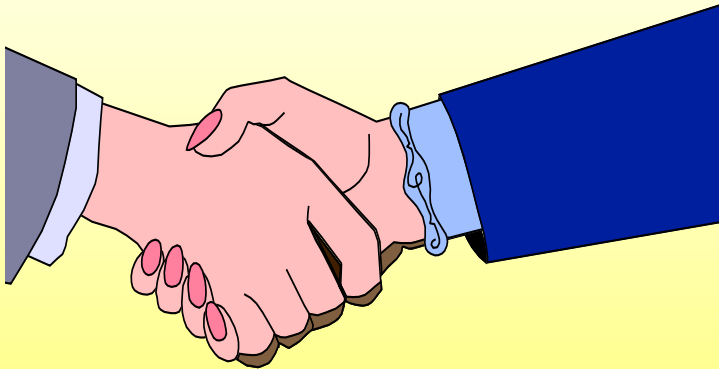
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Codes of business regulation can promote consumer protection and enhances transparency in the microfinance industry.

Consumer Protection should lead to a win-win situation for both the consumers and MFIs and a truly consumer approach may indeed be long-term survival for microfinance providers in a competitive market.

**Thank You  
very much  
for your  
Attention**



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I am are looking forward  
to answering any questions.