CERISE+SPTF

State of Practice on Client Protection

Analysis of SPI scores as of **December 2022**

Prepared by:

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Executive Summary

This State of Practice on Client Protection (CP) report provides an overview of inclusive financial service industry practices related to client protection. It draws findings and **benchmarks from SPI4 quality audits** carried out for **353* Financial Service Providers** (FSP) between **2016 and 2022**.

Findings are structured around the **8 Client Protection Standards** curated by Cerise+SPTF, and are based on in-depth analysis of standards', essential practices' and key indicators' scores. Considerations of FSPs' size or region or target market, are taken to draw observations of strengths and areas of improvement. The report's **findings and analysis** aim to **guide stakeholders** (FSPs, investors, regulators, associations, etc.) on the monitoring, training needs and technical assistance efforts required **to improve client protection practices in the sector**.

A summary of the key findings follows.

This publication on State of Practice on Client Protection is based on in-depth analysis of standards, essential practices and core indicators on Client Protection. It comes with a companion State of Practice in Social & Environmental Performance Management (SEPM) that gives a broad overview of the audits conducted and main results by region and by type of FSP. Both reports are summarized in an [8-issues series](#).

** Analysis on the latest quality audit for each institution.*

Photo credit: Maxence Soulet

CERISE+SPTF

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Swiss Agency for Development and Cooperation SDC

Tipping Point Fund on Impact Investing

FMO Entrepreneurial Development Bank

Key Findings Summary

CP1 Appropriate Product Design and Delivery – 68%

Financial service providers (FSPs) generally offer products suited to clients' needs, but many institutions appear to l**ack the formal systems necessary to ensure appropriate product design and a robust client feedback loop**. Data also suggests that **collateral requirements** may either hinder access to services or create severe hardship for clients. Emphasizing responsible collateral requirements and conducting thorough risk assessments are essential to mitigate harm and promote financial well-being.

CP2 Prevention of Over-Indebtedness – 79%

Loan approval policies are robust, focusing on cash-flow analysis and credit history, except in Sub-Saharan Africa. FSPs generally implement sustainable growth targets, market monitoring, and internal capacity adaptation. Greater awareness of **over-indebtedness from a client perspective** would be commendable practice.

CP3 Transparency – 75%

Communication practices generally suit clients' needs and are conducted at appropriate times, but strong efforts are needed to **enable clients to understand and compare** the true cost of products. Improved transparency measures are essential to enhance client awareness and promote informed decision-making.

CP4 – Responsible Pricing – 81%

FSPs demonstrate high scores on this standard, with minimal differences among peer groups. Pricing based on actual costs remains rare, with prices often influenced by peers rather than cost structures. Interestingly, the share of FSPs disclosing interest rates on a declining balance is increasing and reaches 72% of the sample. **Gaining efficiencies and setting responsible expected levels of return** to capital is critical to guarantee a healthy financial sector.

CP5 Fair & Respectful treatment of clients – 69%

FSPs have well-established Codes of Conduct and loan collection processes but exhibit **weaker practices in preventing aggressive sales** and ensuring commitment during the hiring process. Establishing clear guidelines and implementing robust **training protocols** can help mitigate instances of unfair treatment.

CP6 Privacy & Security of client data – 71%

While secure systems for privacy are generally established, communication regarding data rights varies widely among FSPs, influenced by regulation. **Strengthening communication to clients** regarding the usage of their data are imperative to build client trust.

CP7 Mechanisms for complaints resolution – 59%

FSPs generally provide complaints mechanisms that are adapted to client's needs but fail to **use this precious data to improve operations and service**. Insufficient communication with client, delays and **inefficiencies in resolving client grievances** also poses a challenge in a context of increased digitalization. Streamlining complaint procedures and enhancing responsiveness can enhance client satisfaction and trust.

CP8 Governance & HR committed to CP – 53%

Boards' concerns in terms of risk management and internal audit remain **far removed from client protection issues.** FSPs excel in staff training but show weaker performance in implementing incentive systems that prioritize social criteria. **Governance is key to reinforce a culture of client-centricity.**

What will we do with the data?

This State of Practice and Benchmarking analysis **identifies three key areas** where organizations can focus their efforts on **advanced training and technical assistance**:

- **Transparency**: FSPs struggle with compliance regarding precise and complete product documentation, including about pricing.
- **Complaints Resolution**: FSPs need to improve mechanisms for addressing client grievances, especially in informing clients about their right to complain and ensuring efficient resolution. Additionally, FSPs need to use that information to improve products and services.
- **Governance**: There is a need to involve boards, top management, and risk management teams in client protection, with only 33% of FSP boards taking corrective action when risks to clients are identified.

Cerise+SPTF has addressed these areas in 2023 in pilot programs and plans to roll out the resources developed, and lessons learned globally in 2024.

- For **transparency**, we have developed a financial marketplace matrix that consolidates the key facts of major FSPs in the Philippines to empower customers with transparent and comparable information.
- In our pilot testing of the Digital Financial Services (DFS) Standards in 2023, we have found that, despite facing very transparent disclosure mechanisms, clients still didn't understand terms and conditions well. We added in the DFS Standards that transparency is more than just disclosure, it also involves checking whether people understood.
- In Uganda, we are working through surveys and training sessions with customers who are using digital financial services with fintechs and MNOs on how to get their **complaints resolved.** We found that many people who have a complaint don't file one. And if agent networks are involved, many people complain to the agent rather than to the FSP. Receiving very little information via a complaints channels is a sign of malfunction of the system. We encourage FSPs to also analyze whether their complaints system is underused in general, and if so, to understand the reasons why.
- In terms of **governance**, we developed CEO and shareholder training in Cambodia emphasizing the importance of boards and senior management in providing strategic direction on client protection including as it relates to risk management, and how the board and management identify, analyze and respond to/mitigate the risk of weak client protection practices in a financial institution via the adoption of the client protection standards and assessment tool.

These efforts aim to enhance transparency, complaints resolution, and governance in financial service provision, crucial for ensuring client protection and overall industry sustainability.

About the update of the Client Protection Standards

First, do no harm. Client protection is about ensuring a fair exchange between providers and consumers. It is key to the sustainable growth of any sector but takes on a particular importance in the inclusive financial industry, where the balance of power tips largely in favour of financial services providers. The "*inherent disadvantage of financial service consumers vis-à-vis the power, information and resources of their providers*"* intensifies when it comes to low-income clients, and the stakes are particularly high. An **unfair practice or uninformed decision can have dramatic consequences on vulnerable clients, a provider's reputation, and trust in the financial sector as a whole**.

Twenty years of research and refinement of best practices in the inclusive finance industry have brought together **8 Client Protection Standards** which ensure that financial services are delivered to clients in a **safe, responsible, and fair** manner. These standards are fully incorporated within the Universal Standards for Social and Environmental Performance Management.

Alongside regulation and financial education, institutional **commitment** to a set of common standards, like the Client Protection Standards, forms the **foundation of a responsible inclusive financial sector**.

In February 2022, Cerise+SPTF published an **updated version of the Universal Standards** for Social Performance Management ('Universal Standards' - download the manual), incorporating all the Client Protection (CP) Standards (download the manual). These **CP Standards** are scattered **across all dimensions** of the Universal Standards. The SPI4 audit tool was then updated to the current SPI5 version in February 2023.

In this update, we took what we have learned over the past decade of implementation to provide improved, more practical guidance for financial service providers (FSPs). The updated Universal Standards are rich in **new content,** and they also revise elements of the original text for **clarity** and improved organization.

▶ **We have decided to build this report under the updated CP Standards framework (8 standards) to better understand the current state of CP implementation and address them.**

* *Flaming et al, Consumer Protection Diagnostic Study, FSD Kenya, January 2011*

Read more about what's new in the Universal Standards

Creating Global Uptake

Convening a community of responsible investors

In 2021, Cerise+SPTF launched a call for action amongst investors and DFIs to raise awareness and engage these key stakeholders on client protection risks.

The aim is to create **global uptake** in the industry on the existing work – to create transparency, and comparability and share examples of successful implementation.

- **Signatories of the Joint Statement now include 59 MIVs, DFIs and networks.**

> *"The Pathway helps us ensure that client protection remains an important concern of our investees so that our indirect beneficiaries are protected enough."*
> *Edouard Sers, Grameen Crédit Agricole Foundation*

Joint Statement Signatories

Current uptake on the Client Protection Pathway

After the closing of Smart Campaign in Dec 2020, CERISE + SPTF launched the **Client Protection Pathway** in September 2021 to provide continuity to the Smart Campaign's efforts to promote Client Protection (CP)

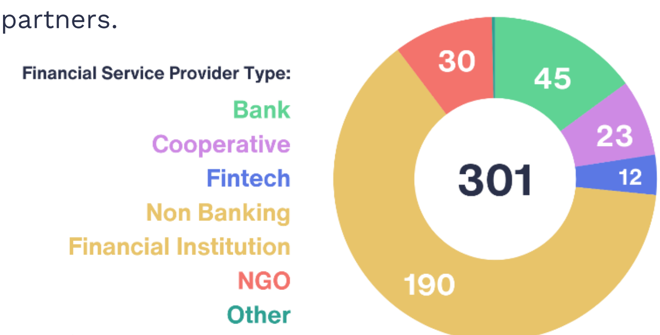
The Pathway offers FSPs a **roadmap** for implementing the Client Protection Standards and helps them stay on track. It also provides a way for FSPs to **demonstrate their commitment** to implement CP practices, and for investors to identify committed partners.

Description:

1. FSP signs up to the Pathway and declares its commitment to implement Client Protection
2. FSP's profile is listed on the Cerise+SPTF website with a point of contact
3. FSP is requested to submit proof of assessment (ALINUS, SPI or CP), rating, or certification on CP within 6 months after joining the Pathway, as proof of its commitment
4. FSPs who don't submit an assessment within 6 months, and who don't update their assessment after 2 years are unlisted

The FSP's profile on the **webpage** is regularly updated with their CP assessments and their contact.

- **As of December 2023, a total of 301 FSPs have committed to implement Client Protection.**



Learn more about the Client Protection Pathway

State of Practice on Client Protection

Analysis of SPI scores as of
December 2022

A Deep Dive in Data and Average Scores

Methodology to build the CP framework with SPI4 data

The current report is based on SPI4 data as of December 2022. SPI4 audit methodology was based on the previous version of the Universal Standards, which didn't contain the full set of CP indicators.

With a precise mapping between both versions, we extracted all indicators and essential practices that best corresponded to the current version of the CP Standards and shaped the analysis around the updated structure.

While the current version of the CP framework counts 128 scored elements, we found 107 in the SPI4, covering over 80% of the currently expected practices.

The scoring methodology of SPI was applied, where the global CP score is the average of the Standards, the Standard's score is the average of its Essential Practices (EP), and the EP score is the average of its indicators.

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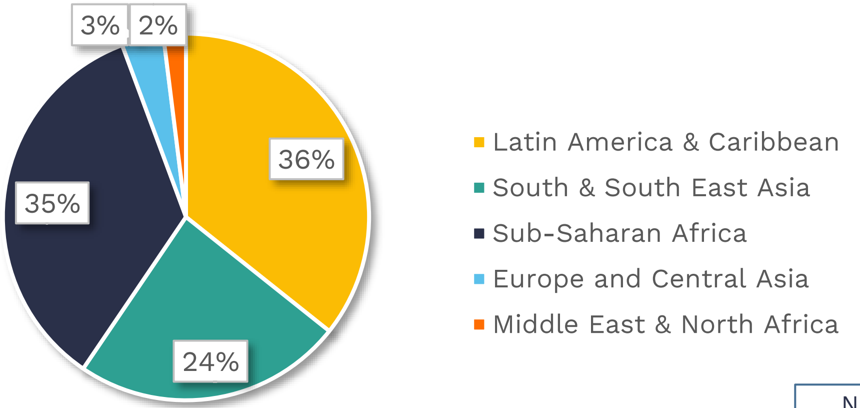
Anne-Laure Behaghel
Client Protection Pathway Director

GRANT RECIPIENT
TIPPING POINT FUND ON IMPACT INVESTING

Key characteristics of the data

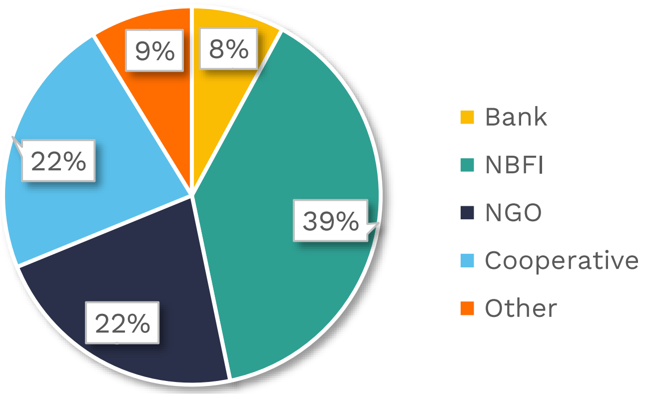
- This report analyzes the most recent SPI4 results for **353 organizations** with quality audits conducted between 2016 and 2022.
- The FSPs are geographically diverse, but alas, **under-represent the Middle East & North Africa** (MENA) with 7 FSPs, and 13 from **Europe & Central Asia** (ECA).
- The **most represented** in terms of legal status are the **Non-Banking Financial Institutions** (NBFIs), but there is also a large share of non-profit NGOs and cooperatives. The **banks** (28) and the **cooperatives** are mainly based in Latin America & Caribbean (LAC) and Sub-Saharan Africa (SSA).
- A large **majority of FSPs** in the sample have **over 8 years of operations**. There are also 8 FSPs that are less than 3 years old.

REGIONAL COVERAGE

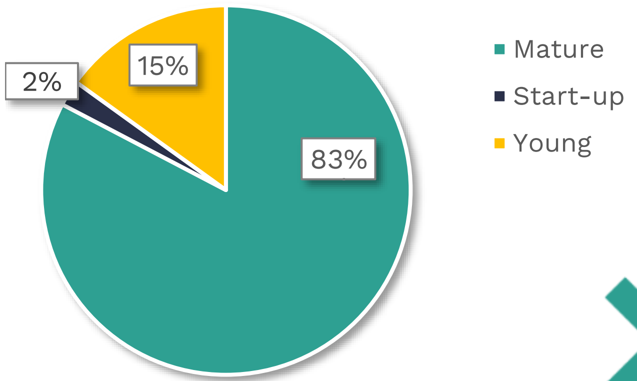


N=353

LEGAL STATUS



AGE*



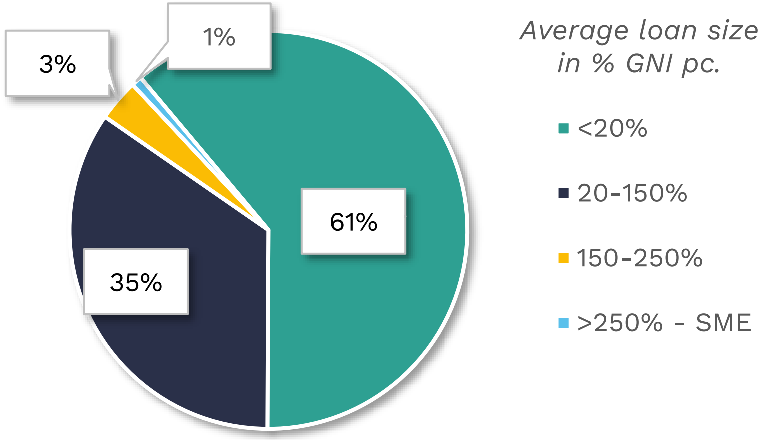
Age

Start-up	*<3 years old*
Young	*>=3 and <8 years old*
Mature	*>=8 years old*

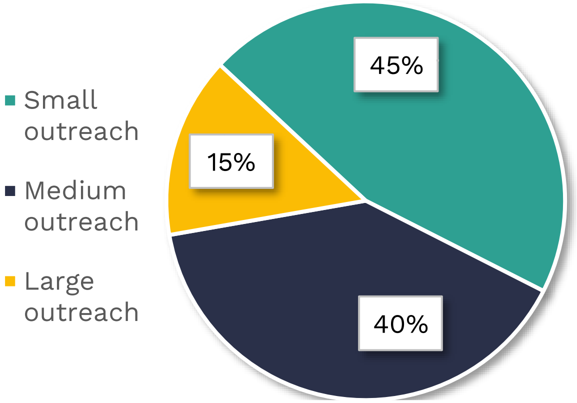
Key characteristics of the data

- Close to **two-thirds of the sample serve lower-end clients** with average loans below 20% of the GNI per capita.
- The sample shows a good **mix of small and medium-sized FSPs**.
- The 3% of FSPs serving a **higher-end market** (12 FSPs with average loan size of 150%-250% of GNI pc) **are all based in Sub-Saharan Africa.** And we only have **3 FSPs** with a target market of loans **over 250% of GNI pc**.
- Over **half of these audits** were accompanied **by a SEPM qualified auditor**, and an additional third were accompanied by a consultant, which suggests that the data used for this analysis is of **good quality**.

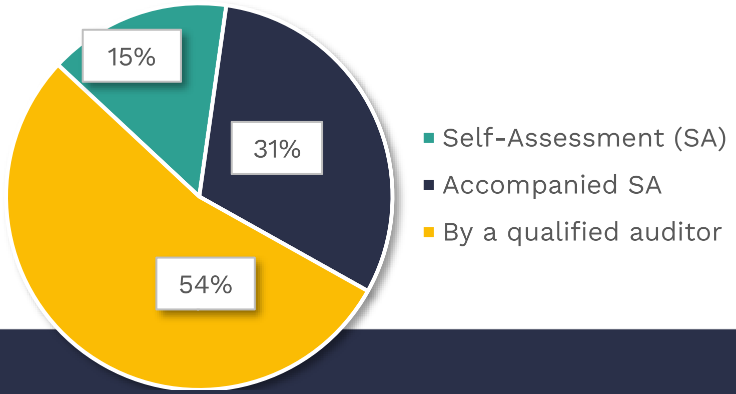
TARGET MARKET 1)



SIZE 2)



ASSESSMENT TYPE



1) The **target market** of each FSP in the sample is measured through the average outstanding loan balance per borrower, expressed as a percentage of the country's GNI per capita.

2) The **size** of each FSP is measured through the number of borrowers they serve.

Size is measured through Outreach

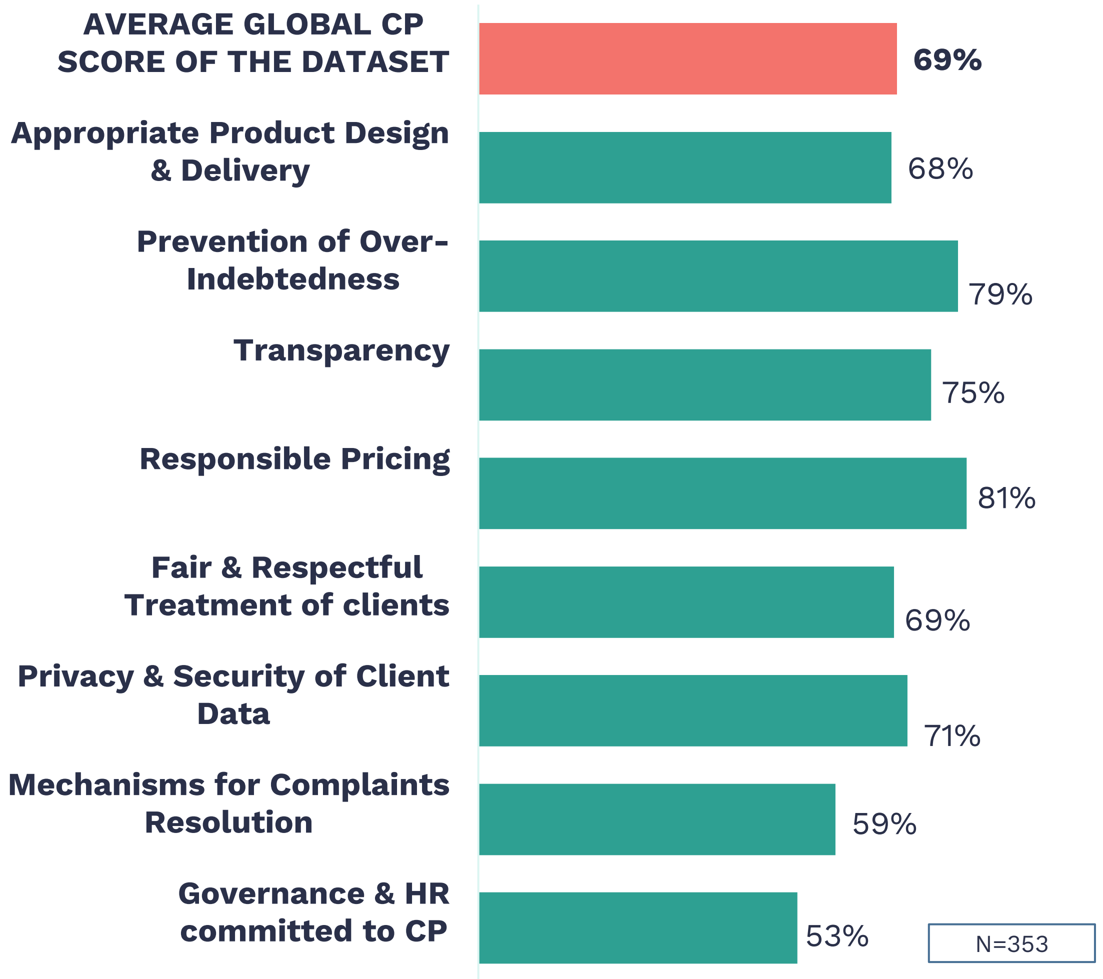
Small outreach	*< 10,000 borrowers*
Medium outreach	*10,000 to 100,000 borrowers*
Large outreach	*> 100,000 borrowers*

N=353

Key insights

- The **good performance** in over-indebtedness prevention, transparency, responsible pricing and privacy is mainly **driven by Banks and NBFIs**, as well as **by lower-end target market actors** (loan size <20% of GNI pc)
- Cooperatives and Sub-Saharan African FSPs perform **below average** across all essential practices
- There is a clear **positive correlation** between **CP performance** and **number of borrowers served**; the bigger the client-base the better the performance
- In a context of increased digitalization, where grievances tend to remain unaddressed, **efforts** need to be focused on implementing **more efficient** and adapted mechanisms to listen and **solve client complaints**
- The introduction of a specific **Governance** Standard highlights that there is still a **pressing need** across all categories and regions to **involve Board,** Management and risk management in client protection.

Average scores by Standard



CP Standard 1: Appropriate Product Design & Delivery

Average CP1 score

68%

Standard CP1 - The provider's products, services, and channels benefit clients.
Providing suitable services that don't cause harm is at the heart of consumer protection. For FSPs, this means having products and distribution channels that are adapted to the clients they serve, which requires considering client characteristics in the product design process. It also means having fair collateral policies. Seeking client feedback is an important part of meeting this standard, as is understanding why clients decide to leave.

CP1 – Essential Practices	68%
The provider uses data to identify patterns of financial behavior by client segment.	NA
The provider collects client feedback on their experiences using the provider's products and services.	58%
The provider uses insights from client data to design products, services, and delivery channels.	79%
The provider's products, services, and channels protect clients from harm.	71%

Highlights on size, region and average loan size

CP1 score
Small
58%

- ***Small*** FSPs show a score **-10pts below average** due to very weak performance on the client feedback collection practice (44%) while they score 72% on suitability.

CP1 score
ECA
78%

- FSPs in ***ECA*** outscore largely on **flexible repayments and fair collateral requirements** (89%), most likely due to strong regulations in the region.

CP1 score
<20% GNI pc
71%

- The **FSPs** who target **the most vulnerable clients** score **above average**

Small: < 10 000 borrowers - ECA: Europe & Central Asia

- FSPs have **adequate practices in terms of offering products suited to clients' needs** (e.g: flexible repayment schedules)
- However, the practice of monitoring the suitability of products and **systematically collecting client feedback** (satisfaction surveys, exit interviews...) still has **room to improve**.
- The legal status doesn't seem to have an influence on this Standard.

Focus on compliance with key indicators*	
Share of FSPs whose repayment schedules are tailored to the client's cash flows	**87%**
Share of FSPs who ensure fair collateral requirements and no hardship for clients	**47%**

* Key indicators presented here are "Entry" indicators. To calculate the share, we take FSPs with a score of 1 (full compliance) divided by the total number of respondents.

CP Standard 2: Prevention of Over-Indebtedness

Average CP2 score

79%

Standard CP2 - The provider does not overindebt clients.
Financial institutions have the duty to ensure that clients have the capacity to repay without becoming over-indebted. A robust analysis of repayment capacity is key, as well as the establishment of responsible growth targets. In case markets become competitive or are expanding rapidly, it is also important for Board and Management to have the means to monitor the market closely and respond with agility to a systemic over-indebtedness crisis.

CP2 – Essential Practices	79%
The provider makes loan decisions based on a client's repayment capacity.	83%
The provider monitors the market and responds to heightened over-indebtedness risk.	75%
The provider's strategic and/or business plan establishes responsible growth targets.	75%
During times of high growth, the provider monitors more frequently data related to responsible growth.	89%

- **Loan approval policies** are overall well implemented, using clients' **cash-flow analysis** and other appropriate information and criteria, including credit history.
- We also find **good practices** in terms of setting **sustainable growth targets**, monitoring the market and adapting internal capacity.

Highlights on size, region and average loan size

CP2 score *Small*
72%

- ***Small*** FSPs are **not far behind** the medium and large ones, and **perform quite well on loan approval policies and monitoring of growth**.

CP2 score *SSA*
67%

- Most regions score well above 80% except ***SSA*** who **lags behind** on practices such as using credit bureau information, and conducting cash-flow analysis.

CP2 score *>250% GNI pc*
97%

- The **FSPs** who target more mature borrowers with larger loan sizes score **exceptionally well** on this Standard, while **lower-end FSPs** still score a good **80%**.

Small: < 10 000 borrowers - SSA: Sub-Saharan Africa

Focus on compliance with key indicators*

Share of FSPs who conduct a cash flow analysis to evaluate repayment capacity	81%
Share of FSPs who use credit bureau or data from competitors in loan approvals	67%
Share of FSPs who monitor PAR by branch, product and client segment	70%
Share of FSPs who have taken corrective measures when credit risk exceeded 10%	65%

* Key indicators presented here are "Entry" indicators. To calculate the share, we take FSPs with a score of 1 (full compliance) divided by the total number of respondents.

CP Standard 3: Transparency

Average CP3 score

75%

Standard CP3 - The provider gives clients clear and timely information to support client decision making.
Transparent communication on products and prices is the basis to build trust between stakeholders, and is a key factor in product uptake and client engagement. Transparency goes beyond communicating terms and conditions to clients. Information should be disclosed in a clear, sufficient and timely manner and language so that clients can understand and make informed decisions.
Transparency in pricing is a prerequisite for Responsible Pricing.

CP3 – Essential Practices	75%
The provider is transparent about product terms, conditions, and pricing.	66%
The provider communicates with clients at appropriate times and through appropriate channels.	83%

- The **biggest challenge** in transparency is for FSPs to comply with the standard's requirements in terms of **precise and complete product documentation and pricing**. (ex: key facts document, APR, signed copy of contract in particular in group loans…)
- FSPs appear to have communication practices **suited to clients needs** and conducted at **appropriate times**.

Highlights on legal status, region and average loan size

CP3 score *Coops* **69%**

- ***Cooperatives*** generally score lower than others, however we observe that NBFIs and NGOs score around 60% on the first essential practice.

CP3 score *SSA* **71%**

- While ***SSA*** generally scores much lower than other regions, **the gap with other regions** on this standard is **not as striking**.

CP2 score *<20% GNI pc* **74%**

- The low-end target **FSPs score the lowest,** but still in line with the average.

Coops: Cooperatives - SSA: Sub-Saharan Africa

Focus on compliance with key indicators*

Share of FSPs who provide a compliant Key Facts Document (Loans | Savings)	59% | 39% Loans | Savings
Share of FSPs who give adequate time to review T&C prior to signing contracts	76%
Share of FSPs who provide a signed copy of contract	36%
Share of FSPs whose public information supports informed decision making by clients	67%

* Key indicators presented here are "Entry" indicators. To calculate the share, we take FSPs with a score of 1 (full compliance) divided by the total number of respondents.

CP Standard 4: Responsible Pricing

Average CP4 score

81%

Standard CP4 - The provider sets prices responsibly.
Pricing is deemed responsible when interest rates and fees are in line with peers and do not reflect serious inefficiencies or excessive profiteering. Pricing should be affordable to clients while allowing for financial institutions to be sustainable.

CP4 – Essential Practices	81%
The provider charges fair prices.	80%
The provider charges reasonable fees.	NA
The provider does not transfer unnecessary costs to clients.	81%

Highlights on size, region and average loan size

CP4 score
Small | Large
76% |90%

- Unsurprisingly, **the larger the borrower base, the better FSPs perform** on responsible pricing with **14pts difference** between small and large

CP4 score
SSEA
86%

- All regions score exceptionally well, with ***SSEA*** showing particularly **high scores in efficiency, credit risk control and reasonable returns**.

CP4 score
>250% GNI pc
85%

- The **price curve** theory, which implies that the bigger the loan size, the lower the price, is well demonstrated here, with **higher-end target FSPs scoring 93% on fair prices**.

Small: < 10 000 borrowers – Large: > 100 000 borrowers SSEA: South & South-East Asia

- Scores on this standard **appear exceptionally high,** with no major differences between the various peer groups.
- FSPs still **rarely base prices on the actual cost** of providing a product, but rather set prices based on peers.

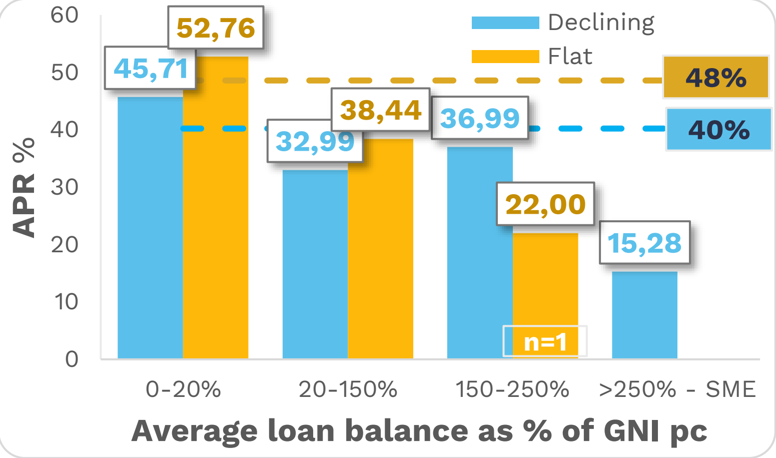
Focus on compliance with key indicators*	
Share of FSPs who calculate interest on a declining balance	72%
Share of FSPs who claim their APR is in line with peers	79%
Share of FSPs who claim their Operating Expense ratio is in the accepted performance range	79%
Share of FSPs who claim their Return on Assets is in the accepted performance range	70%

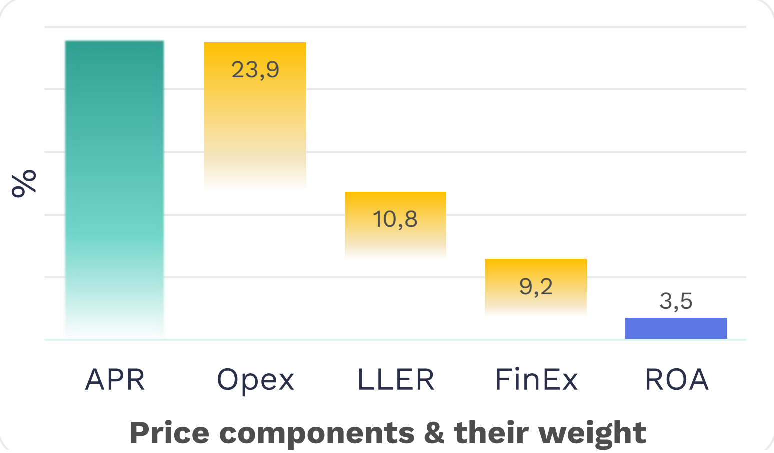
* Key indicators presented here are “Entry” indicators. To calculate the share, we take FSPs with a score of 1 (full compliance) divided by the total number of respondents.

CP4 – Focus on components of pricing

The Annual Percentage Rate (APR) is a standardized interest rate disclosure method that represents one of the only ways for clients to truly be able to compare different products.
In determining whether an FSP is responsible in its pricing, the price itself is important, but it is not the only component.
Annual Percentage Rate (APR) isn't the only component to determine whether an FSP has responsible pricing practices. To really draw a conclusion on whether APR is fair or not, it must be assessed in conjunction with other indicators like ROA, loan losses, financial expenses, operating expenses.

- **290 FSPs** reported average APR of their portfolio, showing an **overall average of 42.3%**. We find that **26%** of the sample **has APR above 50%** and 60% above 30%.
- When looking at **legal status**, **Banks** report average **32%** on one end, while **NGOs** report **50% on the other end**.
- As expected, **the smaller the loan size, the higher the price**. And **flat** methodology loans (still applied by **28%** of the sample) is more costly.
- Reported **Returns on Assets appear at 3.5%** on average, in line with the accepted performance range (1-6%). However APRs over 50% warrant a closer look to see if returns are in line with responsible pricing.
- **Operating expense ratio averages 24%,** ranging from 15% at banks to 29% at NGOs, which probably explains their higher pricing.





Opex: Operating Expense ratio; LLER: Loan Loss Expense ratio; FinEx: Financial expense ratio

Countries with average APR ≥ 50%

Countries	Average APR	Average ROA
Zambia*		
Argentina	94,7	10,6
Nigeria*		
Philippines	84,0	3,7
Sierra Leone*		
Indonesia	73,6	6,9
Liberia*		
Kenya	70,0	7,1
Mexico	64,3	3,2
Chad*		
South Africa*		
Ghana	61,9	5,1
Uganda	58,1	2,9
Tanzania	57,7	5,9
Haiti*		
Zimbabwe*		
Congo, Dem. Rep.	56,5	4,3
Kyrgyz Republic*		
Madagascar	54,7	2,6
Nicaragua	54,1	5,6

*sample too small to disclose N=83

CP Standard 5: Fair & Respectful Treatment of clients

Average CP5 score

69%

Standard CP5 - The provider enforces fair and respectful treatment of clients.
Fair and ethical treatment hinges on commitment to a code of conduct, a non-discrimination policy, and safeguards to detect corruption as well as aggressive or abusive treatment of clients by staff and agents, particularly during the loan sales and debt collection processes. It also involves informing clients of their rights, and behaviours they can expect from the FSP staff.

CP5 – Essential Practices	69%
During the recruitment and hiring process, the provider assesses each candidate's commitment to achieving the provider's social goals.	60%
The provider's code of conduct requires fair and respectful treatment of clients.	78%
The provider does not use aggressive sales techniques.	60%
The provider protects clients' rights to respectful treatment during the loan collection process.	74%

- FSPs generally have a **well-established Code of Conduct** and **loan collection process,** but show weaker overall practices in this Standard.
- Preventing and controlling **aggressive sales** remains a **weaker area,** as well as ensuring commitment at the hiring process.

Highlights on legal status, region and average loan size

CP5 score *Coops*
59%

- ***Cooperatives*** score **10pts under the average**, in particular in regard to hiring process and **aggressive sales** prevention (47% and 48% respectively).

CP5 score *MENA*
70%

- ***MENA*** stands out particularly on the **respectful debt collection practices** (86%), together with ECA (90%) compared to other regions.

CP5 score <20% *GNI pc*
85%

- ***FSPs who serve vulnerable clients***, distinguish themselves by recruiting staff who **align with the provider's social goals** and **abstain from employing aggressive sales tactics**.

MENA: Middle East & North Africa

Focus on compliance with key indicators*	
Share of FSPs who have a compliant Code of Conduct	**66%**
Share of FSPs who have a non-discrimination policy	**57%**
Share of FSPs who have defined appropriate and inappropriate debt collection practices	**60%**
Share of FSPs whose incentive system doesn't promote aggressive sales	**57%**

* Key indicators presented here are "Entry" indicators. To calculate the share, we take FSPs with a score of 1 (full compliance) divided by the total number of respondents.

CP Standard 6: Privacy & Security of client data

Average CP6 score

71%

Standard CP6 - The provider secures client data and informs clients about their data rights.
The confidentiality of clients' personal data is a right that protects privacy and individual liberties. The use of such data is limited solely to the purposes defined when the data was collected, unless the client gives his express consent. Implementing the necessary safeguards helps prevent losses due to fraud, data theft or misappropriation. Clients have the right but also the responsibility to keep their financial information safe, and to correct any inaccurate data held by their financial institution. They need to be informed about these rights.

CP6 – Essential Practices	71%
The provider maintains the security and confidentiality of client data.	81%
The provider informs clients about data privacy and data rights.	61%

Highlights on size, region and average loan size

CP6 score *Small*
64%

- There is a **20pts difference between *Small*** and **Large** FSPs, particularly on information to clients about privacy rights.

CP6 score *ECA*
93%

- ***ECA* stands out** in this Standard, certainly due to advanced regulations, and is distantly followed by LAC at 78%.

CP6 score *<150% GNI pc*
71%

- Scores show **no particular correlation** between the implementation of this Standard **with the target market**.

Small: < 10 000 borrowers - ECA: Europe & Central Asia

- While secure systems for safeguarding privacy are generally established, there is a **wide disparity** among FSPs in how they communicate with clients regarding their data rights, primarily influenced by regulation.
- Naturally, **banks perform higher** in this respect (84%), as do regulated FSPs.

Focus on compliance with key indicators*	
Share of FSPs who have a secure system to prevent theft or misuse of client data	72%
Share of FSPs who require client consent before sharing personal information with partners	64%

* Key indicators presented here are "Entry" indicators. To calculate the share, we take FSPs with a score of 1 (full compliance) divided by the total number of respondents.

CP Standard 7: Mechanisms for Complaints Resolution

Average CP7 score

59%

Standard CP7 - The provider receives and resolves client complaints.
An effective complaint resolution mechanism is fundamental to client protection. Clients have the right to voice and find solutions to their complaints through an easily available mechanism that is adapted to their needs. Implementation of this standard supposes that clients are aware of their right to complain and that FSPs have efficient systems to guide complaints handling and fast resolution, including a feedback loop that informs product and operation improvements.

CP7 – Essential Practices	59%
The provider has a complaints mechanism that is easily accessible to clients and adapted to their needs.	59%
The provider resolves complaints efficiently.	71%
The provider uses information from complaints to manage operations and improve product and service quality.	47%

- FSPs score **particularly low on informing clients** about their right to complain and how to do so.
- They provide complaints mechanisms that are adapted to clients needs and that ensure efficient and fast resolution, but **have yet use it to improve** operations and service.

Highlights on legal status, region and average loan size

CP7 score *Coops*
38%

- ***Cooperatives*** are **far behind** on adequate complaints mechanisms, while banks (73%) and NBFIs (68%) show better compliance.

CP7 score *LAC*
61%

- ***LAC*** scores **particularly low** on using complaints **to improve** operations (48%). **ECA stands out** and reaches an overall score of **81%.**

CP7 score *>250% GNI pc*
70%

- While **lower-end target FSPs remain above average** with 63%, **FSPs serving small businesses** show the **most balanced implementation** of the standard.

LAC: Latin America & Caribbean; ECA: Europe & Central Asia;

Focus on compliance with key indicators*

Share of FSPs where clients can complain to someone other than their main point of contact	79%
Share of FSPs who offer at least two complaints channels	61%
Share of FSPs who visibly display information on how to submit a complaint	45%

* Key indicators presented here are "Entry" indicators. To calculate the share, we take FSPs with a score of 1 (full compliance) divided by the total number of respondents.

CP Standard 8: Governance & HR committed to CP

Average CP8 score

53%

Standard CP8 - The governance and management are committed to Client Protection, and HR systems support its implementation
Commitment to client protection starts at the very top of an organization. The effective implementation of CP practices very much depends on the institutional culture and strategic orientation that is given by the governance (shareholders, Board and management) of an FSP. By integrating CP aspects in risk management, internal audit and HR processes, and by holding senior management and employees accountable for achieving client protection, an FSP will achieve comprehensive client protection.

CP8 – Essential Practices	53%
The board makes strategic decisions based on social and financial data.	48%
Management makes strategic and operational decisions based on social and financial data.	53%
The provider trains all employees on its social goals and on client protection.	63%
The provider evaluates and incentivizes employees based on social and financial criteria.	46%

- **Boards' concerns in terms of risk management** and internal audit still remain **far removed from client protection** issues.
- **Training of staff** is where FSPs **score the best**, while they appear to **perform less on incentive systems** based on social criteria.

Highlights on size, region and average loan size

CP8 score *Small*
40%

- There is a clear **positive correlation** in committed governance & HR **with the size of the FSP**; the larger the # of clients, the better the FSP performs (73% for Large)

CP8 score *SSEA*
64%

- The difference between ***SSEA*** and Sub-Saharan Africa stands at **20 points**, with **SSA being comparatively lower** showing much room for improvement.

CP8 score *<20% GNI pc*
57%

- Differences in this category are small, however, interestingly, **low-end target FSPs** score an average **above 50%** in all essential practices.

Small: < 10 000 borrowers - SSEA: South & South-East Asia

Focus on compliance with key indicators*	
Share of FSPs where the board takes corrective action when it identifies risks to clients	33%
Share of FSPs where social performance criteria are integrated in audit and risk management	32%
Share of FSPs who train their staff on debt collection practices	66%

* There are no Entry indicators in this Standard. The indicators presented here are a selection from the "Progress" and "Advanced" indicators. To calculate the share, we take FSPs with a score of 1 (full compliance) divided by the total number of respondents.