

## TOOL: Advocate with national regulators to strengthen client protection

### KEY ACTIONS

Advocate with the Central Bank and the national regulator for telecommunications to ensure client protection is reflected in the national normative framework, including for vulnerable populations.

### TOOL: [Smart Campaign model law for consumer protection](#)

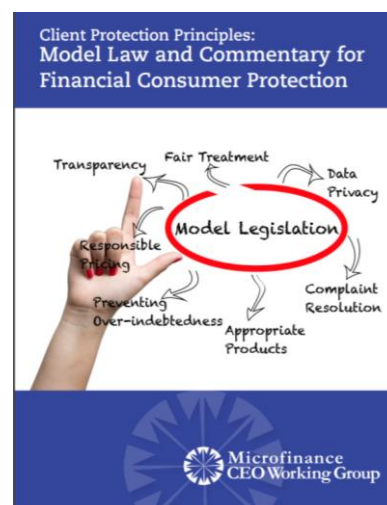
What is in this tool?	The Smart Campaign drew up this model law for policymakers to use as a tool to develop actual, enacted legislation to assess a given jurisdiction's client protection regulatory regime and to serve as a resource for the development of codes of conduct and guidelines, either for a single financial service provider or for any group or industry association.
How?	Can be used as an advocacy tool with Central Banks and telecommunication regulators in order to improve the national regulation related to consumer protection. This model law is available for download in English, Spanish, French, Russian and Arabic.
When?	In parallel to putting in place a cash-based intervention.

### This legal framework is the legislative counterpart of the Client Protection Principles

It promotes their realisation in practice, and covers:

- Establishing a supervisory authority
- General requirements for FSPs
- Appropriate design of financial products and services
- Preventing over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Complaint resolution

Of particular importance in mitigating risks of abuse of power in cash assistance is the emphasis placed on the fair and respectful treatment of clients, data privacy and complaint resolution.



### Client Treatment Policies and Procedures

#### Purpose:

To require Financial Service Providers to treat Clients fairly and respectfully.

#### Content:

1. Financial Service Providers should treat clients with high ethical standards and with honesty, fairness and respect.
2. Client selection and treatment shall not involve discrimination on the basis of personal characteristics or personal affiliations, including race, ethnicity, origin, gender, political and/or religious affiliation, disability or sexual orientation.

3. Financial Service Providers shall ensure adequate mechanisms are in place to detect and correct corruption as well as aggressive or abusive treatment by their staff and agents, particularly during the loan sales and debt collection processes.

4. Internal policies and procedures:

- a. Each Financial Service Provider must have internal policies and procedures in place that educate employees, agents and third-party service providers of the Financial Service Provider on how to behave toward clients and ensure that employees and agents are treating clients with high ethical standards. Such internal policies and procedures must also set forth penalties (which may include, but not be limited to, employment-related sanctions such as suspension or termination of employment) against any employees or agents for failure to comply with these requirements.
- b. Any handbooks, policies or similar guidelines established by the Financial Service Provider related to the fair and respectful treatment of clients must be written in a clear, understandable manner so that the employees, agents and third-party service providers of the Financial Service Provider can acknowledge understanding of the same.
- c. Financial Service Providers shall not provide incentives to staff, management, agents or third-party service providers that encourage unethical client treatment or over-indebtedness.
- d. At least every three years, Financial Service Providers shall audit, review and, as necessary based on the findings of such an audit and review, revise in consultation with industry associations and clients:
  - i. Its handbooks, policies or similar guidelines related to the fair and respectful treatment of clients to ensure that they are reflective of industry standards and in compliance with Consumer Financial Protection Laws.
  - ii. Its employee training and supervision programs, human resource and employee evaluation systems, internal Complaint Handling Unit, internal compliance systems, employee incentives and other internal policies and procedures to ensure that employees, agents and third-party service providers are adhering to client treatment policies on a continuing basis.

**Commentary:**

a) **Client Treatment:** Clients are entitled to being treated with dignity. A respectful attitude from the Financial Service Provider encourages client trust and confidence, thereby promoting the responsible use of financial services and furthering financial inclusion.

b) **Targeting Clients to Correct for Discrimination:** Prohibited discrimination must be distinguished from the practice of targeting members of a particular group to correct for societal discrimination. For example, the practice in the developing world of targeting women or persons with disabilities who traditionally lack access to Consumer Financial Products and Services, as clients, would not be prohibited under this section.

c) **Debt Collection:** Clients are particularly vulnerable to inappropriate treatment during the debt collection process. Under this Model Law, Financial Service Providers are responsible for the actions of those who collect debt on their behalf, whether they are employees, agents or third-party service providers.