

What is this document about?

When payment recipients understand the benefits of formal financial service, it builds their trust and encourages them to use these tools for managing their finances.

Key messages to convey

What are examples of formal financial institutions?

- [Commercial banks/ credit unions](#);
- (Deposit-taking) Microfinance institutions (MFIs);
- [Mobile money operators/ Mobile wallet](#) providers.
- **Some institutions are more regulated** than others. For example, banks are usually **overseen by a Central Bank** that checks on banks to make sure that your money is safe with them and regulates costs (fees and charges).
- Formal financial services offer **more transparent pricing** and while fees and interest rates can vary widely, they are **often still lower than informal ones**.
- An example for **informal/unregulated financial services** are [Savings Groups](#) where members meet to make contributions.



Why do we need formal financial institutions?

- Financial institutions can help us to make and receive payments in a **safe and secure manner**.
- With most of them, we can also **store money safely** (e.g. for savings) and **conduct other financial transactions** (loans/credit, wire transfers)
 - Remittance companies or post offices only handle the **transfer of funds**, including internationally, but they **cannot hold deposits or help you to save**.

Why should you open an [account](#)?

- Opening an account with a financial service provider - like a bank or mobile wallet provider - offers many advantages. You can use your account to [save](#) money or track your [income and expenses](#).
- Having your own account will create your own transaction history that is recognised by other financial institutions and can help you gain [access to credit](#).



Explain: As a client of a formal financial institution, you have RIGHTS:

- ✓ **You have the right to place a complaint and to receive a response from the institution.** The institution has to **treat you with respect** and minimise the time it takes to serve you.
- ✓ **You have a right to information about the services, products and about all the fees/charges.** If the financial institution is not following the contract or doesn't inform you properly you have the right to complain/remediation.
- ✓ **A lender should not force you to borrow.**
- ✓ You should be **able to access your savings whenever you need them**. However, money on certain savings accounts can only be accessed after a certain period, as mentioned in the contract you will sign with the financial institution.
- ✓ The **information you provide to a financial institution should be kept confidential** in line with the laws of the country. They can only share your information with someone else if you agree to it.
- ✓ **No financial institution is allowed to ask you for a bribe.**

Tips for trainers: Many payment recipients are **not very familiar with formal financial services**. It is likely that the cash assistance your organisation provides to them is **their first engagement with the service provider** you chose to partner with or the first time they use a particular **payment instrument**.

Before selecting a financial service provider, you should **always assess people's preferences and needs** (e.g. through [User Journey](#) or interviews) and compare the provider's prices for individual transactions.