ACCION Network: Pro-Consumer Pledge
July 26, 2004

Preamble

Microfinance is a fundamentally pro-consumer activity. Microfinance institutions seek to create social benefits by providing financial services to low income and previously excluded segments of the population in the countries in which they operate. As the microfinance industry becomes more complex and more closely integrated into mainstream financial systems, it is increasingly important to define pro-consumer practices, in order to ensure that services are provided in a manner that benefits customers. Financial services, like many powerful tools, can provide tremendous benefit when applied wisely, but if applied in an unscrupulous manner, they can cause serious damage to customers and their families.

The ACCION Network, a network of leading microfinance institutions, has come together to adopt this pro-consumer pledge. The pledge concisely sets out the principles pro-consumer microfinance. It defines principles to ensure that financial services benefit customers while also ensuring that the legitimate needs of microfinance institutions are met, in order that microfinance institutions can continue providing services over time.

By adopting this pledge, the members of the ACCION Network agree to do the following:

- To apply these principles in their own organizations.
- To promote the widespread application of these principles among microfinance institutions in their countries.
- To engage with regulatory authorities in their countries where needed to promote effective yet non-burdensome policies or rules.
- To raise awareness in the global microfinance industry about the importance of pro-consumer principles.

Principles

1. **Quality of Service.** Network members will treat every customer with dignity and respect. Members will provide services in as convenient and timely matter as possible.
2. **Transparent Pricing.** Network members will give clients complete and understandable information about the true costs they are paying for loans and transaction services and how much they are receiving for savings.
3. **Fair Pricing.** Network members will price their services at a fair rates. Their rates will not provide excessive profits, but will be sufficient to ensure that the business can survive and grow to reach more people.
4. **Avoiding Overindebtedness.** In order to avoid customer overindebtedness, Network members will not lend any customer more than the customer can afford to repay.
5. **Appropriate Debt Collection Practices.** While debt collection practices must include energetic pursuit of defaulters, Network members will treat customers with dignity and will not deprive customers of their basic survival capacity as a result of loan repayment.
6. **Privacy of Customer Information.** Network members will protect the private information of customers from reaching others who are not legally authorized to see it.
7. **Ethical Behavior of Staff.** Network members will hold their employees to a high standard with respect to conflicts of interest and unethical behavior, especially behavior that harms
customers (such as taking kickbacks). Employees who breach these standards will be sanctioned.

8. Feedback Mechanisms. Network members will provide formal channels of communication with customers through which customers can give feedback on service quality. These channels will include mechanisms for responding to specific customers regarding their personal complaints.

9. Integrating Pro-Consumer Policies into Operations. Network members will make pro-consumer orientation a hallmark of the way they conduct business, though efforts such as staff training and incentives, financial education for customers, customer satisfaction programs and the like.

Regulation and Enforcement

The Network acknowledges that although in an ideal world, all microfinance institutions would adhere to these principles voluntarily, reality often differs. Microfinance institutions should not be put at a competitive disadvantage by adhering to these principles when less conscientious organizations ignore them. In such cases, collective action, either by the industry or by regulatory authorities, may be required to enforce application of these principles.