

CREZCAMOS Colombia: *Providing transparent information to clients*¹



MICROFINANZA
RATING



INTRODUCTION

This case study is directed toward microfinance providers who seek to improve their social performance management (SPM) practices. The case of CREZCAMOS S.A. (Colombia) highlights how an institution can provide transparent product information to clients.

The good practices discussed in this case study exemplify how providers can implement four of the Essential Practices found in the SPTF Universal Standards for Social Performance Management:

- The institution fully discloses cost and non-cost information (Essential Practice 4b.1).
- The institution communicates proactively with clients in a way that clients can easily understand (Essential Practice 4b.2).
- The institution uses a variety of disclosure mechanisms (Essential Practice 4b.3).
- The institution leaves adequate time for client review and discloses information at multiple times (Essential Practice 4b.4).

Each of these Essential Practices are also Smart Campaign Client Protection standards from Client Protection Principle 4: Transparency.²

See **Annex 1** for more information on the Universal Standards and how CREZCAMOS' practices compare to the practices found in the Universal Standards.

BACKGROUND

CREZCAMOS was founded as limited liability institution in April 2008. The institution has been under the supervision of the Superintendency of Companies in Colombia since April 2010.

Products and services: CREZCAMOS mainly offers individual credit, micro-insurance, and money transfer services. As of April 2014, the institution offers its services in 10 of 33 departments of Colombia through 45 offices, reaching 68,516 customers. 55% of clients are women and 64% live in rural areas. See Table 1 for other key performance indicators.

Social mission: The current mission of CREZCAMOS is to support entrepreneurship mostly in rural areas, by providing families with appropriate and responsible financial services. Since its inception, the institution has demonstrated a strong social orientation to offer services to the financially excluded.

Table 1: Key performance indicators

Area/year	Dec. 12	Dec. 13	Mar. 14
Clients	52,857	66,984	68,516
Loan portfolio (US\$ million)	51.0	64.7	65.7
PAR% (<30 days)	1.7%	2.9%	3.6%
Adjusted client exit	37%	27.6%	29.9 %
Female outreach (%)	56.4%	55.5%	54.8%
Rural outreach (%)	62%	62.5%	63.2%
Staff (total)	368	618	676
Staff turnover (%)	51%	76.4%	76,6%

Box 1: The Social Performance Fund⁴

The Social Performance (SP) Fund for Networks is designed to mainstream the new Universal Standards for Social Performance Management. The SP Fund works with 10 networks that run 18-month projects to document learning and experience around innovative solutions to implementing the essential practices of the Universal Standards. They also support their members to reach full or partial compliance with one or more dimensions of the Universal Standards. Supported by the Ford Foundation, the Fund is managed by the Microfinance Centre (MFC), a microfinance resource center and network serving the Europe and Central Asia region and beyond.

¹ Written by Erián Llanos. The development of this case study was possible thanks to the collaboration of Paula Vásquez, Brand and Communication Manager at CREZCAMOS S.A. Special thanks to Tony Sheldon and Leah Wardle for their diligent peer review of this case.

² The Universal Standards are a set of management standards that apply to all MFIs pursuing a double bottom line. Learn more at www.sptf.info/spmstandards/universal-standards. All of the Smart Campaign's Client Protection standards are found in the Universal Standards.

³ In 2013, CREZCAMOS received both a social rating from MicroFinanza Rating with a grade of SA-, and Smart Campaign Client Protection Certification (www.smartcampaign.org/certification/certified-organizations). The grade obtained in the Social Rating means that the institution has good social performance management and client protection systems and it is probable to achieve its social mission. The institution is also involved in the Microfinance Transparency initiative (MFT).

⁴ For more information visit www.mfc.org.pl/en/content/social-performance-fund

CREZCAMOS' Strategic Plan for 2013-2022 includes the following social performance objectives:

- To align the institution to the Universal Standards
- To implement a Social Performance Management System (SPMS) which will inform the institution's overall balance score card
- To provide responsible services to the rural sector
- To become an institution where everyone wants to work.

The institution's Planning Department has been mandated to design and implement the SPMS. The institution is designing a comprehensive tracking and monitoring system for social indicators through a dedicated social performance dashboard. The system will monitor compliance with the institution's social objectives in the following areas:

- Scope and Depth of Outreach—rural coverage and financial inclusion
- Customer Service and Responsible Finance—appropriateness of products/services, variety, client protection and satisfaction
- Human Resource Management—staff loyalty/satisfaction, training, pay, work environment
- Environment and Social Responsibility—financial education and impact on the environment.

Transparency in context: The microfinance business environment in Colombia is considered to be among the ten most favorable in the world.⁵ Most microfinance institutions are under the supervision of the Superintendency of Companies. Overall, corporate governance practices and transparency are adequate in the market. Since 2009, a number of laws on client protection have been implemented in Colombia. They include, among others, consumer rights and financial institutions' duties to create a Financial Consumer Care System (*Sistema de Atención al Consumidor Financiero*, or SAC), obligation to provide customers with complete financial information, avoidance of unfair practices, creation of a financial consumer advocacy system, and dissemination of financial education.

CREZCAMOS' board of directors and top management believe that transparency with clients is as an essential part of providing responsible financial services to rural entrepreneurial families. The institution understands that it must provide its clients with clear and precise information about its products and services. In recent

years, the institution has improved its communication channels to enhance transparency and quality of the information provided to customers in order to support their decision-making.

Limited information to clients: Before 2013, CREZCAMOS gave customers the minimum amount of product information to satisfy local regulation and client demands for information. This information included the repayment schedule, the annual interest rate charged, monthly declining instalment broken down by principal and interest, and total due. The institution did not provide a clear explanation of the different features of the lending process or the meaning of the clauses included in the loan agreement.

A NEW COMMITMENT TO TRANSPARENCY

Feedback from clients: Starting in 2012, CREZCAMOS began collecting client feedback on satisfaction with products, services, and customer service. Based on this direct communication with clients, the institution identified three significant problems related to transparency of information:

- Clients did not understand contract clauses
- Client had difficulties understanding some of the charges (fees, interest, insurance, etc.) included in payment instalments
- Clients did not understand what procedures CREZCAMOS would follow in case of default or late payment.

Client Protection Certification: In 2013, CREZCAMOS decided to pursue Smart Campaign Client Protection Certification,⁶ a certification program by which financial service providers can publicly demonstrate their commitment to client protection. In the process of pursuing certification (awarded in 2013), CREZCAMOS identified opportunities to improve their transparent communication with clients, addressing the client concerns listed above (see "Feedback from Clients"). Based on the results of the certification, the institution decided to implement a client "Welcome Kit"—a comprehensive package of information for all new and existing clients, to be provided at the time of disbursement.

⁵The 2013 edition of the Global Microscope on the Microfinance Business Environment, Economist Intelligence Unit (EIU).

⁶For more information on Client Protection Certification, including the Certification standards, process, and costs, visit the Smart Campaign website: www.smartcampaign.org/certification

WELCOME KIT CONTENTS

CREZCAMOS' Welcome Kit⁷ contains all of the essential, detailed information that new clients need in order to understand the products and services they purchase. In addition to the written materials, CREZCAMOS shows clients video presentations that explain the same information contained in the kit.

The packet of materials contains a welcome letter, product terms and conditions, and a service channels card. These are detailed below:

Welcome letter: This document serves to welcome the client to CREZCAMOS and offers an overview of the institution's mission and vision, its commitment to customer service, and an outline of customers' rights and responsibilities.

Product terms and conditions: CREZCAMOS also uses the Welcome Kit to explain, in writing, the terms and conditions of the product(s) that the client is using. It includes:

- A description of the different loan products, including their purpose and their minimum and maximum amounts
- Information on the conditions necessary to access credit
- Pricing information, including interest, fees, and commission charges
- A repayment schedule
- How to use available repayment channels
- An explanation of late payment procedures, fees, and collections policies
- The loan restructuring process and necessary legal documents
- An explanation of required promissory notes and a copy of the signed note
- An explanation of the credit-insurance product, as well as voluntary insurance products, and a copy of the signed insurance contract.

Service channels card: This card lists service points (branch locations, ATMs, agents, etc.) and information on customer service channels, including clients' options for asking questions or making complaints.

Data privacy explanation: This document explains the personal and financial information that CREZCAMOS

needs to collect from the client in the process of offering products and services. It also explains how the institution will keep this information private and secure, as well as the circumstances under which the institution can share client information with external parties such as the credit bureau or marketing agencies.

DEVELOPING THE WELCOME KIT

Developing a pilot kit: Overall, it took CREZCAMOS almost one year to move from the implementation phase to the project launch.

CREZCAMOS' Marketing Department developed the first draft of the Welcome Kit. Marketing then circulated the prototype to the institution's Management Committee who focused on the tool contents and then to the Quality Committee, who focused on information accuracy, wording, and overall design. Once both committees analyzed the draft, the kit was presented to the board of directors, who suggested some changes in form and content. After the required adjustments were made, the board approved the implementation of the tool.

Finally, the kit was piloted among a sample of clients. These clients reviewed the kit and then CREZCAMOS staff lead focus groups to gather feedback from these clients. Customer feedback obtained through focus groups was essential to make adjustments so that customers could make the most of the information provided by the institution.

Staff resources: Many internal stakeholders took part in developing the Welcome Kit. Key staff provided input on what information should be made available to clients and how it should be disseminated. Employees at all levels—from executives to operational staff, actively participated in the development process. These stakeholders also expressed their views on visual presentation options and the channels through which CREZCAMOS should deliver the kit to customers. **Table 2 overleaf** describes the different stakeholders involved, as well as a summary of their roles.



Figure 1:
Welcome
kit cover

Table 2: Roles required to develop the “Welcome Kit”

Position	Role in brief
General Manager	General oversight of the entire process, including primary decision making, and revision of the information contained in the Welcome Kit.
Financial Manager	Review of contents of the financial information contained in the kit.
Internal Auditor	Review of contents and all the design features of the kit.
Planning Department	Creation of a timeline and project plan, review of the kit contents, support for staff training on the kit.
Lawyer	Preparation and revision of the legal content in the text.
Director of Compliance	Preparation and revision of the text content. Development and implementation of a quality control review for staff.
Commercial Manager and Sale Director	Review of contents and all the features of the kit. Evaluation and monitoring of personnel in charge of the delivery of the material in offices.
Human Resource Manager	Review of contents and all the features of the kit. Supervision and support in training personnel on the new materials.
Marketing Manager	Data collection management. Review of content to improve wording, style, spelling, etc. Review of design, materials for production, and management of suppliers, quotations, etc. Preparation of training material for communication to staff and management. Delivery of the kit to branches.
Customer Service Director	Development of guidelines to be followed when explaining and delivering the tool.
Operations Director	Oversight of staff delivery of the kit to clients.

External resources: The process also required external resources. CREZCAMOS hired a specialised advertising agency to ensure that the design was user-friendly and appealing. The firm also developed training materials for staff, which covered how to explain the information contained in the Welcome Kit and how to disseminate it. These training materials included videos and presentations.

Quality control: After the kit passed the pilot stage and was rolled out to the entire organization, CREZCAMOS assessed staff capacity to explain the content to clients. Based on this assessment, the institution developed discussion guidelines for sales people and tellers, including checklists for when and how to explain the information.

CREZCAMOS also gathered additional client feedback on the final tool. The Marketing Department assessed how well clients understood the contents or whether they benefitted from having additional information. Client feedback was overall very positive, with almost all customers expressing appreciation for the institution’s improved transparency measures.

Now, Customer Service Department representatives visit branches regularly to carry out quality checks to verify the capacity of field staff to explain the content of the kit when loans are disbursed. This verification is performed through post-disbursement investigation, random surveys, and disbursement observation in branches.

Based on the verification team’s targets, each of the 45 offices of the institution should be visited at least twice a year.

Updating the tool: When product terms and conditions change, CREZCAMOS updates the Welcome Kit accordingly. Other updates respond to particular issues that clients face. For example, the last update to the kit was made in the first quarter of 2014, and focused on informing clients about the importance of obtaining and keeping a proof of payments for each transaction made with the institution.

LESSONS LEARNED

Improving client loyalty

CREZCAMOS has learned that one of the main benefits of the new transparency measure is that clients perceive the institution’s commitment to transparency and feel more secure using the institution’s products and services, especially compared to competitors. Additionally, customers are now more aware of the collection procedure observed by the institution, which has contributed to making the loan recovery process easier for staff.

Benefits to staff

Staff have also benefitted from the initiative since they received dedicated training to increase their own

awareness of the institution's products and services. The introduction of the kit has also led to greater involvement and empowerment of employees regarding transparency and institutional commitment to customers, mainly due to the specific training received on the topic.

Budget requirements

In general, CREZCAMOS considers the costs related to the development and implementation of the Welcome Kit as an investment, mainly because positive customer perception may strengthen customer loyalty and consequently lead to benefits in terms of profitability and asset quality.

However, the tool created and continues to create real costs for the institution. The highest cost is related to distributing the tool, including printing the materials. Since the kit will be updated when product information changes, the institution expects to re-create and distribute new materials multiple times a year.

Staff training created another significant cost. During roll out, all staff needed training on how to use the tool. CREZCAMOS opted for a package of staff training modules comprised of videos, presentations, face-to-face training sessions, and informal conversations among staff to ensure full staff understanding.

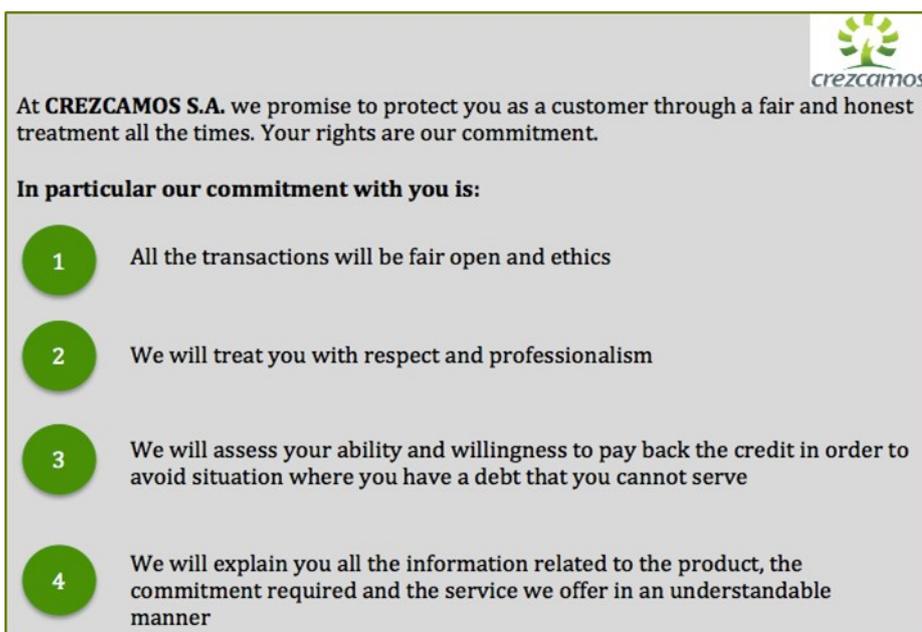
Buy-in across the organization

CREZCAMOS believes that staff involvement is essential to the successful implementation of their Welcome Kit. Staff from each of the institution's departments were very involved in different stages of the process. This benefitted CREZCAMOS because it made the costs more manageable (as they were spread across different departmental budgets) but more importantly, because staff involvement made it easier to convince staff that the new tool was important and they should use it effectively with clients.

CREZCAMOS took full advantage of every opportunity to communicate with staff about the new tool. The Marketing Department and Human Resources Department played critical roles in this capacity.

Clear language

Finally, CREZCAMOS believes that the success of their Welcome Kit is due in part to making the information very accessible to clients. The institution took great care to use language that clients can understand—even those clients that are not already familiar with using financial services.



At CREZCAMOS S.A. we promise to protect you as a customer through a fair and honest treatment all the times. Your rights are our commitment.

In particular our commitment with you is:

- 1 All the transactions will be fair open and ethics
- 2 We will treat you with respect and professionalism
- 3 We will assess your ability and willingness to pay back the credit in order to avoid situation where you have a debt that you cannot serve
- 4 We will explain you all the information related to the product, the commitment required and the service we offer in an understandable manner

Figure 2:
Welcome kit sample content
(translation from the original
Spanish)

For more information:

CREZCAMOS website: www.crezcamos.com

Microfinanza Rating: www.microfinanzarating.com

The Microfinance Centre: www.mfc.org.pl

Social Performance Task Force: www.sptf.info

ANNEX 1: COMPARING CREZCAMOS' WELCOME KIT TO THE UNIVERSAL STANDARDS

Dimension 4: Treat Clients Responsibly

Standard 4b: Transparency

	Essential Practice	Evaluation of CREZCAMOS' practices
4b.1	The institution fully discloses cost and non-cost information (Client Protection standard 3.1).	The loan contract includes all the relevant information on credit conditions. The institution discloses additional cost and non-cost information in the Client Welcome Kit.
4b.2	The institution communicates proactively with clients in a way that clients can easily understand (Client protection standard 3.2).	CREZCAMOS trains its employees on the importance of listening to customers' needs, and explaining the features of the credit service provided. Guidelines on how to communicate effectively with different types of clients (e.g. literate/non-literate) are provided and staff training includes "real life" practice communicating with clients. All communication and materials are in the local language.
4b.3	The institution uses a variety of disclosure mechanisms (Client protection standard 3.3).	CREZCAMOS gives its customers the Welcome Kit, which includes a complete explanation of products and costs. The website presents information on amounts and terms for each loan product and it includes a calculation tool for credit simulations.
4b.4	The institution leaves adequate time for client review and discloses information at multiple times (Client protection standard 3.4).	Clients can take home product information and credit examples/ scenarios before proceeding with the application. There is no official cooling-off period between the signature and disbursement established by the institution or by law.
4b.5	The institution provides accurate and timely account information (Client protection standard 3.5).	The Welcome Kit includes a copy of the promissory note together with a clear explanation sheet. The institution provides timely information for each transaction made by the client, including a proof of payment. At the client's request, the institution will provide an account statement that includes information on current accounts, new principal capital, insurance and others, days in arrears for each item.