

Consumer Protection: Balancing Rights and Responsibilities

The recently completed financial education reference manual ***Consumer Protection: Balancing Rights and Responsibilities*** provides a menu of key messages and training activities that can be used to help low-income populations exercise their rights and responsibilities when using formal financial services. While the information is presented in a classroom format, it can be used by many stakeholders interested in ensuring ethical delivery of financial services. The target audience for this resource manual includes not only existing and potential customers of all financial institutions, from MFIs to formal banks, but also corporate and governmental stakeholders engaged in the emerging global movement for consumer protection. In today's climate of economic uncertainty, concerns about predatory lending and profiting from the poor lend some urgency to the need to embrace ethical treatment of clients.



This publication fills an important gap. It places the customer's perspective at the center of consumer protection. While other efforts are well underway to guide and encourage financial institutions to commit to transparent pricing, appropriate collections practices, ethical staff behavior, client privacy and mechanisms for redress of grievances (See the SMART Campaign and the Center for Financial Inclusion, ACCION International; <http://www.centerforfinancialinclusion.org/>), most reflect an institutional bias. Largely absent from their application of these principles is the stated right of the client to ask questions and seek the information they need to fully understand the products they choose, the contracts they sign, and the hidden dangers of aggressive marketing tactics. Consumers need to know their rights, have the skills and confidence to exercise them and recognize that institutions have an obligation to respond to their legitimate requests.

This resource represents client interests, empowering consumers to take decisions based on knowledge rather than fear. As such, it is a valuable reference for all stakeholders in the consumer protection movement. Sessions in the manual inform consumers of their rights and responsibilities; examine principles of ethical behavior, and discuss respect and privacy. In addition, it arms consumers with basic technical knowledge to evaluate their debt capacity and compare products and prices for more effective decision-making.

The Consumer Protection manual is one of nine modules created since 2003 as part of a comprehensive curriculum developed by The Global Financial Education Program, led by Microfinance Opportunities and Freedom from Hunger, and comprised of the following components:

Core Curriculum

- Budgeting: Use Money Wisely**
- Savings: You Can Do It!**
- Debt Management: Handle With Care**
- Bank Services: Know Your Options**
- Financial Negotiations:
Communicate With Confidence**

Specialized Curriculum

- Young People: Your Future, Your Money**
- Remittances: Make the Most Of Them**
- Risk Management & Insurance:
Protect Your Family's Future**
- Consumer Protection:
Balancing Rights and Responsibilities**

CONSUMER PROTECTION: BALANCING RIGHTS AND RESPONSIBILITIES

Session Title	Purpose of Session
Your Rights and Responsibilities	<ul style="list-style-type: none"> • Identification of the mutual rights and responsibilities of financial institutions and their clients • Identification of real examples and experiences that illustrate clients' rights and responsibilities
The Right to Respect, to Privacy and to be Heard	<ul style="list-style-type: none"> • Identification of how the rights to respect, to privacy and to be heard are observed or violated • Creatively demonstrated one of these rights
How Much Debt Can I Afford?	<ul style="list-style-type: none"> • Recognition of the consequences of not evaluating a product before accepting it • Calculating repayment capacity
Choose the Best Financial Product for You	<ul style="list-style-type: none"> • Understood need for complete information in order to exercise their right to choose a product from among financial options • Calculating the cost of a loan
Compare Two Loans	<ul style="list-style-type: none"> • A comparison of the total costs of two different credit products • Identification of the information needed to assess the costs of a loan
Two Ways to Calculate Interest Rates	<ul style="list-style-type: none"> • Understood the difference between the flat method and the declining balance method of calculating interest due • A comparison of the interest charged in 2 different loan products that use 2 different methods
What to Ask Before Signing A Contract	<ul style="list-style-type: none"> • Definition of a contract • Identification of key questions to ask to exercise their right to receive transparent information
Debt Collection Practices	<ul style="list-style-type: none"> • Differentiated appropriate and inappropriate debt collection practices • Recognition of the right to respect from the financial institution (and its loan officers), and the responsibility to show them respect
A Justified Complaint Benefits Everyone!	<ul style="list-style-type: none"> • Recognition of how making a complaint can benefit both the organization and the customer • Distinguishing justified complaints from unjustified complaints

Microfinance Opportunities is a hub for the development of creative ideas and solutions related to poor people and their money. We increase poor people's access to high-quality financial services through action-research, training, and technical assistance. A non-profit established in 2002, Microfinance Opportunities has led the way in promoting a consumer perspective to financial inclusion and sound financial practices among the world's poor. Activities range from development and delivery of financial education, to market research for product development, and to the measurement of the impact of microfinance innovations using cutting edge methods such as financial diaries.

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