



STANDARDS FOR RESPONSIBLE DIGITAL FINANCIAL SERVICES:
TRANSPARENCY STANDARDS SECTION

2 June 2022

DRAFT

CERISE + SPTF

Draft Standards: Transparency

(as of 2 June 2022)

Standards for Transparency

1. In addition to document and sharing key facts in an agreement, develop clear messaging, in local languages, to use to disclose key facts again in a quick and accessible manner.
2. Define a strategy for how and when to share messages with key information. This strategy should include a different system for how many messages you send to first time users versus to those who have used the same product multiple times.
3. Design digital interfaces to be simple and visual enough to be used even by those who are not digitally literate.
4. Give customers an option to speak to a live person.
5. Do a spot check on a sample of customers to test whether customers understand key elements of the terms and conditions. If not, improve disclosure processes.
6. Every time the customer conducts a digital transaction, the customer should receive a digital receipt and the credit officer (or equivalent) should receive on his/her device a confirmation message for that same transaction.
7. If the provider is working with a third-party partner to provide payments, each time the customer makes a digital payment, both the third-party partner and the FSP must provide the customer with a receipt.
8. Collect information about the digital channels to which your customers have access, so you know through which channels you can share information. / SIMILAR TO / Ask customers how they get information. Then deliver information through those channels. Segment the answers by customer type.

Guidance on transparency: concepts, examples of real practice, and questions to address

Concepts

- Several ideas that DFS experts suggested related to transparency already exist in the Universal Standards manual:
 - Idea 1: Decide what key facts need to be disclosed up front for loans, including at minimum these: loan amount, loan term, repayment frequency, total cost of credit, APR, penalty fees.
 - In the USSEPM manual:
 - Indicator 4.B.1.1 says, “The provider gives a Key Facts Summary Document to borrowers before they sign a contract. The document contains the following information:
 - Total loan amount
 - Pricing, including all fees
 - Total cost of credit: all principal, interest, and fees plus cash collateral
 - Disbursement date and loan term
 - Repayment schedule with principal and interest amounts, number, and due dates of all repayment installments
 - Deductions of first payment from principal and fees, if applicable

- How cash collateral / mandatory savings can be used in case of default, if applicable
- Moratorium interest rates, terms, and conditions, if applicable
- Idea 2: Write agreements that customers have to review/sign in simple terms and in the local language.
 - In the USSEPM manual:
 - Indicator 4.B.1.3 says, “Loan contracts are available in the major local languages.”
 - Detail 4.B.1.4.3 says, “The provider's communications are in simple and local language; oral information is used for less literate clients.”
- Idea 3: Every time a customer buys a credit product, communicate at least once, clearly, about the importance of repaying on time and the consequences of default.
 - In the USSEPM manual:
 - Indicator 4.B.1.2 says, Loan contracts include the following information, as applicable to the product:
 - Grace period
 - Mandatory savings / mobile wallet amount
 - Automatic account debiting mechanisms
 - Linked products
 - Member or guarantor obligations
 - Collateral requirements and seizing procedures
 - Consequences of late payment and default
 - Prepayment conditions: whether it is possible and how it affects the cost
 - Whether terms and conditions can change over time and how that would affect clients
- To make sure the language in contracts is simple, one expert suggested, “Have someone from customer services write the contract, not a lawyer.”
- Some tips for ongoing communication with clients:
 - Make it bite-sized
 - Be engaging
 - Communicate via multiple channels, such as SMS, IVR, a call center, and a poster
 - Have diverse touch points with customers and give them information at each of those times.
- Move away from the mentality of giving customers all the information at the time of contract signing, and then the FSP never has to give information again.
- One communication option that works even for illiterate populations is a free IVR chatbot to reply to customer questions. It must use local languages.
- An example for proposed standard #7, above, is this: If a customer uses a mobile wallet to pay a loan installment, the MNO will send an SMS that says you paid X and here’s the balance in your mobile wallet, but the FSP also needs to send a second SMS to say we’ve received a payment and your loan balance is now X.
- Some tips for doing spot checks to see if customers understand terms and conditions:
 - Can be done via call center or SMS survey or by the internal audit team
 - Weight the sample heavily toward those who recently started using a product

Outstanding questions:

- Is it impossible to be transparent about concepts that are complex? Meaning for example complex fee structures or complex consequences for late repayment? Is there a set of rules or conditions that are simple enough to be easily understood fundamental to transparency?
- There is a debate about whether full transparency is enough, or whether the customer should also be able to trust that the provider does not have a system of high and/or hidden fees even if the customer does not read information that the provider gives to him or her prior to beginning to use a financial product?