

**GHANA ASSOCIATION OF MICROFINANCE COMPANIES
(GAMC)**

MEMBERS CODE OF CONDUCT

2011

INTRODUCTION:

As all GAMC member companies are under the regulation of the Bank of Ghana (BOG), they are mandated to follow all prudential requirements as well as consumer protection practices indicated by BOG. This Code of Conduct is designed to ensure that the BOG Guidelines are followed in both letter and spirit, and in some matters, lays down additional requirements.

A. FAIR PRACTICES WITH BORROWERS:

i. COMMUNICATION OF CHARGES:

All members should clearly convey to the borrowers the following terms of the loan (at the minimum):

- a. All the important terms and conditions of the loan agreement
- b. Interest rate whether declining or flat
- c. Processing fee
- d. Any other charges
- e. Security or any other deposit.
- f. Systematic advance collections
- g. Total charges recovered for insurance coverage risks covered
- h. Any other services rendered and charges for the same

The communication should be in writing through any of the following ways:

- Loan agreement letter
- Loan card
- Loan schedule
- Passbook
- Through Group/Centre meetings (Details can be printed on a paper and all borrowers can sign on the same as acknowledgement of their acceptance). The communication should be in a medium understood by the borrower

ii. NATURE AND AMOUNT OF CHARGES

The code of conduct will not specify the nature and quantum of charges to be charged by individual MFIs. However, the transparency of the same should be ensured as

covered in clause (i)

B. RECOVERY MECHANISM

- a. Though each MFI tries to ensure on-time recovery of loans, it is imperative that they shall not use any abusive, violent, or unethical methods of collection and recovery. Recovery efforts should be in line with guidelines issued by BOG and the Association from time to time.
- b. A valid receipt (in whatever form as decided by each member) should be provided for each collection from the borrower.

C. DATA SHARING/ INCIDENT SHARING/CREDIT REFERENCING

- a. In addition to updating data on the internal Credit Referencing System (CRS) and hence available to all the members through the system, members should agreed to participate in a forum to share qualitative credit information.
- b. Whenever any member comes across Incidents of High Default (IHD), the member should inform the Association of the same so that the other members are made aware of it.
- c. However whether any other member would further lend to clients in such an area would be the choice of each individual MFI based on their credit policies
- d. In connection with 'c' above, it is agreed that each member will make his decision transparent to the remaining members.

D. RECRUITMENT

- a. The code covers all MFI staff, in particular field staff. Field staff is defined as all branch staff including the branch manager.
- b. Any member MFI should have at least 50 percent of its net new recruitment in any particular year as people whose immediate previous job has not been with another member MFI.
- c. As a matter of free and fair recruitment practice, there will be no restriction on hiring

- of staff from other MFIs by legitimate means in the public domain like general recruitment advertisements in local newspapers, web advertisements on site.
- d. Whenever a member MFI recruits from any other member MFI, it will be mandatory to seek a reference check from the previous employer.
 - e. All member MFIs should agree to provide within two weeks the reply to the reference check correspondence from another member MFI.
 - f. All member MFIs also agree not to recruit anybody from the other members without a relieving letter or a certificate of relieve from the previous MFI employer.
 - g. All member MFIs agree to provide such relieving letter or certificate to the outgoing employee in case he has given proper notice, handed over the charge and settled all the dues towards the MFI.
 - h. It is also agreed that any staff member who is discovered to have lied about his background of working with any other MFI, will be asked to leave immediately by the recruiting MFI.

E. WHISTLE BLOWING

- a. Any person or GAMC member is entitled to report an incident of improper conduct by a member company.
- b. The GAMC Board shall appoint the Code of Conduct Council (CCC) to be headed by a Chairman (CCCC) to investigate such instances within 30 calendar days of receiving such report.

F. ENFORCEMENT MECHANISM

- a. If the CCC finds the charge prima facie correct, it shall give notice to both parties for a written representation for the charge within 15 days
- b. If the CCC finds that the contravening Member admits to the contravention and undertakes not to repeat the same then the CCC may drop further proceedings
- c. However if the Member does not admit to contravention or does not undertake to stop further contraventions, the CCC shall hold a hearing with both parties present within a further period of 10 days.
- d. If the action of the member is found to be in contravention to the Code of Conduct, the following actions would be taken, with a gap of 15 days at each stage, in case no corrective action has been taken.

- Communication to the errant member's representative.
 - Communication to the Chief Executive of the respective MFI.
 - Communication to the Chairman of the Board of Directors of the errant MFI.
 - Communication to each member of the Board of Directors of the errant MFI.
 - Communication to GAMC about the errant MFI
- e. The errant MFI as well as the complainant can appeal to the Board of GAMC against the decision of the CCC within 15 days. The appeal will be adjudicated by the Board of the GAMC in its next meeting.
- f. The escalation mechanism will be kept on hold till such time an appeal is adjudicated upon.
- g. In case no corrective action is taken by the errant member, within 1 month of the final escalation, the Board of GAMC is entitled to suspend the errant MFI from the membership of GAMC for a period or expel the member from GAMC. While suspension can be approved by the Board with a two-thirds majority, the decision for expulsion would require a two-thirds majority in the Board favouring it and a further approval by the General Body with two-thirds majority either present and voting in person or voting through any written form including e-mail.
- h. This action under 'g' would then be communicated to all important stakeholders, along with the reasons.

G. OMBUDSPERSON MECHANISM

- a. GAMC Board will appoint one or two individuals of high professional reputation and integrity, as Ombudspersons, in each of the 10 regions to provide an independent mechanism to individual consumers or staff members to complain against an MFI and seek redress. They will be given adequate secretarial support by GAMC.
- b. Any person desiring to complain against an MFI Member shall write a letter to the Ombudsperson
- c. The Ombudsperson, on receipt of the complaint will send copies to the Chairman of the CCC and the Chairman of GAMC Board. The Ombudsperson can cause an initial

- enquiry to be conducted to determine *prima facie* if there exists a case for investigation
- d. If the Ombudsperson does not feel that there exists a case for further investigation, he may accordingly write back to the complaining person with copies marked to the Chairman of GAMC board and the Chairman of the CCC (unless the matter pertains to the Chairman himself in which case it shall be marked to the Vice Chairman)
 - e. If the Ombudsperson feels that there exists a *prima facie* case for investigation, then he shall cause an investigation to be made using the services of the Secretariat of GAMC.
 - f. The Ombudsperson may also require the presence of parties to the dispute in which case, such meetings shall normally be held at the office of the Ombudsmen unless the disputing parties mutually agree to any other place for such meetings
 - g. If after reasonable notice, any party to the dispute fails to be present for such meetings or fails to provide written responses to the queries of the Ombudsperson, then the Ombudsperson shall proceed to give his decision with the materials available with him
 - h. The Ombudsmen will have the power to ask the errant MFI to make good any damages incurred by the consumer, and in addition impose a fine on the MFI, commensurate with the seriousness of the complaint. After investigation and such inter-party meetings as the Ombudsperson determines, the Ombudsperson shall deliver his decision on the dispute in front of him and such decision shall be communicated in writing to all the parties to the dispute as well as to the Chairman of the CCC and the Chairman of GAMC Board. Such decisions of the Ombudsperson shall be final and binding on all the parties involved.

- i. However if any of the parties to the dispute desire to contest the decision of the Ombudsperson, then they may give the same in writing to the Chairman of GAMC who shall place it before the next General Body of the members and two-thirds of the Members may take the final decision on the dispute either by voting in person or through other written forms including e-mails and fax.
- j. In extreme case, the Ombudsperson may also recommend suspension or expulsion from membership of the errant MFI to the GAMC Board. This will then follow the same process as specified in clause (e.g) above.

H. AMENDMENTS TO THIS CODE OF CONDUCT

Any amendments to this Code of Conduct will be adopted through the due process of first, a Board majority approval and thereafter ratification by a majority of the General Body.

I. PLEDGE:

*We (insert name of company)
 have read the code of conduct of the Association and have accepted all its content. We pledge to
 comply with all its terms and conditions.*

NAME:.....

DESIGNATION:.....

SIGNATURE:.....

DATE:.....