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Kate McKee of CGAP on Microfinance Client Protection

Questions of fairness and consumer protection in finance do not always have clear answers. The consumer's perspectives on transparency, fair treatment and rights are at least as important (and much less well-understood) as the provider's, and yet banks need to cover costs and achieve repayment if they are going to build sustainable businesses. How can the needs of both sides be balanced? Is it realistic to expect MFIs and their associations to protect clients, or is outside "enforcement" needed, whether through regulation or investor pressure?

"We are preoccupied, and understandably so, with expanding access to finance, but if we want to be driving to long term benefits we need to focus on quality as well," says Kate McKee of the Consultative Group to Assist the Poor. "Do the clients know what they are getting? Is the product designed in a way that it is sensitive to their particular circumstances? Is it good value for money? One aspect of quality that is increasingly important is client protection, which focuses on the principles of appropriate products, transparency, fair treatment and effective recourse when things go wrong. Client protection safeguards ensure that a microfinance provider's practices are consistent with these principles and that the product line help clients manage risk adequately. For example, is it responsible for a provider to make a loan for a milk cow – knowing that animal mortality is unpredictable and frequent – without offering insurance in the event the cow dies? Respecting client protection principles and offering multiple products puts MFIs in a position to provide safer and higher quality financial services. This in turn helps build trust, a critical factor, especially in markets where formal financial services are just getting off the ground."

Hear more from Kate McKee of CGAP at the [Microfinance Impact and Innovation Conference](#) in New York City, Oct 21-23.

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