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Transparency in Promotions and Sales: A Checklist for Financial Service Providers

This resource offers a practical guide to improving transparency in the promotion and sale of financial products. It includes five checklists with recommended practices for communicating with clients when offering individual loans, group loans, savings products, and services for clients with special needs. The tool focuses on the first point of client contact—the sales pitch—and emphasizes the use of clear language, appropriate communication methods, and materials suited to clients' financial literacy. Institutions are encouraged to review and adapt the checklists to fit their own products and sales approaches.

Keywords: Transparency - Sales practices - Client communication - Financial product promotion - Checklist

Introduction

Financial service providers must fully disclose to clients the prices, terms, and conditions of their financial services. Transparency protects clients by allowing them to make financial decisions based on full and accurate information. However, full disclosure is not enough—financial service providers must provide complete information in a *form that is understandable to clients*. This includes using plain language that does not mislead or confuse clients, using multiple methods to disclose information, and using materials and communications methods appropriate to clients' financial literacy.

Financial service providers should observe the principle of transparency at every point of interaction with the client, from promotions, to loan disbursement, to repayment, to account closing. **This tool focuses on the first point of contact with the client—the initial “sales pitch.” Financial service providers can use this tool to improve transparency when promoting and selling credit and savings products.** The tool contains five “good practice” checklists:

- I. A checklist of communication “do’s” and “don’ts” that apply to *all* interactions with clients during the promotions and sales process
- II. A checklist for transparency when selling *individual loans*
- III. A checklist for transparency when selling *group loans*
- IV. A checklist for transparency when promoting *savings products*
- V. A checklist for transparency when selling products to *clients with extra needs*

Managers should examine the tool to determine which elements apply to their institution. Then, managers should review the tool with sales staff and discuss how to apply the checklists to staff interactions with clients. The Smart Campaign encourages financial service providers to adapt the tool to their particular products and sales techniques.

I. General Transparency Guidelines for Treatment of Potential Clients

These are guidelines for plain language communication that should apply to all interactions between staff and clients. Use this checklist to instruct promotions and sales staff. Institutions should also formalize these concepts in their credit policies/ staff book of rules.

During the promotions and sales process, **DO**:

- ☐ Frequently give potential clients the opportunity to ask questions.
- ☐ Provide the institution's contact information, inform clients where to direct future questions, and inform clients where and how they can make complaints.
- ☐ Use local language(s).
- ☐ Use plain terminology; avoid financial jargon or terms unfamiliar to potential clients.
- ☐ Refrain from judgmental or embarrassing questions.
- ☐ Use visual aids with potential clients who are not literate.

During the promotions and sales process, **DO NOT**:

- ☐ Oversell the benefits of the institution's products (i.e., position them as a solution to all of the client's problems).
- ☐ Omit information regarding policies that could affect the potential client's financial situation (e.g., fees, interest rates, compulsory products, repayment schedules).
- ☐ Pressure clients into accepting a product if they do not yet fully understand it.
- ☐ Use aggressive language or gestures in an effort to convince clients to buy a product.

II. Transparency During the Promotion & Sale of Individual Credit

Use the checklist below to ensure transparency during the promotion and sale of individual credit. Institutions should also formalize these concepts in their credit policies/ staff book of rules.

During the promotion and sale of individual credit, fully disclose the following information, in a way that is understandable to clients:

- ☐ Basic eligibility requirements for taking loan.
- ☐ The typical time requirements and documentation that will be needed to open an account (e.g. national identification).
- ☐ Terms and conditions of a typical individual loan contract, including:
 - ☐ all fees;
 - ☐ interest rates and how long they are in effect; and
 - ☐ any linked or compulsory products (e.g., life insurance) for which the client would be charged.
- ☐ What a typical loan repayment schedule looks like including a timeline and sample amortization table.
- ☐ Typical collateral requirements and a list of items that are accepted as collateral.
- ☐ Collections policies, including action taken with delinquent clients.
- ☐ Grounds for termination of the loan contract.
- ☐ Institution's duties to the client (e.g., institutional Code of Ethics).
- ☐ The client's rights and responsibilities (e.g., Client Pledge).
- ☐ The institution's client data policies, required forms, and in particular, whether the institution:
 - ☐ uses client information for marketing or cross-selling products;
 - ☐ shares client information with a credit bureau; and/or
 - ☐ shares client information with the client's family members.
- ☐ The institution's practices for avoiding client over-indebtedness, and what the client can do to avoid over-indebtedness.
- ☐ Any training that will be provided to new clients.
- ☐ What documentation the client will sign and what their signature implies.
- ☐ Provide a written document that summarizes all of this information.

III. Transparency During the Promotion & Sale of Group Credit

Use the checklist below to ensure transparency during the promotion and sale of group credit. Institutions should also formalize these concepts in their credit policies/ staff book of rules.

During the promotion and sale of group credit, fully disclose the following information, in a way that is understandable to clients:

- ☐ The basic eligibility requirements for taking a group loan.
- ☐ The process for forming a group.
- ☐ The typical time requirements (e.g. national identification) and documentation that will be needed to open an account.
- ☐ Terms and conditions of a typical contract, including:
 - ☐ all fees;
 - ☐ interest rates and how long they are in effect; and
 - ☐ any linked or compulsory products (e.g., life insurance) for which the client would be charged.
- ☐ What a typical loan repayment schedule looks like including a timeline and sample amortization table.
- ☐ Typical collateral requirements and a list of items that are accepted as collateral.
- ☐ Collections policies, including action taken with delinquent clients.
- ☐ Grounds for termination of the loan contract.
- ☐ The institution's duties to the client (e.g., institutional Code of Ethics).
- ☐ How to select group members. In particular, offer guidance on assessing peer willingness and capacity to repay.
- ☐ The institution's practices for avoiding client over-indebtedness, and what the client/group can do to avoid over-indebtedness.
- ☐ The group's rights and responsibilities, as well as individual rights. This includes information about the group guarantee mechanism, if used:
 - ☐ the rights and responsibilities of each member in case of member default;
 - ☐ responsibilities in case of client death; and
 - ☐ other group requirements (e.g., meeting attendance, behavior).
- ☐ The institution's client data policies, required forms, and in particular, whether the institution:

- ☐ uses client information for marketing or cross-selling products,
- ☐ shares client information with a credit bureau, and/or
- ☐ shares client information with the client's family members.

☐ Any training that will be provided to new clients.

☐ What documentation the client will sign and what their signature implies.

☐ Provide a written document that summarizes all of this information.

IV. Transparency During the Promotion of Savings Products

Use the checklist below to ensure transparency during the promotion of savings products. Institutions should also formalize these concepts in their credit policies/ staff book of rules.

When promoting savings products, fully disclose the following information, in a way that is understandable to clients:

- ☐ The basic eligibility requirements for opening a savings account.
- ☐ All savings options available to clients—money market, checking account, etc.
- ☐ Process for deposit and withdrawal, including:
 - ☐ location of branches, ATMs, and other service points;
 - ☐ typical time requirements;
 - ☐ required documentation;
 - ☐ currencies available;
 - ☐ fees associated with deposit, withdrawal and minimum balance; and
 - ☐ the importance of collecting receipts and/or how to receive confirmation of electronic transactions.
- ☐ Any other costs associated with a savings account, including:
 - ☐ replacement fees for lost debit cards;
 - ☐ account closing fees;
 - ☐ overdraft fees; and
 - ☐ dormant account fees.
- ☐ The use of a secret personal identification number (PIN), how to protect it, and how to access an account if PIN or card is lost.
- ☐ Whether and how saving are legally protected by a regulatory body.
- ☐ How to set goals for savings.
- ☐ Whether savings accounts are linked to clients' credit accounts, and if so, the institution's policy on confiscating savings in the case of credit default.
- ☐ If others (such as family members) will have access to an account:
 - ☐ explain the rights of others regarding deposits and withdrawals, and
 - ☐ provide information on how to protect the account from abuse or misuse.
- ☐ What documentation the client will sign and what their signature implies.
- ☐ Provide a written document that summarizes all of this information

V. Transparency When Promoting Products to Clients with Extra Needs

In addition to using the checklists above, add these lists when promoting or selling products to youths, people who are illiterate, or people with language barriers. Institutions should also formalize these concepts in their credit policies/ staff book of rules.

When speaking with potential clients who are youths:

- ☐ Have a parent/ legal guardian /adult representative present, when possible.
- ☐ Explain the rights and responsibilities of a youth account holder. If applicable, explain how youth rights/responsibilities differ from adult rights/responsibilities.
- ☐ Explain the rights of their legal guardian (e.g., the legal guardian will/will not have access to the account).
- ☐ Provide information on how to protect account information and prevent guardian misuse.
- ☐ Provide extra time for the potential client to ask questions.
- ☐ Ensure that the potential client knows how to register questions or complaints with the institution.
- ☐ Offer financial education programs, when possible.

When speaking with potential clients who are not literate:

- ☐ Give a detailed verbal explanation of the product or service.
- ☐ Use visual aids whenever possible.
- ☐ Allow a third party to assist the client in reading/understanding the products.
- ☐ Provide extra time for the potential client to ask questions.

When speaking with potential clients who have language barriers, including people who are hard of hearing:

- ☐ Ask the potential client how they are most comfortable communicating.
- ☐ Use local language whenever possible.
- ☐ Employ an interpreter or allow a third party to assist the potential client in reading or understanding the products.
- ☐ Use visual aids whenever possible.
- ☐ Provide extra time for the potential client to ask questions.

ANNEX: Transparency from the Client Perspective

The checklist below can help financial service providers think about transparency from the client perspective. Use this checklist in trainings with staff, as a part of a new staff orientation packet, as a poster to remind staff to keep clients' interest at the forefront, as the basis for interviews with clients, or adapt it to your institution's use in other ways.

This checklist applies to

Can Our Borrowers Agree to the Following?

- ☐ I can easily understand the interest rate on my loan and compare it to other financial service providers.
- ☐ I received the loan amount as stated in my contract.
- ☐ I know my installment amounts and when payments are due.
- ☐ I have never had late fees, early payment fees, account activity fees, or changes to my interest rate or loan terms that were unexpected.
- ☐ I understand my responsibilities for delinquent group members.
- ☐ I know my outstanding debt and the amount in my savings account.
- ☐ I always have the opportunity to ask questions during my interactions with the financial service provider.