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Circular to Microfinance Companies Operating In the Kingdom

Greetings,,,

We enclose herewith the “Collection Guidelines for Microfinance Companies”, which aim to regulate the mechanism of collection and communication with clients, protect their rights, and ensure the transparency and fairness in collection processes. It is to be noted in this regard that there is a need to work on preparing a binding policy that is in line with these guidelines at a minimum, and provide the Central Bank with a copy of this policy after approving it by the Board of Directors/ Management Committee, so that it shall be effective as of 1/4/2023.

Respectfully,,,

- Attachment

Governor
Dr. Adel Al Sharkas



Central Bank of Jordan

Financial Consumer Protection Department

Collection Guidelines for Microfinance Companies

Article (1): The General Framework

The general framework of these guidelines is summarized in defining the following main points:

- The documented means of communication that the company is entitled to use when communicating with clients or their guarantors.
- Controls for communication with clients, and the number of communications during the month.
- Practices that the company is prohibited from doing when collecting debts.
- Procedures followed in case the client objects to the amounts requested from him by the company.
- Collection procedures from clients' accounts.
- Procedures for dealing with defaulted clients.

Article (2): The Goal of the Guidelines

The main objective of these guidelines is to regulate the mechanism of collection and communication with individual clients and their guarantors in a way that allows microfinance companies to follow clear and specific procedures, protecting the rights of the relation parties, ensuring transparency and fairness in collection processes, and limiting the abuse and unjustified pressure. **Each company shall prepare a collection policy that is binding on it, so that it includes what is stated in these guidelines at a minimum, and shall implement it in accordance with and in conjunction with the relevant legislation.**

Article (3): Scope of Application

The guidelines shall apply to all microfinance companies subject to the supervision of the Central Bank of Jordan, and the company shall prepare its own policy and have it approved by the Board of Directors/ Management Committee, so that it will be effective as of 1/4/2023.

Article (4): Controls and Procedures

A. Means of communication with clients:

Microfinance companies must make sufficient effort to communicate with clients and/or guarantors before taking any legal actions against them, while adhering to the limitation of verified means of communication that the company is entitled to use as follows:

1. Phone calls.
2. Text messages and notifications, for example (SMS, company application, social media applications such as WhatsApp, Telegram).
3. Email.
4. Written letters.
5. Visiting the client in person: provided that this mean should only be resorted after using all the above- mentioned means of communication, and that the company documents that it was not possible to reach the client through these means.

B. Controls for communication with clients:

The company must take into account the following items when communicating with clients, provided that all procedures taken in this regard are documented:

1. Phone call:
 - The collection officer must identify himself, the name of the company and the purpose of the call.
 - The number of phone calls should not be repeated more than (5) times per week and a maximum of (25) times per month of live/ active calls. The calls shall be between eight a.m. and five p.m., and it is prohibited to call during Fridays and official holidays.
2. Text messages and e- mail: the text of the message must include, as a minimum, the name of the company, the purpose of the message, contact numbers, and working hours.
3. Visiting the client in person: the visit should be from Saturday to Thursday between nine a.m. and five p.m., taking into account not to disclose any information related to the client regarding the indebtedness in the presence or existence of any other person.

C. Practices that the company is prohibited from doing when collecting:

In addition to the prohibited practices mentioned in the provisions of the Instructions of Financial Consumer Protection for Microfinance Sector in force, the collection officer is prohibited from doing any of the following:

1. Using harsh or obscene language, threatening or using violence.
2. Contacting clients on their workplace numbers (unless it is not possible to reach the loan parties through other means, with an emphasis on considering privacy and maintaining the confidentiality of any information related to the client's indebtedness and not disclosing it in the presence or existence of any other person).
3. Communicating with any third party with the aim of putting pressure on the client or asking him/her for debt.
4. Publication of any list of defaulters' names except legal publication and declaration related to legal cases.

D. Client's objection to the amounts requested from him/her:

In the event that there are due payments from the client, he/ she has the right to object to the amount requested from him/ her, and in this case, the company must do the following:

1. Registering and documenting the objection and informing the client of the result within a maximum period of (10) working days from the date of the objection.
2. Not communicating with the client regarding the payment of the objected unpaid amounts until the objection is resolved.

E. Collection procedures from clients' accounts:

In the event that the client authorizes the company to deduct the monthly installment from his/ her bank account and/ or any party that can be deducted from, the company must specify the deduction date in advance, according to what is stated in the payment schedule, taking into account the consistency with the date of depositing the client's monthly salary.

F. Procedures for dealing with defaulted clients:

1. The company must take into account the client's circumstances when requesting a debt rescheduling if the client's financial circumstances proved to have changed unwillingly.
2. In the event that the customer is ready to make any payment and the subsequent payment due can't be made, then the payment will be accepted without requiring full payment of the amount due.

Article (5): General Provisions

- A.** In the event that the company contracts with a third party to collect debts¹, the company must ensure the third party's compliance with the provisions of the collection policy prepared by the company, in addition to ensuring its compliance to maintain the confidentiality of clients' data.
- B.** In the event that the collection officer receives any payment from the client outside the company's headquarter or its branches, he/ she must document that through payment receipts issued by the company, so that they are in two copies (a copy kept by the client and a copy for the company's files).
- C.** The department responsible for collection procedures must be subject to review by the company's compliance department on a regular basis, to ensure the soundness of the procedures and their compatibility with relevant legislation.
- D.** The company shall do the following:
 - 1. Establish a specific mechanism for handling collection complaints, indicating the procedures taken in this regard.
 - 2. Conduct a periodic review of the collection procedures in order to improve them and to be in line with the relevant instructions.
 - 3. Circulate the company's collection policy to collection officers to comply with it.
 - 4. Provide the necessary training to the collection staff on the principles of consumer protection and dealing with transparency.

¹ It is permissible to seek the assistance of a third party to collect the company's debts, provided that it is a lawyer /law firm where all its partners are lawyers.