



## **B Lab Statement on Produbanco's B Corp Certification**

B Lab's independent Standards Advisory Council has rendered the following decision and guidance regarding eligibility for B Corp Certification for debt collection agencies in emerging markets:

*"Companies in the debt collection industry in emerging markets are eligible for B Corp Certification with additional review by the Standards Advisory Council to ensure they are proactively managing and demonstrating leadership on the material sensitive issues in the industry as outlined in the position statement, AND, if determined to be eligible, incremental disclosure on their B Corp Profile about how they do so."*

Produbanco operates a subsidiary called Protramites S.A that earns the majority of its revenue from debt collection services and is required to disclose a summary of its practices in the areas of Ethical Treatment of Borrowers and Data Accuracy, Privacy and Security as a part of its B Corp Certification. For more information on the review process, please refer to B Lab's position statement on Debt Collection Agencies in Emerging Markets and B Corp Certification [here](#).

### **Summary of company**

[Produbanco](#) is a banking company based in Ecuador. Its subsidiary, ProTramites S.A. is responsible for debt collection services of the entire Produbanco portfolio, as well as the administration of credit portfolios, preparation and instrumentation of guarantees and prior evaluation of credit subjects. It has 311 employees, 93% of which are related to or participate in the collection process or provide support to the collection areas. Over half of these employees have more than 5 years experience in their position. Debt collection constitutes ~93% of Protramites' annual revenue, and <1% of annual revenue of Produbanco group. The company operates its own call centres for its various debt collection services, including telephonic (80%), sms/email (15%) and in office collections (5%). The company does not utilise any field collections and only buys debt from their parent company, Produbanco. They align with the Produbanco mission which is "to promote a bank that develops relationships and offers products and services to our communities, to help them overcome their limits, be they cultural, economic, personal or geographic"; and their values are 'Our essence is the client, We make the difference, Our ideas build, We are a team' and 'We keep our commitments.'

### **PRODUBANCO's Policies and Practices**

#### *Consumer Protection Policies and Practices*

Produbanco's debt collection focuses solely on the group portfolio and the company does not collect debt for any third party clients. The company abides by the regulation and mandatory compliance relating to Collection Management as outlined in the Resolutions of the [Superintendent of Ecuadorian Banks](#) (SBE) and the [Organic Monetary and](#)



[Financial Code \(COMF\)](#). Produbanco has the following policies that seek to address the industry risk of unethical treatment of consumers:

- A Collection Management and Portfolio Recovery Non Commercial Segment Policy that outlines Ethical Treatment in Collection Management.
- A Code of Ethics aimed at compliance with regulations set forth by the SBE and the COMF regarding the protection of the rights of the financial user, and the consumer defence law.
- All pertinent policies related to collections procedures, include a reference to the SBE Regulations and the COMF on Collection Management.
- Produbanco participates in the [Asobanca](#) (Association of Private Banks of Ecuador).
- Produbanco relies heavily on technology to optimise the process of collection (e.g. progressive dialling, call recording, call scripts etc.)
- All staff will go through a new annual mandatory training on Quality of Service to enforce service and attention attributes related to client interaction. The new training course and learning manual is due to be finalised before the end of 2022.

Following are some specific practices / guardrails, for carrying out the collections process that are stipulated in Produbanco's collection policy document which are also applicable for other means of collection such as SMS, WhatsApp and office collections:

- Employees are prohibited from calling the debtors before 7 am and after 8 pm in the location of the debtor. Debtors are not contacted on the weekends or on public holidays. The company system does not allow for debtor contact outside of the allocated times.
- Employees must treat debtors with respect and no discrimination based on race, ethnicity, religion, ideology, political opinions, age, gender, sex, physical capability, economic conditions, social or cultural or migration status is tolerated.
- Employees must fully identify themselves and satisfy the debtors requirement for proof of identification.
- If the debtor pays their debt or if they request the debt collector to cease future communications, the employee should stop except in specific circumstances.
- Employees are prohibited from harassing or abusing the debtors which includes:
  - Utilisation of violence for harming the debtor, their reputation or their property as well as utilisation of profanities or obscene language.
  - Publishing lists of debtors that refuse to pay their debt
  - Repeatedly calling the debtor
  - Threatening to sell the debt to another entity or threatening the debtor that they could be incarcerated



- Communicating false information regarding the nature, origin, status of the debt being collected
- Acquiring the identify of the debtor by deploying spurious means
- Employees are prohibited from deploying any unjust practices during debt collection i.e. charging a commission / interest, communication regarding forceful acquisition of the debtors' assets which are prohibited by law.
- Collection management is done only through the recorded media provided by Produbanco. For early defaults, specific scripts are on hand which each employee is required to follow. For medium and advanced defaults, employees are given guidelines to follow by management.
- Employees are prohibited from accepting gifts/money from any debtor

Produbanco does not conduct field collections and the Collection Policy does not allow for the collection of personal property. Any collections for real estate as collateral must follow regulations of the SBE or a formal judicial process as determined by Ecuadorian laws.

The majority of the calls and messages are scripted and have termination protocols. All calls are recorded and recordings are used to train employees in the collection team on good and bad practices. Employees are trained during induction and call quality is monitored twice per week (16 calls per day), and in the event of any non-compliance or an opportunity for improvement, specific training is conducted with the pertinent employee based on their evaluation. Calls are checked for tone of voice, use of call scripts, management of the situation, welcome, termination registration and dial mode. Each case of non compliance is evaluated by a committee comprising the Direct Supervision Line, Area Coordinator, Strategy Coordinator and General Management. Produbanco also has outlined sanctions for digressions from good practices including dismissal of employees depending on the circumstances. The evaluation process takes into account the ethical treatment of the customer by assessing the friendliness of the interaction, clarity of the communication, ability to reach an agreement, and the termination process.

The company has created a new 'Quality of Service' E Learning training program for all their employees. The training is used to reinforce protocols regarding client attention at every stage of the debt collection process. All new and old employees will be required to take this training as well as a refresher course on an annual basis.

Produbanco uses a multi-channel approach for contacting debtors consisting of text messages, whatsapp messages, and calls, which reduces the risks of embarrassment, misunderstandings, intrusion and other problems resulting from a high reliance on person-to-person interaction.<sup>1</sup> The company utilises a software for progressive dialling

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<sup>1</sup> CGI (2017), Customer Satisfaction, Cost Savings, Performance Improvement: A Clear Case for Moving to Multi-Channel Collections, Retrieved from <<https://www.cgi.com/sites/default/files/white-papers/multi-channel-collection.pdf> >



which is similar to predictive dialling in that it helps in planning efforts based on debtors' information and builds efficiency in the process of collection while also allowing for more personalised interaction.

Produbanco's manual for handling debtor complaints outlines an elevation process to three levels. Complaints received through one of the various [customer channels](#) are registered at Level 1. At Level 2, the Financial Consumer Service Area, which is legally required by the SBE, resolves the complaints and responds to the client either by mail or phone call to the number on file and/or a physical letter is sent to the registered address for the client. Level 3 is only required where the case merits special review. It is then dispatched to the relevant department before returning to level 2, to ensure a response to the client. All complaints are monitored by the Financial Consumer Service Area and satisfaction surveys are carried out by the Production Quality Unit. Produbanco publishes data on complaints annually. The information from the Satisfaction survey is captured as part of their Quality Measurement scheme, to improve their overall service. To date, Produbanco has not received any complaints regarding an ethical treatment issue.

Produbanco's collection management policies and activities are overseen and signed by their Board of Directors. Further, Produbanco's Collection Unit is separate from their Collection Management unit, who oversee their Collection policies. Any updating of policies is done together with the Credit and Collections Unit and the Audit Unit.

The company offers a [Financial Education Program](#) focused on employees, clients and the community through different channels. They have also embedded a section in their policies to communicate about the importance of maintaining a good credit history.

10% of the operations are managed by third party companies. Produbanco's monitoring and collection processes are contractually defined with weekly quality monitoring controls. Random reviews are conducted and feedback is provided to the Collection Company where necessary. The company does not buy or sell any of its bad debt and carries off portfolio sales only in a write off status. As part of the sales analysis process, company buyers are screened for their ethical practices and collection techniques.

### ***Data privacy and security policies and practices***

The company abides by the Data Privacy and Security Policies that are in place from the parent company, Produbanco. The Information Security Management System is based on ISO 27001. Allocation for collection management is automated to avoid human errors. All the conditions that an operation must have to be assigned (unpaid amount, products, days of unpaid, customer segment) have been parameterized in the company system. The data of expired operations and their payments are updated on a daily basis. On the first day of each month, the Collections unit reviews the list of operations assigned in these automatic processes and randomly validates that the



assigned operations are correct. The company has procedures in place to correct any inaccuracies in the data, however, these are almost nonexistent.

Any second hand debt purchased by the company as part of their portfolio goes through a series of filters and independent reviews of the purchase negotiation and the collection units. Once the Portfolio is purchased, the operations adhere to the control, monitoring and collection management processes of the other Bank operations. Produbanco and its subsidiaries incorporate confidentiality clauses in the contracts for outsourced processes. Related to the contracts for financial services with their own clients, Produbanco has approved confidentiality clauses, under certain conditions, which will be applied throughout 2022.

The following table describes Produbanco's control practices for the collection process against some of the areas outlined in the IFC report<sup>2</sup> on Responsible Debt Collection in Emerging Markets .

	<b>Produbanco's practices</b>
COLLECTIONS POLICY - Policy coverage	Corporate social responsibility, reputational risks and customer relationship are viewed on par with collections efficiency
COLLECTIONS POLICY - Top management involvement	Board committee approves collections policy
PROCESS MANAGEMENT - Field collections	<ul style="list-style-type: none"> <li>• No Field collection</li> </ul>
PROCESS MANAGEMENT - Phone collections	<ul style="list-style-type: none"> <li>• High reliance on phone and digital communication</li> <li>• All calls scripted, call termination protocol</li> <li>• Progressive type dialling</li> <li>• Training using call records</li> </ul>
EMPLOYEE SKILL MANAGEMENT - Hours of training a year	<ul style="list-style-type: none"> <li>• ~80 hours</li> </ul>
EMPLOYEE SKILL MANAGEMENT - Training on ethical collections	<ul style="list-style-type: none"> <li>• ~8 hours (6 Hours of training for Money Laundering, Data Security and Customer Support + 2 hours of Ethical Training)</li> </ul>
EMPLOYEE SKILL MANAGEMENT - Qualification & average experience	<ul style="list-style-type: none"> <li>• Education and experience in Economics, Administration, Auditing, and Finance.</li> </ul>

<sup>2</sup> International Finance Corporation (2012), *Responsible Debt Collection in Emerging Markets*, Retrieved from <https://www.ifc.org/wps/wcm/connect/587d25004a9f117795ebfdeec99f439e/Responsible+debt+collection-Final.pdf?MOD=AJPERES>



EMPLOYEE SKILL MANAGEMENT - Performance evaluation	<ul style="list-style-type: none"><li>• Balanced scorecards with financial and process elements</li><li>• Severe penalties for transgressions</li></ul>
MONITORING SYSTEMS - Phone Collection	<ul style="list-style-type: none"><li>• Calls are recorded and monitored</li><li>• Centralised open floor call centres with tight supervision</li></ul>
MONITORING SYSTEMS - Third Party Collections	<ul style="list-style-type: none"><li>• Communication scripts are approved and recorded</li><li>• Continuous quality control ,monitoring process</li></ul>
PROCESS INNOVATION	The company uses tools such as the IC Business Manager to monitor and audit calls to debtors.