

Duty to provide customers with adequate information

The possible failure of a financial institution to comply with the duty to provide customers with adequate information on a specific financial product initiated legal proceedings that concluded with a ruling from the Supreme Court of Spain.

The Supreme Court, in view of the domestic and EC legislation, and specifically the Securities Market Act and Directive 1993/22 of the European Union Council, emphasises that the obligations of financial institutions include providing customers with clear, correct, exact and sufficient information on the service or product they are considering taking out. The Court has also stated that such information must be given in sufficient time to avoid its incorrect interpretation.

It also emphasises that customers must be informed of the characteristics of the products, and that special attention and diligence must be displayed when dealing with non-professional customers.

Although there are specificities relating to the country, the financial institution, the product and the customer in the ruling, the guidelines established by the Supreme Court reflect international tendencies in the area of customer protection, which the microfinance industry should incorporate due to the special vulnerability of its customers.

The Principles of Customer Protection set forth by the BBVA Microfinance Foundation Group are part and parcel of its system of Corporate Governance. They reflect a firm commitment to a line of action. In this way, the Group is promoting two fundamental principles, in keeping with the arguments of the Supreme Court:

The Duty of Diligence in two senses. Firstly, the products designed and marketed by the entities belonging to the Foundation Group should not be complex and must be easy for its customers to understand. Secondly, member entities are obliged to help customers avoid over-indebtedness by offering financial products that are suited to their needs.

The Principle of Transparency. The Foundation Group supports this principle, ensuring that its customers must be provided with clear, pertinent information that is sufficient to be able to understand its products, apprising them of their rights and obligations so that they can take informed, well-grounded decisions.

By way of demonstrating the Group's commitment to transparency, as part of its Entrepreneur Training project, it has created an educational dossier that it intends to distribute among its customers along with the rest of the contractual information. Its aim is to ensure they can master the core concepts of financial education (what a microcredit is, what an interest rate is, fees and charges to be paid, etc).