

## **FTC'S PRESENTATION ON MICRO CREDIT BILL**

On December 6, 2017 Dr. Delroy Beckford, Senior Legal Counsel of the Fair Trading Commission (FTC), presented a position paper at the Jamaica Micro-Financing Association's (JAMFA) Annual National Micro-Finance Conference on the proposed Micro Credit Bill which is designed to govern the Micro-Finance Sector. The position paper was based primarily on a study conducted on the sector by the FTC in May 2017.

Some of the findings of the study that was presented include:

- (i) A significant proportion of clients served by moneylenders could be considered a part of the group of disadvantaged members of the society;
- (ii) moneylenders differentiate their services from traditional providers of small loans on two dimensions: (a) easy access and (b) short processing time;
- (iii) There is scope for significant growth in the demand for the services offered by existing market players.

Arising from these findings the FTC made the following recommendations:

- Policymakers should ensure that adequate sanctions are imposed on moneylenders which do not disclose Annual Percentage Rates in advertisements;
- Policymakers should identify a cheaper source of funding for all financial intermediaries, including moneylenders;
- Policymakers should develop a set of terms that should be included in contracts issued by moneylenders. For example, penalties and all other relevant charges that may be levied on a borrower in the course of the loan should be included in the loan agreement. There should be no ambiguity in the determination of these charges;
- Consumers should be given access to programs designed to improve financial literacy; and
- Credit Bureaus should be encouraged to capture a wider cross-section of the public.

The study conducted was also the basis for a competition analysis as to the likely effect on competition in the Micro-Credit Finance market regarding some of the provisions in the Micro-Credit Bill.

In this regard the following provisions were examined to determine the likely effect on competition in the micro-finance market. These include clauses 2, 4, 8, 11, and 11, covering issues relating to licensing requirements, interest rates, exclusionary provisions, and the public interest test regarding market entry.

The presentation also highlighted the concern of Micro-Credit firms who have been subject to closure of their accounts from particular banks and pointed to suggestions for alleviating this challenge under provisions of the Fair Competition Act, where applicable.