

FINCA Replies to Accusations of Running a Ponzi Scheme and Overpaying CEO

Dear Mr. Haering, I came across your blog post, "[The microcredit mafia lowers its socially responsible mask](#)," and am compelled to respond to your assertions. I believe we share the same concern for client interests. FINCA also values an open discussion on how best to deliver critical financial services to people across the world, wherever they may live.

1) As FINCA is one of the authors on the joint study, [Over-indebtedness in Mexico: Its Effect on Borrowers](#), I would like to convey a few important clarifications, starting with a factual correction: the 74% of applicants who are over-indebted were not given credit, as you state, to cover their existing debt. In keeping with FINCA policy, they were advised against taking any further loans and their applications were declined. The 74% figure simply was cited to give some sense of the scale of the problem of over-indebtedness in Mexico-- a problem which we are attempting in good faith to solve, as evidenced by our very candid study and our recommendations on the topic.

Further, our observation that many borrowers were making their best efforts to repay is part of our larger argument in favor of stronger consumer protections -- something we would expect you to support. Our goal in exposing the vulnerabilities of struggling borrowers is specifically to inveigh against their exploitation, while also showing the high value that customers place on having continued access to credit if it is well structured.

I think it is important for us to get these facts and inferences clear, because we are very much on the same side when it comes to protecting borrowers from exploitive behavior, whether by MFIs or any of the many other actors who would prey on the vulnerable.

You might also be interested to know that our subsidiary in Mexico is currently undergoing certification by the Smart Campaign. The Smart Campaign's Client Protection Principles are already embedded in FINCA's policy but the certification process is a rigorous external review to assess compliance and we expect to complete the process early next year. If you are unfamiliar with the Client Protection Principles, I urge you to learn more about this initiative at <https://www.smartcampaign.org>.

2) Comparing the work of FINCA to payday lenders or a Ponzi scheme where loans are given to people simply so they can cover other loans is completely false. Your article confuses FINCA with the businesses and irresponsible lending practices that the Mexico study was intended to highlight and warn against.

3) In countries like Mexico where there is now a surplus of credit available, the need for responsible lenders is great. Loans that are structured to meet client needs and repayment possibilities are part of this. Governments must also step in with good legislation, consumer education, and credit bureau support. In this regard, the Microfinance CEOs Working Group has issued and is advocating a model law and you can find it [here](#).

4) In FINCA's 2014 IRS Form 990, which we published last week, the CEO compensation number that you cite (\$1.4 million) does not reflect the actual 2014 salary received by Rupert Scofield and, in fact, he did not have a salary increase. The actual gross salary in 2014 was \$415,547. This is noted in the detail of the Form 990. The \$1.4 million "total compensation" includes future retirement income and taxes that the Internal Revenue Service requires to be reported in the year of vesting in the retirement plan, which for Rupert Scofield was 2014. No cash was paid to him over and above the gross salary mentioned above. The \$1.4 million also includes additional deferred benefits already reported in a prior year Form 990 and that were required to be listed again, as noted in the detail of the Form. A similar situation affects the compensation reported for at least one other employee

Money and more

Blog by Norbert Häring

<https://norberthaering.de>

listed in the 990, and all details are in the notes.

While I will not get into a debate on the specific dollar amount of our CEO's salary, for your reference in terms of salary comparisons, according to the Charity Navigator's 2014 CEO Compensation Study for the U.S., the average salary for CEO's of large nonprofit organizations was \$256,143 (large defined as having to manage total expenses of more than \$13.5 million --- whereas FINCA's consolidated expenses are more than \$300 million) with the maximum compensation in this group being \$3,733,930.

As for the rest of our management team, what distinguishes FINCA International from other public charities is that we operate complex, regulated financial institutions, including client savings accounts in many countries, which requires all of the same banking operations and risk management skills that the for-profit banking sector needs. We need the best employees we can get in order to sustainably operate FINCA, expand financial inclusion (which requires borrowing funds internationally to on-lend to clients who need capital for their small businesses) and at the same time protect client deposits and the significant public investment that has gone into building FINCA. We seek and hire people who combine heart and mission with those hard skills and experience that are necessary to ensure we deliver on our responsibilities to all stakeholders.

With kind regards,
Allison Scuriatti
Deputy to the President & CEO

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