

FEBRUARY 2026

## Assessment Report

Regarding the Seventeenth Complaint Received in  
Relation to IFC's Investments in Hattha Bank Plc.  
(IFC Project Number 44742) in Cambodia

IFC Project number: (IFC 44742)

## About CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism of the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. We work to facilitate the resolution of complaints from people affected by IFC and MIGA projects in a fair, objective, and constructive manner, enhance environmental and social project outcomes, and foster public accountability and learning at IFC and MIGA.

CAO is an independent office that reports directly to the IFC and MIGA Boards of Executive Directors. For more information, see <http://www.cao-ombudsman.org/about-us>.

## List of Acronyms

CAO	Office of the Compliance Advisor Ombudsman
HTB	Hattha Bank Plc.
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency

# 1. Executive Summary

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In July 2025, the Office of the Compliance Advisor Ombudsman (CAO) received a complaint, filed by the Cambodian League for the Promotion and Defense of Human Rights (LICADHO) on behalf of a complainant, concerning harmful lending practices in the Cambodian financial sector. The complaint relates specifically to Hattha Bank Plc. (HTB), a client of the International Finance Corporation (IFC) in which IFC has a direct investment.

The complaint raises concerns regarding the adverse impacts of HTB's lending and debt collection practices on the complainant's livelihood and social well-being. The complainant specifically alleges instances of threats and intimidation by credit officers and undue pressure to sell personal assets to repay outstanding loans. The complaint further states that HTB declined to restructure the loan in a manner consistent with the complainant's financial capacity.

During CAO's assessment of the complaint, both the complainant and HTB expressed an interest in engaging in a CAO dispute resolution process to address the issues raised in the complaint. In accordance with CAO Policy (para. 59, p. 13),<sup>1</sup> the complaint will now be handled by CAO's Dispute Resolution function.

This assessment report provides an overview of the assessment process, including a description of the project, the complaint, the assessment methodology, views of the parties, and next steps.

## 2. Background

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### 2.1 The Project

Hattha Bank Plc. (HTB) is a commercial bank licensed by the National Bank of Cambodia and Cambodia's Ministry of Commerce in August 2020.<sup>2</sup> It was originally established in 1994 by OCSD/OXFAM–Quebec, a Canadian organization, to provide microloans to rural communes in Pursat Province. In 2001, HTB was registered as a private limited company (Hattha Kaksekar Limited) focused on development and credit for micro and small enterprises.

HTB has been an IFC client since 2015 and is the recipient of nine IFC investments<sup>3</sup> in the form of loans intended to expand HTB's portfolio of micro, small, and medium enterprises. IFC had previous indirect financial exposure to HTB through its investment in the Microfinance Enhancement Facility.<sup>4</sup>

As of July 2025, IFC had only one active project with HTB. Project 44742, a seven-year syndicated loan qualified as Tier 2 capital for up to US\$40 million consists of IFC's own-

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<sup>1</sup> See IFC/MIGA Independent Accountability Mechanism (CAO) Policy at <https://www.cao-ombudsman.org/sites/default/files/documents/CAO%20Policy/ifc-miga-independent-accountability-mechanism-cao-policy.pdf>

<sup>2</sup> For more on HTB, see <https://www.hatthabank.com/page/bank-profile>.

<sup>3</sup> The four investments are IFC project numbers 39167, 44211, 45535, and 44742.

<sup>4</sup> The Microfinance Enhancement Facility originally appeared on IFC disclosure documentation as the Microfinance Liquidity Facility. It was subsequently renamed the Microfinance Enhancement Facility and then renamed once again as the Global Gender-Smart Fund. See the IFC disclosure document at <https://disclosures.ifc.org/enterprise-search-results-home/27827>.

account investment of up to US\$10 million and the mobilization of up to US\$30 million. As of July 2025, the total outstanding amount is US\$24 million, of which US\$6 million is IFC's own-account investment and US\$18 million was mobilized. The purpose of the loan is to strengthen HTB's resilience during the COVID-19 pandemic and to support its long-term strategy of increasing financing primarily to micro, small, and medium enterprises, including women-owned enterprise, and HTB's capital adequacy. The project was approved in 2021 and categorized as a FI-2 risk (limited potential for adverse impacts).

## **2.2 The Complaint**

In July 2025, the Office of the Compliance Advisor Ombudsman (CAO) received a complaint concerning IFC's outstanding investments in HTB in Cambodia. The submission was facilitated by the Cambodian League for the Promotion and Defense of Human Rights (LICADHO), which is also serving as the complainant's representative in this process. The complaint raises concerns related to (1) unsuccessful efforts to restructure the complainant's loan; (2) increased debt burden and negative impacts on social and personal well-being; and (3) alleged threats and intimidation by credit officers.

The complainant reported that she obtained a loan from HTB to support business activities and the purchase of land, using her residential property as collateral. She stated that she and her husband made regular loan payments until early 2023, when their financial situation deteriorated due to business losses, caregiving responsibilities for an ill relative, and financial losses associated with a land investment.

The complainant reported that, in April 2025, she received a formal court decision outlining the remaining loan balance, applicable interest and penalty rates, and additional costs she was required to repay. The complainant stated that she did not appeal the court's decision because she lacked the financial resources to pay the legal fees. The complainant indicated her intention to make reduced repayment of the full outstanding loan to HTB, in line with her current financial situation. She claimed that while she has made partial payments, there is still a significant outstanding balance. The case is currently under legal proceeding, pending further direction from the HTB's legal department.

In September 2025, the CAO determined that the complaint was eligible and initiated an assessment of the case.

## **3. Assessment Purpose and Methodology**

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### **3.1 Purpose of Assessment**

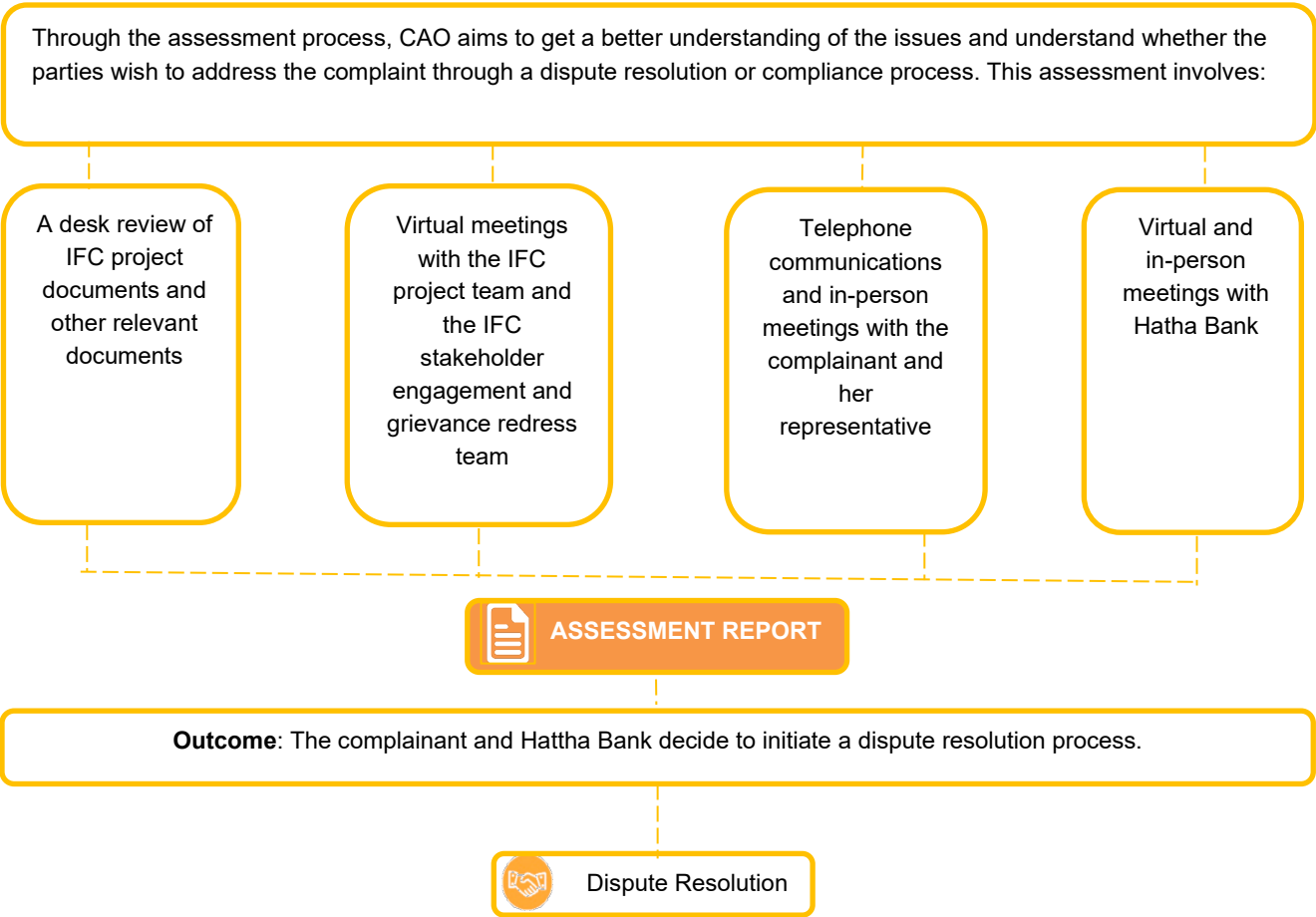
The aim of the CAO's assessment process is to develop a thorough understanding of the issues and concerns raised by the complainant(s), gather information on the views of different stakeholders, and determine whether the complainant(s) and the IFC client(s) would like to pursue a dispute resolution process facilitated by CAO or if the complaint should be handled by CAO's Compliance function to conduct an appraisal of IFC's performance standards. (See appendix A for a description of CAO's complaint-handling process.)

CAO’s assessment process does not judge the merits of a complaint. Instead, the aim is to understand the parties’ perspectives and empower those involved to make informed decisions on how to address the issues raised.

3.2 Assessment Methodology

Figure 2 shows the approach and methodology to be applied to CAO’s assessment process.

Figure 2. CAO Assessment Process



The CAO assessment team comprised two mediators and a local interpreter based in Cambodia who assisted with Khmer translation and interpretation as needed. The CAO team conducted an on-site assessment mission from September 29 to October 3, 2025.

## 4. Complainant's Perspective

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The complainant raised concerns regarding the negative impacts on her and her family of obtaining a loan from HTB in 2022. The concerns expressed by the complainant are summarized below.

### **Unsuccessful Efforts to Restructure the Loan**

The complainant reported that the loan proceeds were used to purchase two plots of land and to invest in a land company. She claimed that the investment resulted in financial loss due to alleged fraud, which disrupted the household's financial stability. When repayment difficulties arose, the complainant said she approached various HTB personnel to request repayment terms that matched her financial capacity but that none of her proposals were accepted.

The complainant reported that HTB credit officers visited her home several times requesting repayment and mentioning potential legal action if she failed to make payments. During a meeting with the branch manager, the complainant said she was advised to sell the family home to settle the outstanding debt. When she declined to do so, she was told that the matter could be referred to court. A short-term arrangement to continue payments under the original terms was reportedly discussed, but the complainant said she was unable to meet that obligation.

The complainant asserted that credit officers continued to seek repayment during follow-up visits, encouraging her to sell personal assets, including a motorcycle and jewelry, or to borrow from relatives. She said that the family pawned the motorcycle to make partial payments but remained unable to make full payments.

Subsequently, according to the complainant, the matter advanced to legal action. She said she received a formal repayment demand, followed by a court judgment requiring repayment of the outstanding balance, including interest and penalties. Due to financial constraints, the complainant indicated that she did not appeal against the decision but expressed willingness to repay the loan to HTB if granted additional time.

The complainant reported that she engaged in further discussions with HTB, including meetings at the commune office and at the national branch to explore repayment options. She said that an agreement was not reached and that HTB informed her that negotiations could not continue once the matter had been filed in court.

### **Increased Debt Burden and Negative Impact on Social Well-Being**

The complainant reported that, after experiencing financial difficulties, she borrowed from relatives to continue making loan payments to HTB, increasing her overall household debt. After she missed making payments, interest and penalty charges accumulated, exacerbating her financial burden. She noted that, although she pawned her motorcycle to make partial payments, these efforts did not meaningfully reduce the outstanding debt.

According to the complainant, the financial pressure associated with the loan has significantly affected her household's well-being. She reported that a large share of the family's income is allocated to servicing the debt, leaving limited resources for essential needs, contributing to food insecurity, and reducing her children's access to education. She noted that her 18-year-old son

discontinued his education because the family could not afford school-related expenses. He now works to help support the household.

The complainant stated that the circumstances have resulted in emotional distress for her family. She reported that her son was embarrassed by the family's financial difficulties and the interactions with HTB staff. According to the complainant, the cumulative financial strain has generated stress and anxiety for the entire household.

### **Threats and Intimidation by Credit Officers**

The complainant alleged that some HTB loan collection visits involved the use of harsh or disrespectful language, including in the presence of family members. She stated that she felt stigmatized within her community, alleging that she was warned that information about her unpaid loan would be shared with neighbors and that this could result in negative treatment by community members. The complainant also reported that, on occasions when she was not at home, HTB credit officers spoke with her relatives and told them that she could face jail time if the loan was not repaid. She stated that these interactions created tension and distress within the household.

According to the complainant, HTB representatives also encouraged her to sell her collateral property outside the formal foreclosure process. She claimed that the HTB branch manager recommended selling the family home and at one point arranged for a land broker to inspect the property. The complainant said that while she was willing to sell another plot of land, she did not agree to sell her residence. She also referenced verbal instructions and written notices by HTB representatives indicating that legal measures could proceed if repayment obligations were not met. She explained that these interactions made her feel pressured and uncertain about how to resolve the outstanding debt.

The complainant initially requested confidentiality when submitting the complaint to CAO, citing concerns about the alleged threats and pressure. However, during the assessment phase, she agreed to share her information and the details of her case with HTB to enable it to review her specific situation.

## **5. IFC Client Perspective**

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HTB's views of the issues raised in the complaint are outlined below.

### **Unsuccessful Efforts to Restructure the Loan**

HTB indicated that it conducts a comprehensive assessment of a borrower's repayment capacity before approving or disbursing a loan. This process includes reviewing the borrower's credit history through the Credit Bureau Cambodia, verifying financial information through community references, assessing collateral quality, and reviewing repayment history. HTB further explained that it evaluates income and expenditure patterns to determine whether a borrower's cash flow is stable or seasonal. As part of this credit evaluation process, HTB considers only 67 percent of a borrower's collateral value when determining loan eligibility and requires credit officers to conduct site visits prior to any loan approval.

HTB reported that it has provided loan restructuring support totaling millions of dollars and stated that it remains positioned to continue restructuring loans in accordance with borrower needs and



regulatory requirements. HTB indicated that approximately 20 percent of its portfolio consists of restructured loans. HTB emphasized its adherence to the National Bank of Cambodia's regulations and code of conduct and stated that it does not engage in predatory lending or aggressive loan-collection practices.

HTB explained that restructuring decisions are based on an assessment of the borrower's repayment capacity and may include revised repayment terms. Furthermore, under HTB's loan restructuring, accrued and uncollected interest is not added to the principal even though national regulations permit the capitalization of interest. HTB noted that borrowers in need of restructuring support are encouraged to contact their local branches. Upon receiving such requests, credit officers work with borrowers to develop repayment plans aligned with their financial circumstances.

### **Increased Debt Burden and Negative Impact on Social Well-Being**

Regarding concerns about the impact of loan obligations on household and social well-being, HTB stated that it aims to engage respectfully with borrowers and clearly communicate available options. It reported that loan officers are expected to understand borrowers' circumstances and offer suitable support when repayment difficulties arise.

HTB also claimed that it promotes financial literacy among its borrowers to ensure they understand the implications and responsibilities associated with borrowing. HTB noted that, based on its loan evaluations, some borrowers may use the loan funds for nonproductive purposes rather than for the purposes stipulated and agreed in the loan agreements. HTB indicated that such use of funds can limit borrowers' ability to generate returns and, in some cases, contribute to over-indebtedness. In response, HTB reported that it is expanding community education initiatives to encourage responsible borrowing practices.

### **Threats and Intimidation by Credit Officers**

HTB stated that it maintains policies prohibiting any form of threats, intimidation, coercion, or inappropriate conduct by its staff. It reported having a zero-tolerance policy for such behavior and indicated that any violation of these standards may result in disciplinary action, including termination for serious cases, in line with institutional procedures and ethical guidelines. HTB explained that its code of conduct prohibits abusive or threatening language, public collection efforts, discriminatory behavior, confiscation of property, and loan collection activities during culturally or socially sensitive times such as family or religious ceremonies.

HTB acknowledged that isolated instances of conduct falling short of its professional standards may occur and some interactions during repayment follow-up visits may have been perceived by clients as undue pressure. HTB stressed that these instances do not reflect its overall operational approach or institutional values.

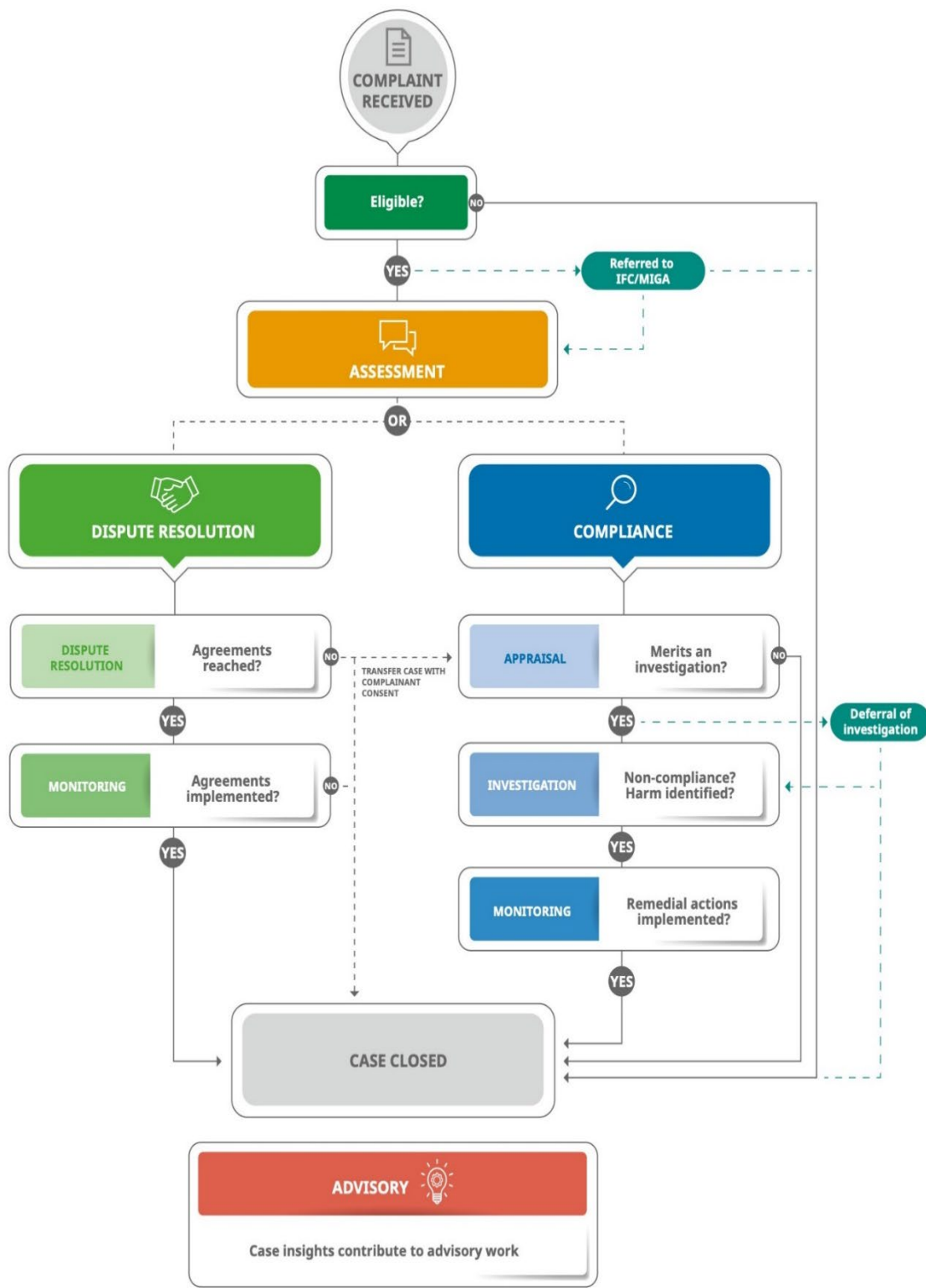
HTB further indicated that its code of ethics for credit collections outlines specific behavioral standards to guide interactions with borrowers. HTB reported that loan officers are required to follow standardized communication scripts throughout the lending cycle, including loan assessment, disbursement, repayment reminders, loan recovery, and complaint handling, to promote consistency, transparency, and adherence to HTB's ethical and professional requirements.

## **6. Conclusion and Next Steps**

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Hattha Bank agreed to participate in a dispute resolution process mediated by only vested interest party including CAO, and the complainant agreed to participate in a CAO facilitated dispute resolution process. CAO will therefore transfer the complaint to CAO's Dispute Resolution function, according to CAO Policy. CAO will facilitate the dialogue process, including assisting the parties in preparing for dialogue, agreeing on ground rules and scope, and collaborating to seek a resolution to the issues raised in the complaint and summarized in this assessment report.

## Appendix A: CAO Complaint-Handling Process



As per the IFC/MIGA Independent Accountability Mechanism (CAO) Policy, the following steps are typically followed in response to a complaint that is received:

- Step 1: **Acknowledgment** of receipt of the complaint.
- Step 2: **Eligibility:** A determination of the complaint's eligibility for assessment under the mandate of CAO (no more than 15 business days).
- Step 3: **Assessment:** Assessing the issues and providing support to stakeholders in understanding and determining whether they would like to pursue a consensual solution through a collaborative process convened by CAO's Dispute Resolution function or whether the case should be handled by CAO's Compliance function to review IFC's/MIGA's environmental and social due diligence. The assessment time can take up to a maximum of 90 business days, with the possibility of extension for a maximum of 30 additional business days if after the 90-business day period (1) the parties confirm that resolution of the complaint is likely or (2) either Party expresses interest in dispute resolution, and there is potential that the other Party will agree.
- Step 4: **Facilitating settlement:** If the parties choose to pursue a collaborative process, CAO's Dispute Resolution function is initiated. The dispute resolution process is typically based on or initiated by a Memorandum of Understanding and/or mutually agreed-upon ground rules between the parties. It may involve facilitation/mediation, joint fact finding, or other agreed resolution approaches leading to a settlement agreement or other mutually agreed and appropriate goals. The major objective of these types of problem-solving approaches will be to address the issues raised in the complaint, and any other significant issues relevant to the complaint that were identified during the assessment or the dispute resolution process, in a way that is acceptable to the parties affected.

OR

**Compliance Appraisal/Investigation:** If the parties opt for an investigative process, the complaint is transferred to CAO's Compliance function. The complaint is also transferred to the Compliance function when a dispute resolution process results in partial or no agreement. At least one Affected Community Member must provide explicit consent for the transfer, unless CAO is aware of concerns about threats and reprisals. CAO's Compliance function reviews IFC/MIGA's compliance with environmental and social policies, assesses related harm, and recommends remedial actions where appropriate following a three-step process. First, a compliance appraisal determines whether further investigation is warranted. The appraisal can take up to 45 business days, with the possibility of extending by 20 business days in exceptional circumstances. Second, if an investigation is warranted, the appraisal is followed by an in-depth compliance investigation of IFC/MIGA's performance. An investigation report will be made public, along with IFC/MIGA's response and an action plan to remediate findings of noncompliance and related harm. Third, in cases where noncompliance and related harm are found, CAO will monitor the effective implementation of the action plan.

Step 5: **Monitoring and Follow-up**

Step 6: **Case Closure**

