

JANUARY 2026

## Assessment Report

Regarding the Eighteenth Complaint Received in Relation to IFC's investment in the Microfinance Initiative for Asia (MIFA) Debt Fund (IFC Project 31467) in Cambodia

## 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
FC	International Finance Corporation
LICADHO	Cambodian League for the Promotion and Defense of Human Rights
LOLC	LOLC Plc
MFI	microfinance institution
MIFA	Microfinance Initiative for Asia
MIGA	Multilateral Investment Guarantee Agency

## 1. Summary

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In August 2025, the Office of the Compliance Advisor Ombudsman (CAO) received a complaint from a complainant represented by the Cambodian League for the Promotion and Defense of Human Rights, (LICADHO) a nongovernmental organization, regarding alleged harmful lending and collection practices in the Cambodian microfinance sector linked to an International Finance Corporation (IFC) sub-client, LOLC Plc (LOLC). LOLC is a sub-client of the IFC through IFC's investment in the Microfinance Initiative for Asia (MIFA) Debt Fund ([IFC Project: MIFA Debt Fund 31467](#)). LOLC is involved in another ongoing CAO dispute resolution case and is also one of the six financial institutions in Cambodia that is the subject of an ongoing CAO compliance investigation<sup>1</sup>

The complainant secured a loan from LOLC in 2022 and had difficulty meeting monthly repayment obligations due to poor agricultural yields. He reported experiencing an increased debt burden and the loss of land and claims that LOLC's lending and debt collection practices had negative impacts on his livelihood and well-being. The complainant further alleged that pressure and intimidation from LOLC's credit officers caused severe mental and emotional distress and that local grievance mechanisms were ineffective at addressing his concerns. In September 2025, CAO determined that this complaint met its eligibility criteria and began an assessment of the complaint.

During CAO's assessment, the complainant and LOLC expressed an interest in engaging in the CAO's dispute resolution process to address the issues raised in the complaint. During the assessment mission in October 2025, the CAO team convened the first joint meeting between the complainant and LOLC. The parties agreed in principle on how to address the issues raised in the complaint. In December 2025, CAO facilitated dispute resolution discussions between the parties, resulting in a dispute resolution agreement. While the specific terms of the agreement remain confidential, the parties released a joint public statement regarding their mutually satisfactory agreement. CAO will therefore transfer this complaint to CAO's Dispute Resolution monitoring, in accordance with CAO Policy.

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

## 2. Background

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**Microfinance Initiative for the Asia Debt Fund.** The MIFA Debt Fund was launched by the IFC, KfW, and BlueOrchard Finance to increase access to finance for micro-borrowers and low-income households in East Asia, South Asia, and Central Asia (IFC project MIFA 31467). According to the IFC, the fund offers market-based debt financing, with an emphasis on local currency and long-term financing. It provides financing to financial entities, particularly smaller and less-developed ones, that serve microenterprises or MFIs, helping to establish microfinance as an asset class with mainstream investors and leverage donor funds with private capital. The fund also supports capacity building for financial entities serving

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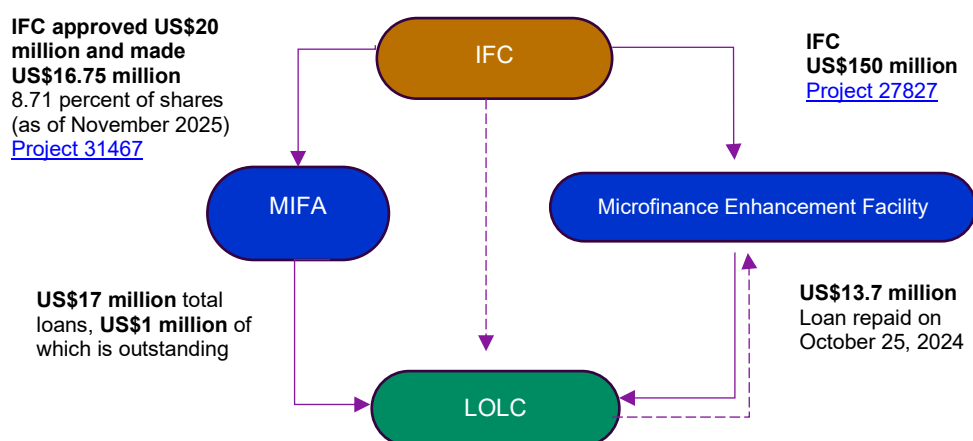
<sup>1</sup>Further information on this case can be found at <https://www.cao-ombudsman.org/cases/cambodia-financial-intermediaries-04> and <https://www.cao-ombudsman.org/case/cambodia-mef-mifa-debt-fund-04>.

microenterprises. BlueOrchard Finance, a leading global commercial microfinance investment manager, manages the fund. In 2012, IFC's Board of Executive Directors approved a US\$20 million investment in mezzanine shares for up to 20 percent stake in the MIFA Debt Fund. IFC made a US\$16.75 million investment in the fund and holds an 8.71 percent stake as of September 30, 2025. The investment was categorized as a financial intermediary (FI) risk under the IFC's previous 2006 Sustainability Policy.

**LOLC.** Between 2014 and 2022, LOLC received five loans totaling US\$17 million from the MIFA Debt Fund – four sub-loans and one senior loan.. As of December 2025, one loan of US\$1 million remains outstanding with maturity date of June 10, 2026. (Figure 1). According to the latest investor update for the MIFA fund, its exposure to LOLC comprises 1.11 percent of its net asset value. LOLC was previously a sub-client of the IFC through the Microfinance Enhancement Facility, but that loan was fully repaid on October 25, 2024.

LOLC<sup>2</sup> is an MFI licensed by the National Bank of Cambodia since 2003. Founded in 1994 as a credit program managed by the nonprofit organization Catholic Relief Service, it was incorporated in 2002 under the name Thaneakea Phum (Cambodia) Limited. In 2015, it changed its name to LOLC (Cambodia) Plc. LOLC is a former direct IFC client through a loan to support micro, small, and medium enterprises in the agricultural sector (IFC project 34422). IFC exited that project in 2017.

**Figure 1. IFC Financial Links to LOLC**



### 3. Assessment Purpose and Methodology

#### Purpose of Assessment

The aim of the CAO 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 if the complainant(s) and the IFC client(s) want to pursue a dispute resolution process facilitated by CAO or if the complaint should be handled by CAO's

<sup>2</sup> See <https://www.lolc.com.kh/en/an-overview-en>.

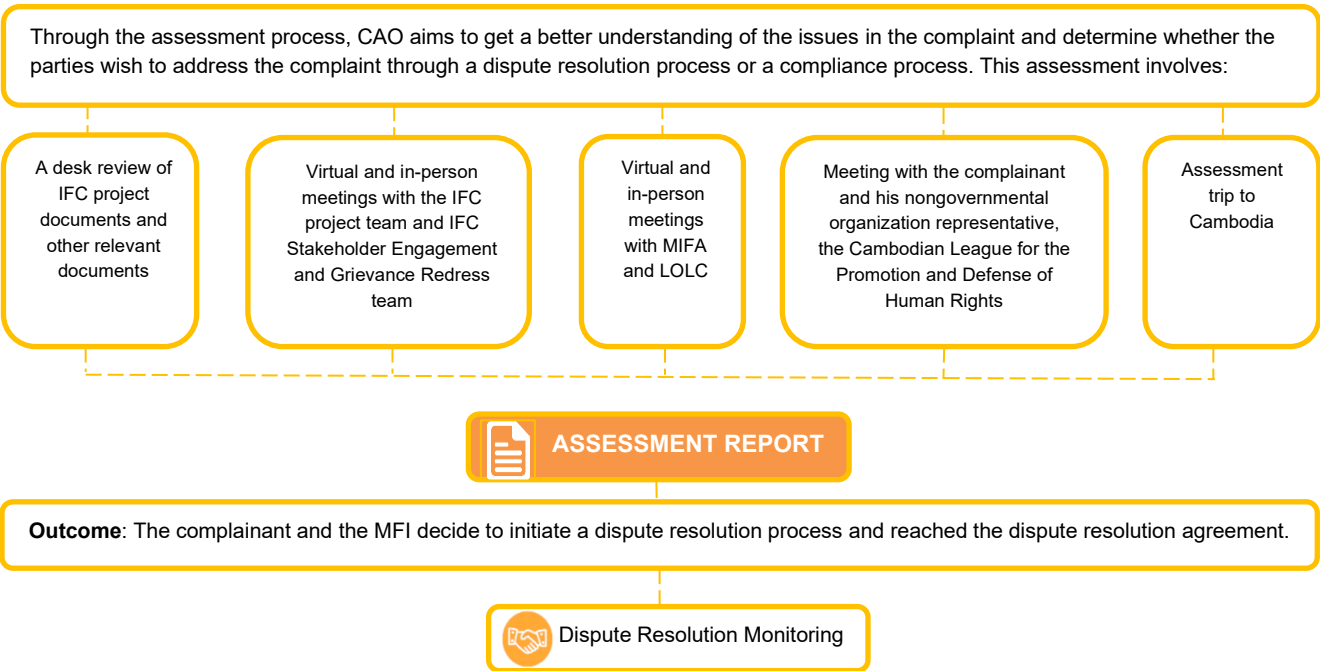
Compliance function to be appraised against IFC’s performance standards. (See appendix A for a description of CAO’s complaint-handling process.)

CAO’s assessment process does not make judgments on the merits of a complaint. The goal is to understand the parties’ perspectives and empower those involved to make informed decisions about how to address the issues raised.

**Assessment Methodology**

Figure 2 shows the approach and methodology that is applied in CAO’s assessment process.

**Figure 2. CAO Assessment Process**



The assessment was conducted by the CAO assessment team with the support of a local interpreter based in Cambodia, who assisted with Khmer translation and interpretation, as well as local Indigenous language translation and interpretation. The CAO team and the interpreter communicated with the parties and collected information through in-depth virtual and in-person conversations and an on-site mission from September 25 to October 4, 2025.

**4. Complainant’s Perspective**

According to the complainant, he took a loan from LOLC in 2022 to expand his cashew nut farm; however, this did not yield the expected outcomes, making it difficult for him to meet his repayment obligations. He stated that the loan situation has caused significant hardship, including the loss of land, mental distress, and suicide attempts. The complainant also alleged that LOLC’s grievance redress mechanism was ineffective at addressing his concerns, and that threats and harassment by credit officers pressured him into borrowing from informal lenders, further deepening his indebtedness. The issues raised by the complainant in his written submission and shared in person with the CAO assessment team are detailed below.

## **Reduced Income and Increased Debt**

The complainant reported that the loan he obtained from LOLC in 2022 was used for planting and maintaining cashew nut trees, spraying pesticides, repairing his latrine, and meeting daily living expenses. According to the complainant, while some of the cashew trees are still growing on portions of the land, the business did not yield the expected income, making loan repayment difficult. Although he was willing to pay off the loan, he experienced challenges making payments due to his and his family members' recurring illnesses. The complainant claimed that an LOLC credit officer pressured him to make loan payments while he was ill, and when he responded that he could not make the payments, the loan officer insisted that he should repay the loan by any means. Consequently, the complainant borrowed from an informal money lender and relatives to meet the repayment obligations to LOLC while he was sick. He further claimed that additional debt was incurred in 2023 to pay for cultural and ritual expenses that needed to be performed following a series of illnesses in the family, deepening his level of indebtedness.

## **Threats and Intimidation**

The complainant reported that credit officers frequently visited his home and spoke to him in a harsh manner. He further alleged that they coerced him into borrowing money from other sources to make payments on his LOLC loan. According to the complainant, the officers also photographed his house to pressure him to make his payments, which he perceived as an invasion of privacy and a source of fear and coercion. He added that the officers would often remain at his residence for extended periods, causing fear and distress to his wife, who only communicates in local indigenous language and does not speak Khmer. The complainant stated that LOLC credit officers continued to pressure him for loan repayment despite illness and ongoing health challenges within his family. He further reported feeling intimidated by a credit officer's repeated visits and warnings and explained that repayment demands were made without consideration for his health, financial hardship, or personal circumstances.

At the time of submitting the complaint to the CAO, the complainant requested that his personal information be kept confidential due to fear of threats and intimidation. However, he indicated that his information and the details of the complaint could be provided to LOLC during CAO's September–October 2025 assessment trip.

## **Negative Impacts on Livelihood and Mental Health**

According to the complainant, ongoing pressure from the LOLC credit officers to repay his loan and suggestions to sell his land resulted in the loss of property and other assets such as his motorbike. He explained that a land exchange with his younger sister was undertaken to facilitate repayment because her land was more marketable. The proceeds from the sale of her land were used to repay debts to both LOLC and the informal money lender, and to cover living expenses. In addition, the complainant reported leasing one hectare from a neighbor to grow cassava for the 2024–25 agricultural season, but a harvest damaged by strong winds yielded less than he had invested, prompting him to return the land to the owner. He stated that he now lacks access to both the cassava plot and his former cashew farm and that his only remaining asset is his house and the land it occupies, which belongs to his parents. He emphasized that his inability to repay the loan is due to health and financial hardship, not a refusal to fulfill his obligations.

The complainant also reported experiencing depression resulting from his debts, the loss of land to his sister, and the overall complexity of his situation. He stated that persistent pressure and harassment from credit officers, including the threat of being reported to local authorities,

significantly contributed to his psychological distress. According to the complainant, these circumstances led him to attempt suicide twice in 2024, but his wife and neighbors intervened the first time and friends interrupted the second time.

### **Lack of Effective Grievance Redress Mechanism**

The complainant emphasized that he currently has no source of income and is unable to repay the loan. Although he reached out to the bank seeking assistance with his indebtedness, he reported that his efforts were unsuccessful. He said he attempted to resolve his concerns with LOLC by speaking with local- and district-level LOLC staff members and by directly engaging with the credit officer and the branch manager in his commune as well as the LOLC chair. The chair reportedly agreed to intervene, stating that the company would conduct an appropriate investigation and monitor the case. However, following this communication, the credit officer allegedly summoned the complainant and, in that meeting, instructed him not to inform the branch manager. The complainant reported that, because he has limited proficiency in Khmer and the meeting was conducted in that language, the credit officer exerted pressure on him to provide a thumb print on a new loan agreement with repayment terms that the complainant considered beyond his financial capacity.

## **5. IFC Sub-client's Perspectives**

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During the assessment phase, CAO engaged with representatives from MIFA and LOLC, who expressed their support for the CAO process. LOLC's perspective is detailed below.

### **LOLC's Perspective**

LOLC asserted an interest in establishing measures to ensure that indebtedness is not a problem for borrowers. An expert has been hired to train LOLC bank officers on loan collection practices, especially for clients who are in financial distress. According to LOLC, its business thrives on trust between it and the borrowers, and it is interested in handling grievances in the best interest of borrowers. The LOLC team explained that because it believes in inclusion and finding a way to address challenges by working together, it is committed to addressing cases by finding long-term sustainable solutions while mitigating larger issues. It claimed to be committed to working toward addressing the problem.

LOLC expressed a willingness to work collaboratively with the complainant to address the complaint. Its responses to concerns raised by the complainant regarding its lending and collection practices are summarized below.

### **Reduced Income and Increased Debt**

LOLC highlighted its borrower-focused lending approach, explaining that loan assessments are conducted based on the borrower's capacity, character, financial condition, capital, and collateral, and that such a comprehensive evaluation ensures that lending decisions are tailored to the borrower's specific financial circumstances. LOLC underscored its flexible approach to loan recovery, particularly for borrowers facing financial hardship. For example, if a borrower is unable to meet full repayment obligations, but can make partial payments, LOLC will accept these terms without resorting to legal action.



According to LOLC, the complainant's loan application was assessed based on the income sources he reported—cultivating cashew and cassava, chopping cassava, and performing other manual labor. As part of the evaluation process, loan officers conducted a site visit and completed an official assessment of his 3.8-hectare cashew farm, which was offered as collateral. Internal audit findings and the site inspection confirmed that the land had a soft title but was privately owned and not under state or community ownership. LOLC further stated that at the time of the assessment, the complainant had no other outstanding loans, and its financial analysis indicated that the complainant had sufficient income to repay the loan. Based on the loan application, verified income sources, and the assessment report, management approved disbursement.

LOLC said it received information in June 2024 that the complainant was unable to meet the repayment obligations. The local loan officer invited him to meet to discuss options for resolving the default, but the complainant did not attend, instead sending a message stating he was unable to pay the loan. Since the complainant was not willing to engage with the bank, the bank asserted that it could therefore not work with the borrower to agree on a more flexible repayment approach.

### **Negative Impacts on Livelihood and Mental Health**

LOLC indicated that its investigation found that the complainant had exchanged his land with his sister and subsequently sold the land he received from her. A significant portion of the proceeds was used to repay his sister's loan from another bank, for which he acted as guarantor.

LOLC noted that despite this exchange, the complainant has not transferred the land he used as collateral for his own loan to his sister; the soft title remains in his name. For this reason, LOLC disagreed with the claim that he lost his land because of the loan he borrowed from LOLC. According to both the local authorities and the land documentation, the collateralized land legally remains the complainant's property. LOLC emphasized that it can only act based on formal legal documents, and because the collateral still belongs to the complainant, it cannot be released until the loan is fully repaid. They added that internal or family arrangements fall outside the bank's role and cannot influence the collateral process. LOLC shared that it believes that, according to local community practices, there must be a legal document with the thumbprint of the community leader and the parties involved to indicate a sale or transfer of land.

With respect to the reported suicide attempts, LOLC indicated that an internal inquiry revealed no information from local authorities suggesting that the complainant had attempted suicide. Nevertheless, LOLC conveyed its empathy for the difficulties faced by the complainant during the loan period.

### **Lack of Effective Grievance Redress Mechanism**

LOLC affirmed that its board had mandated that the institution provide redress to borrowers. It says it is therefore committed to resolving issues constructively by engaging all relevant parties and stakeholders to find appropriate solutions. LOLC stated that borrowers can submit complaints through multiple channels, such as speaking directly with branch staff, calling a dedicated LOLC hotline, using its website, social media platforms or email, placing feedback in branch comment boxes, contacting the National Bank of Cambodia hotline, or reaching out the Financial Consumer Protection Center. LOLC reiterated that it is focused on rebuilding trust, especially in areas where communication around grievance redress mechanisms has broken down, and that it is committed to strengthening borrower engagement and developing long-term solutions.

LOLC emphasized that it has a well-structured grievance redress system, which it believes ranks among the stronger mechanisms in the sector. LOLC further claimed that information about its grievance redress mechanism is provided to borrowers through multiple channels, including loan documents, repayment schedules, and the loan folder bags distributed to borrowers, where hotline numbers for LOLC and Cambodia Microfinance Association are printed in bold. According to LOLC, the hotline is managed by LOLC's head office, and all complaints submitted through this channel are reviewed by the chief executive officer and compliance officers. LOLC also clarified that its loan contracts follow a standardized format as mandated across the banking and microfinance sector, including contact information for the grievance redress mechanism. To support borrowers with low literacy levels, LOLC said that it developed about 20 illustrated "meta cards" that explain loan terms, interest rates, and grievance procedures, which are reviewed with borrowers during the loan assessment and prior to disbursement.

LOLC reported that, according to its records, the complainant's attempt to resolve his concerns with LOLC is inconsistent with documented events. LOLC further elaborated that in June 2024, after the complainant defaulted, the local loan officer invited him to a meeting to discuss solutions. The complainant did not attend the meeting and instead messaged that he could not repay the loan.

LOLC acknowledged that its headquarters had received an email from LICADHO on behalf of the complainant in May 2025 regarding his loan. LOLC shared that in June 2025, in response to the complaint, it sent a staff member to the province to discuss the loan situation with the complainant. LOLC reported that following this meeting, the loan was restructured based on the complainant's request and repayment capacity. However, according to LOLC, the complainant failed to make payments under the restructured plan and did not respond when both the branch manager and the head credit officer reached out to him.

LOLC disagreed with the complainant's allegation that the credit officer summoned and pressured him to sign a new loan agreement with repayment terms the complainant believed exceeded his financial capacity. LOLC further clarified that his loan was restructured only once, in June 2025, following an email request from the complainant in May 2025.

### **Threats and Intimidation**

LOLC stated that it maintains a zero-tolerance policy regarding threats and reprisals and has conducted an internal investigation into allegations of threats and intimidation. According to LOLC, its investigation did not show any evidence of threats and intimidation by LOLC credit officers. LOLC further explained that the credit officer assigned to the complainant's case is a member of the same Indigenous community as the complainant, and there was no evidence of threats and intimidation. LOLC clarified that, in line with its standard procedures, credit officers conduct home visits once or twice a month to follow up on loan repayments when the borrowers miss the repayment. These visits are part of the bank's process of assessing the underlying causes of nonpayment.

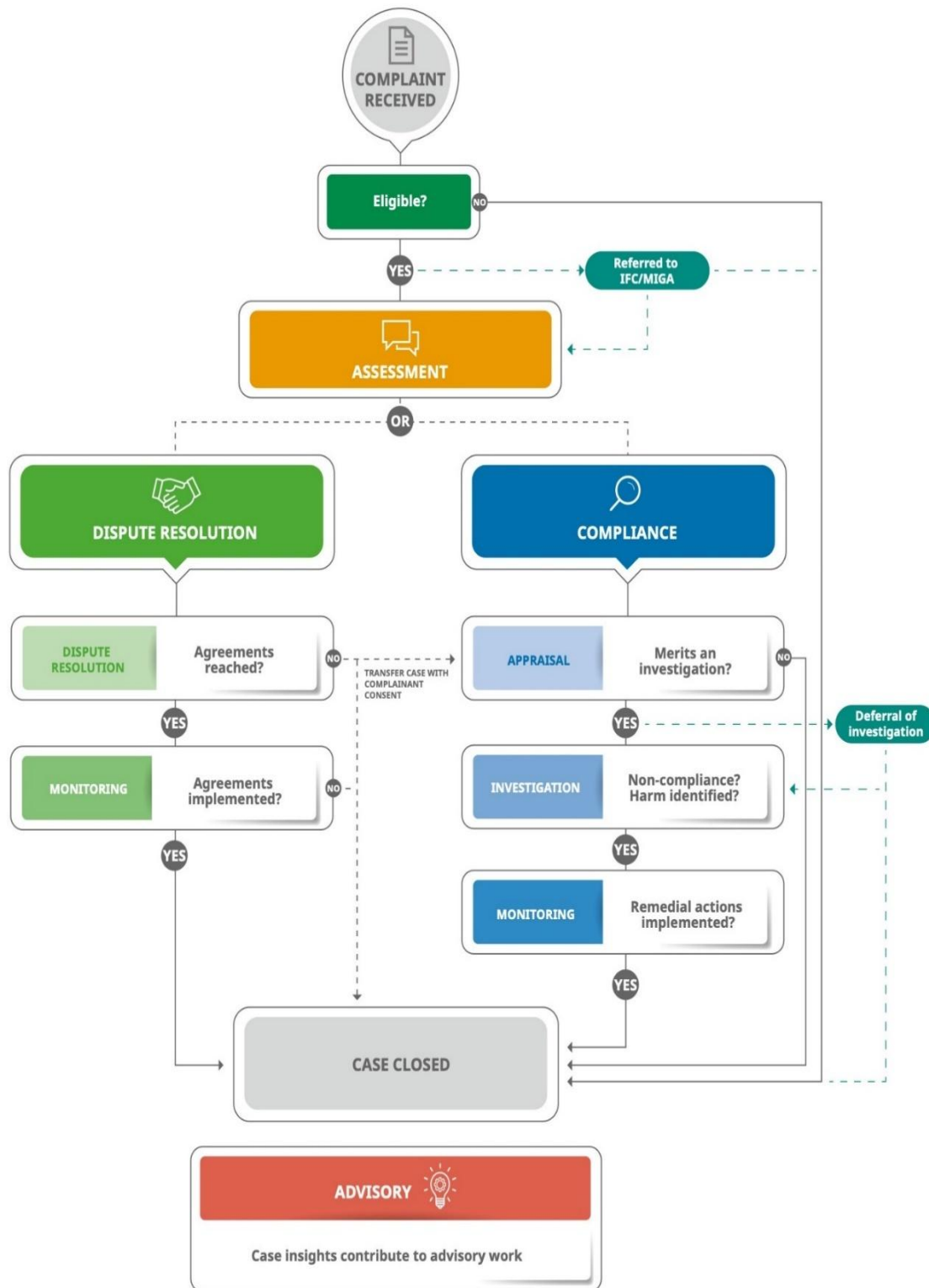
During the September–October 2025 assessment mission, the LOLC and the complainant agreed to engage in a CAO-facilitated dispute resolution process. Following bilateral meetings with the parties, CAO convened the first joint meeting between the parties on October 2, 2025. The objective was to initiate discussions on the ground rules governing future engagement meetings and processes.

## 6. Conclusion and Next Steps

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The complainant and LOLC agreed to participate in a dispute resolution process. This mutual interest led the parties to start engaging in dispute resolution during the assessment phase. CAO mediated discussions between the parties, resulting in two agreements, one on the ground rules for the dispute resolution engagement and the other on the resolution of the complaint issues. While the specific terms of the agreement remain confidential, the parties issued a joint public statement announcing their mutually satisfactory resolution of the complaint issues. Therefore, CAO will now transfer this complaint to the CAO's Dispute Resolution monitoring phase, to monitor the implementation of the agreement, according to CAO Policy.

## Appendix A. CAO's Complaint-Handling Process



In accordance with the IFC/MIGA Independent Accountability Mechanism (CAO) Policy, the following steps are typically followed in response to a received complaint:

- 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-on 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 is 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 affected parties.

or

**Compliance appraisal/investigation.** If the parties opt for an investigative process, the complaint is transferred to CAO's Compliance function. A complaint is also transferred to the Compliance function when the 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 any appropriate remedial actions 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 a possible extension of 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 is made publicly available, 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 monitors the effective implementation of the action plan.

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

Step 6: **Case Closure**

