

MAY 2026

Assessment Report

Rwanda / AB Bank - 01

IFC Project number: 29680

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 www.cao-ombudsman.org/about-us.

List of Acronyms

| | |
|-------|--|
| CAO | Office of the Compliance Advisor Ombudsman |
| IFC | International Finance Corporation |
| MIGA | Multilateral Investment Guarantee Agency |
| MSMEs | Micro, Small, and Medium Enterprises |

1 Executive Summary

In September 2025 CAO received a complaint from an individual client of AB Bank Rwanda Limited in Rwanda. The complaint raised concerns about the loan structure, perceived harassment and intimidation by bank staff, and the effectiveness of the bank's internal grievance mechanism.

CAO found the complaint eligible in December 2025 and initiated an assessment. CAO found the complaint eligible in December 2025 and initiated an assessment during which the complainant expressed that he was not interested in dialogue and requested the case to be transferred to the CAO's compliance function. *In accordance with the CAO Policy,¹ CAO will transfer the complaint to its Compliance function.*

This assessment report provides an overview of CAO's assessment process, including a description of the project, the complaint, and the assessment methodology. The report summarizes the views of the complainants and the IFC client (the parties) heard by the CAO team and describes next steps based on the decisions taken by the parties.

2 Background

2.1 The Project

According to IFC disclosures, IFC has an active project consisting of an equity investment and a local currency loan that supported the creation and expansion of a microfinance bank in Rwanda, AB Bank Rwanda Limited (ABR).² ABR is a greenfield microfinance bank sponsored by Access Microfinance Holding AG (Access Holding), an investment company, and LFS Financial Systems, an associated German consulting firm with recognized expertise in microfinance. The Bank specializes in providing a broad range of financial services to urban and semi-urban micro, small, and medium enterprises (MSMEs), as well as low-income individuals in Rwanda. At the time of investment in 2013, it was expected that after five years the Bank would have ten branches and a loan portfolio of US\$32 million, comprising over 25,000 customers.

The total cost of the project is RWF 2.1 billion (~USD\$3.5 million). IFC's board-approved investment consists of a USD\$2.37 million loan and USD\$0.91 million in equity. IFC made subsequent equity investments between 2016 and 2021, with a current outstanding equity exposure of USD\$2.41 million. The local currency loan was fully repaid in 2019.

¹ During the assessment process, the complainant/s and the client and/or sub-client decide whether they would like to initiate CAO's Dispute Resolution or Compliance function. If both parties agree to undertake dispute resolution, CAO will facilitate this process. If there is no agreement on a function, the complaint will be transferred to CAO's Compliance function. For more information about the CAO Policy, see: <https://www.cao-ombudsman.org/policies-guidelines>

² For more information about the IFC project, see: <https://www.ifc.org/en/disclosures/project-detail/SPI/29680/ab-bank-rwanda>

The project has been classified as a Category FI-3 project according to IFC's Environmental and Social Review Procedure.

2.2 The Complaint

In September 2025, CAO received a complaint from an individual client of AB Bank Rwanda Limited in Rwanda (the complainant). The complaint raised concerns about the loan structure, perceived harassment and intimidation by bank staff, and the effectiveness of the bank's internal grievance mechanism.

CAO found the complaint eligible in December 2025 and initiated an assessment. The issues raised during the assessment are described in more detail below.

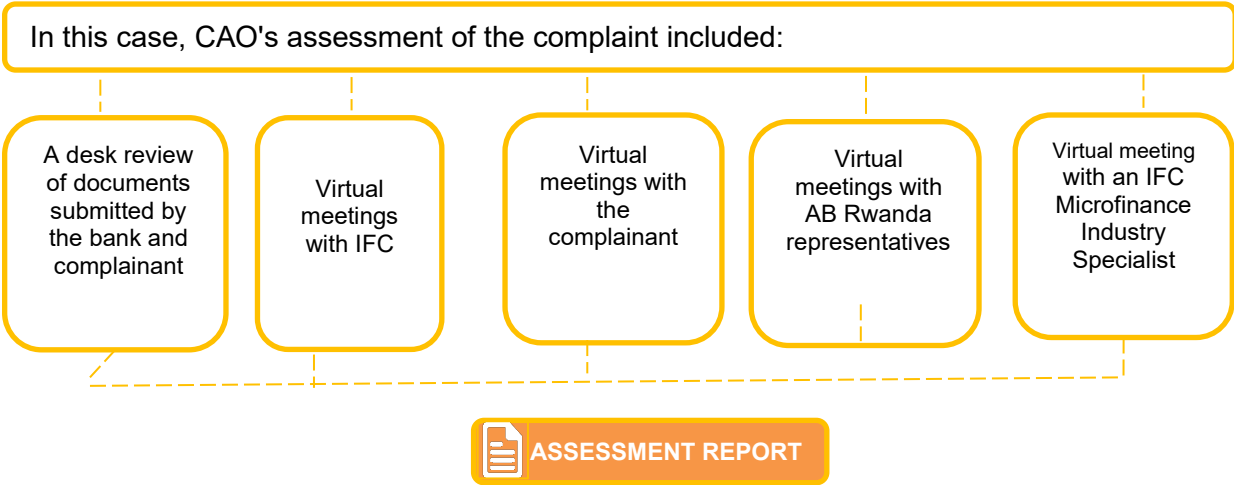
3 Assessment Purpose & Methodology

3.1 Assessment Purpose

The aim of an assessment process is for CAO 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 and IFC client (the parties) would like to pursue a dispute resolution or compliance process (see Appendix A).

CAO's assessment process does not entail a judgment on the merits of the complaint; rather, CAO seeks to understand the parties' perspectives and empower them to make informed decisions about how to address the issues raised in the complaint.

3.2 Assessment Methodology



Both the complainant and the bank representatives shared documentation that was reviewed by the CAO team. During the assessment, the complainant and IFC client engaged in a virtual call facilitated by CAO.

The views of the complainant and IFC client heard by the CAO team are described below.

4 Complainants' Perspective

4.1 Loan Structure

Repayment terms

The complainant stated that the bank uses a loan structure that applies payments to interest first, making it impossible to reduce the principal debt. He believes this is a predatory scheme designed to trap borrowers in perpetual debt. The complainant indicated that the loan he received from ABR was structured in a manner that caused significant financial harm. He reported that he received an 18-month business loan of RWF 2,000,000 to purchase inventory for his clothing shop. He told CAO that after 12 months of repayment totaling RWF 1,980,000, the remaining balance was still RWF 990,000, with only RWF 1,152,000 applied to principal and RWF 828,000 attributed to interest and fees. He stated that this repayment pattern (where nearly half of total repayments had not reduced the outstanding principal proportionately) reflects a repayment structure he believes is designed to escalate borrower debt. In the complainant's view, the structure prevents borrowers from meaningfully reducing their obligations and contributes to long-term financial stress.

According to the complainant, he only found out later that the bank charges interest first and then the principal. He indicated that the loan contract did not mention the way the repayment installments are allocated between interest and principal. Although he was willing to pay his installments, the way the repayments were structured caused him stress.

The complainant mentioned that when he went to sign the loan contract, he was shown where to sign and was not given time to read the contract.

Penalty fees

In addition to the repayment terms, the complainant stated that a bank agent threatened to add RWF 100,000 as penalty to his loan. He also indicated that the bank agent told him that his name was on the list of people who would have this penalty fee added to their loan balance. The complainant stated that this threat was repeated to him on multiple occasions without any reason. According to the complainant, the bank agent told him that the RWF 2 million he borrowed would balloon to RWF 12 million due to penalties, because that's how the bank works. The complainant believes this was intentional intimidation, designed to make clients fearful.

The complainant was concerned that the penalties kept accumulating and were getting unmanageable because of the payment structure. Additionally, he indicated that the bank agent threatened to report him to the Credit Bureau which could negatively impact his credit report.

4.2 Perceived Harassment and Intimidation

According to the complainant, ABR's bank agent continuously contacted him and his family members via telephone, starting in June 2025. He indicated that the loan was taken out only in his name as the sole borrower. He indicated that his parents were never co-signers or guarantors, and that the only connection they had was providing a land title deed as collateral to secure the loan.

The complainant alleged a pattern of harassment by a bank agent, including repeated aggressive phone calls, contact late at night, the use of multiple phone numbers to exert pressure, and verbal threats. He claims that the bank agent attempted to pressure his elderly, illiterate father to sign documents and contacted his hospitalized mother with demands for her to come to the bank or take actions she was not in a position to do. The complainant also mentioned that the bank agents contacted his brother, who had no contractual relationship with ABR. He also reported threats that the agent made to visit him at his home and workplace. He indicated that this harassment posed risks to his and his family's safety, dignity, and well-being.

The complainant stated that the bank approached his parents and pushed them to sell their land instead of following up with him. He stated that the bank agents threatened to sell the land. He also indicated that his siblings were not part of the loan agreement but had also received phone calls from the bank agent. Instead of sending him reminders for his loan payments, he feels that the bank used intimidation and targeted his family members. According to the complainant, this continued harassment put stress on his parents and family.

In a follow-up discussion, the complainant told CAO that if his parents were put up as guarantors on the loan, then that was not done in the correct way. He stated his concern with the procedure.

The complainant indicated that the harassment did not stop even after he submitted a formal complaint to the bank in September 2025. He stated that the bank did not follow its procedure of informing him of his loan status and any action the bank was going to take. The complainant also reported that the calls continued after submitting his complaint to CAO and even after the initial bank agent was changed.

The complainant provided records of phone calls, messages, and contract documents, which CAO shared with the bank at the complainant's request.

4.3 Effectiveness of the Bank's Internal Grievance Mechanism

The complainant indicated that, even after he submitted a formal complaint to ABR on September 21, 2025, and communicated concerns to the branch manager, no meaningful follow-up occurred and the harassment continued. He further stated that the bank staff mocked his complaint and laughed at his submission.

Overall, the complainant indicated that the system is not working well and is impacting other micro-loan borrowers and clients of the bank.

During the assessment process, the complainant engaged with ABR representatives in a joint virtual meeting facilitated by CAO. He then presented a list of requests to the bank.

5 IFC Client's Perspective

In response to the concerns raised in the complaint, ABR representatives maintained that they followed their bank rules and procedures in their relationship with the complainant as their client. They indicated that they apply the standard rules and procedures to all clients at the bank. The ABR representatives were aware of the complainant as a client in the Huye District branch, and that the complainant had taken three other micro loans previously and paid them back. This was his fourth micro loan with the bank. They indicated that they had received a letter of complaint from the complainant in September 2025 and had made attempts to address the concerns.

5.1 Loan Structure

Repayment terms

They indicated that the loan taken by the complainant was a standard micro loan. The ABR representatives explained that all rates are the same for all clients of the same segment. There is no negotiation, and the client was therefore given the same product as all other clients.

The bank representatives stated that they are confident in how they do their calculations for these loan terms, as they use the “Declining Balance Interest Rate” method, which is regulated by the Central Bank of Rwanda. According to the bank, this loan uses a declining balance method, meaning a larger portion of the early payments is applied to interest and fees, with a smaller share going toward the principal. The representatives explained that information about the interest rates is included in the loan contract. Additionally, they provided an explanation of the Declining Balance Interest Rate method and stated that this was shared with the complainant by CAO.

The ABR representatives indicated that the loan contract received by the complainant shows the repayment schedule and explains what the principal and interest allocations will look like when the installments are paid. ABR also indicated that the complainant had completed 4 previous loans with ABR with this same structure in the past. The bank representatives, with the complainant's consent and permission, shared the loan contract documents with CAO for reference.

Penalties

The ABR representatives indicated that the bank publishes its tariffs and fees. They also stated that in Rwanda there is a cap on how much a client can accumulate in penalties. Therefore, there must have been miscommunication about the loan amount ballooning to RWF 12 million, as this was unlikely. ABR also indicated that the bank had not charged the complainant RWF 100,000 in penalty fees as stated by the complainant. The representatives stated that the fees they charge

are clearly stated in the contract and published externally. The bank representatives apologized for any miscommunication regarding the penalty fees.

In relation to loans in arrears, ABR representatives indicated that when a client defaults, a penalty is charged and clients are informed before any legal process to sell their collateral.

Regarding the credit bureau, ABR representatives indicated that the bank's business officers don't have the ability to report defaulting clients to the Bureau.

5.2 Perceived Harassment and Intimidation from Bank Staff

ABR representatives expressed that they were alarmed by the allegations of harassment and intimidation raised in the complaint.

In terms of the calls made by the bank agent to the complainant, they stated that there is a distinction between what can be considered reasonable and justified and what can be considered excessive. According to the bank's procedures, when a loan is in default, it goes into recovery, and this entails certain actions that the bank officer has to take. ABR representatives indicated that the business officer will typically call the client, and in instances where the client ignores the phone calls, the bank officer can make follow-up calls to the client and at minimum the guarantors and references or use different phone numbers. ABR representatives also stated that it's possible for different officers to follow up on the loan during the recovery process.

The representatives acknowledged the delicate balance between following up on clients' financial obligations while making sure that clients are treated with respect and dignity. They further stated that all bank staff are expected to uphold the client protection principles and that the bank does not condone threats, harassment, or intimidation toward clients.

In response to the complainant's concerns about ABR contacting his parents, ABR representatives indicated that both parents of the complainant are guarantors on the loan, which means that the bank can contact them as needed. It also means they have fiduciary responsibility to repay the loan themselves if the borrower is not meeting his obligations. In such cases, the bank first notifies them so that they can collaborate with the borrower to resolve the matter, though later the bank may require them to repay the loan if non-payment continues. ABR representatives acknowledged that it would not have been appropriate for a bank officer to contact a guarantor admitted to hospital, and that the bank officer might not have known that was the situation. ABR gave a directive to the bank officer to stop contacting the complainant's mother after that hospital incident.

ABR representatives further explained that it is right to inform the father since the father is one of the guarantors on this loan. The representatives expressed that the father's phone is sometimes kept by other people who sometimes answer the calls. They believe these people may be his siblings. ABR representatives expressed that while they understand that the complainant does not want his family to be contacted, the bank considers it both within the rights of the guarantor to know about the loan status and also within the rights of ABR to seek recovery from the borrower and any guarantors. They stated that this is the bank's standard practice.

In addition, the ABR representatives explained that before any action is taken on the client's collateral, the bank follows a formal procedure of sending a letter and giving a grace period to the client to respond.

ABR representatives indicated that they made several attempts to reach the complainant, but he did not answer the bank officer's calls. These attempts included sending a senior manager in September 2025 to meet with him, which was unsuccessful because the complainant refused to meet with him, and sending him a formal letter.

In efforts to address the harassment allegations, ABR stated that management spoke with their team about how they managed the complainant and how they handle loan recoveries in default. ABR indicated that they also investigated these allegations but did not find any substantive evidence to support the complainant's claims. In an effort to resolve the situation, ABR explained, they changed the bank officer assigned to work with the complainant. This change was also communicated to the complainant in a second letter.

5.3 Effectiveness of the Internal Grievance Mechanism

In response to the complainant's claims about the effectiveness of the bank's internal grievance mechanism, ABR representatives informed CAO that they have a system for submitting complaints and that the mechanism was functioning well. The representatives explained the bank's procedure for handling complaints. According to bank representatives, a claim protection card is handed over to all clients at disbursement of the loan. If the bank receives a complaint through the grievance mechanism phone number or email, the bank has five days to acknowledge the complaint, then an additional ten days to investigate internally and provide a response. They indicated that a Client Service Officer manages the mechanism. If the complaint is not resolved satisfactorily, it can be escalated to the Central Bank.

According to the ABR representatives, they keep a record of the complaints. Every month they share a spreadsheet of any complaints received with the management team. If the complaints are not resolved, they are presented to the risk team. The ABR representatives also indicated that every quarter they present any complaints received through the grievance mechanism to the Board of Directors.

With regard to the complaint submitted by the complainant, ABR representatives indicated that efforts were made to resolve the complaint locally. They stated that at that time, the complainant was complaining that the bank agents were calling him and his family repeatedly. The bank reviewed his contract and responded to his letter. The team responded by informing him that his loan was in default and that the bank was following recovery procedures. They also informed him that no separate procedure was being applied to him. According to the bank representatives, after receiving his complaint the bank requested that the team stop calling the mother. The complainant refused to meet with the AB bank Business Manager. They were expecting to see improvement on the repayment and the team kept making the follow-up calls as part of recovery procedures. ABR also indicated that the same complaint was sent to the regulator (National Bank of Rwanda) and they responded to that through their complaint handling channel.

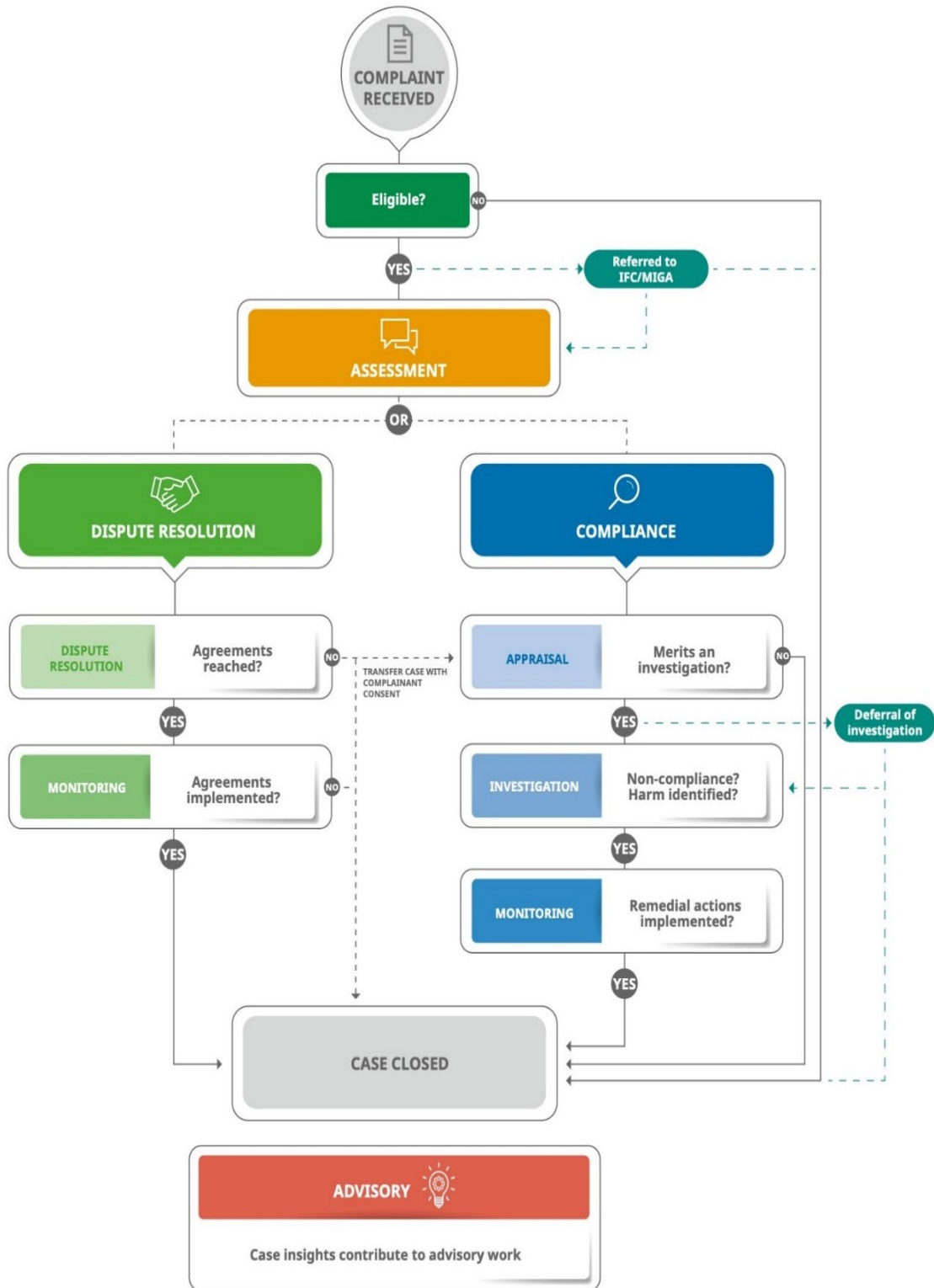
During the assessment process, ABR representatives engaged with the complainant in a joint virtual meeting facilitated by CAO in efforts to address the issues raised in the complaint. However, the engagement did not resolve the issues, and the complainant refused any further dialogue.

6 Conclusion & Next Steps

Since the parties did not agree to resolve the issues raised in the complaint through a CAO-facilitated dialogue process, the case is now being transferred to CAO's Compliance function for appraisal of IFC's environmental and social performance related to the project.



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**