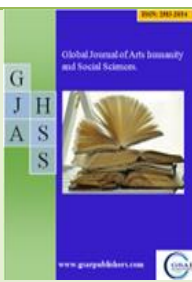


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CONSUMER PROTECTION IN THE MICROFINANCE SECTOR IN TANZANIA: LEGAL AND PRACTICAL CHALLENGES IN PROTECTING BORROWERS

By

DEOGRATIAS ALBINUS MAJALIWA SHIJA

2nd Year LLM Student at St. Augustine University of Tanzania, Mwanza, Tanzania



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Corresponding author

**DEOGRATIAS
ALBINUS
MAJALIWA SHIJA**

Abstract

The growth of the microfinance sector in Tanzania has increased access to financial services, particularly for consumers who may have limited access to conventional banking services. This expansion has also created concerns relating to the protection of borrowers against unfair lending practices, inadequate disclosure of loan conditions, excessive charges, difficulties in lodging complaints and problematic debt recovery practices. Tanzania has established a legal and regulatory framework intended to protect consumers of microfinance services through legislation and regulations governing microfinance institutions, financial consumer protection and fair competition. However, the existence of these legal protections does not necessarily guarantee their effective implementation. This article examines the effectiveness of the legal framework governing consumer protection in the microfinance sector in Mainland Tanzania and identifies the practical challenges affecting its implementation. The article adopts a qualitative legal and socio-legal approach based on documentary review and findings from the study conducted in Mwanza Region. It argues that the principal challenge is not the complete absence of consumer protection laws, but the gap between legal protection and its practical enforcement. The article proposes stronger consumer financial education, clearer disclosure requirements, accessible complaint mechanisms, effective regulatory supervision and lawful debt recovery practices.

Keywords: Consumer Protection, Microfinance, Financial Consumer, Borrowers, Tanzania, Regulation, Financial Services.

1. INTRODUCTION

Microfinance has become an important source of financial services in Tanzania, particularly for individuals and small businesses that have limited access to conventional banking services. The expansion of the sector has increased access to credit and supported financial inclusion. At the same time, the relationship between microfinance providers and borrowers has raised concerns regarding transparency, disclosure of loan conditions, charges, fair treatment, complaints handling and debt recovery. Tanzania has established a legal and regulatory framework intended to protect consumers of microfinance services. The framework includes the Microfinance Act, the Bank of Tanzania Act, financial consumer protection regulations and other laws relevant to consumer protection. These laws and regulations establish requirements concerning fair treatment, disclosure of financial information,

complaints handling, consumer education and the conduct of microfinance service providers.

The existence of these legal safeguards, however, does not necessarily guarantee effective protection in practice. Consumers may obtain loans without fully understanding the interest payable, additional charges, penalties or repayment obligations. Some consumers may also face difficulties in identifying where to lodge complaints or how to obtain redress when their rights are violated. The problem is therefore not limited to the adequacy of the legal rules themselves, but also concerns their implementation and enforcement. The study conducted in Mwanza Region found that consumer protection in the microfinance sector is affected by limited consumer awareness, inadequate understanding of loan conditions, difficulties in accessing complaint and redress mechanisms, weaknesses in regulatory supervision and enforcement, and uncertainty surrounding debt recovery practices.



These challenges demonstrate a gap between the protection recognized by law and the protection experienced by consumers in practice. This article examines the legal framework governing consumer protection in the microfinance sector in Mainland Tanzania. It assesses the effectiveness of the existing framework, identifies the practical challenges affecting its implementation and proposes legal and policy measures for strengthening consumer protection. The article particularly considers whether existing legal safeguards provide consumers with meaningful protection beyond their formal recognition in legislation and regulations.

2. THE LEGAL FRAMEWORK GOVERNING CONSUMER PROTECTION IN TANZANIA

2.1 Constitutional Framework

The Constitution of the United Republic of Tanzania provides the general legal foundation for the protection of individual rights and interests. Although it does not establish a specific regime for microfinance consumer protection, constitutional protection of individual rights provides the broader basis upon which legislation regulating financial relationships operates. The protection of consumers in the microfinance sector must therefore be understood within the wider constitutional framework governing lawful conduct and protection of individual interests.¹

2.2 The Microfinance Act, Cap. 407 R.E. 2023

The Microfinance Act, Cap. 407 R.E. 2023 is the principal legislation governing microfinance services in Tanzania. The Act establishes the legal framework for the licensing, regulation and supervision of microfinance service providers. Its importance to consumer protection arises from the requirements imposed on providers and the regulatory authority given to the Bank of Tanzania to supervise compliance with the law.

The Act therefore provides the foundation for ensuring that microfinance services are provided within a regulated environment. Consumer protection under the Act is not limited to the existence of a loan agreement; it also concerns the conduct of service providers and compliance with regulatory requirements governing the provision of microfinance services. Effective implementation of these requirements remains necessary to ensure that statutory protection is reflected in the actual relationship between lenders and borrowers.²

2.3 The Bank of Tanzania Act, Cap. 197 R.E. 2023

The Bank of Tanzania Act, Cap. 197 R.E. 2023 establishes the Bank of Tanzania and provides the statutory basis for its regulatory and supervisory functions within the financial sector. The role of the Bank is important to consumer protection because effective regulation requires an institution capable of supervising financial service providers and ensuring compliance with applicable laws and regulations.

The effectiveness of consumer protection therefore depends partly on the capacity of the regulatory authority to monitor providers, receive and address complaints and take appropriate measures where regulatory requirements are not observed. The legal framework consequently combines statutory consumer rights with institutional supervision.³

2.4 Bank of Tanzania (Financial Consumer Protection) Regulations, 2019

The Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 provide specific regulatory safeguards for financial consumers. The Regulations address matters relating to fair treatment, transparency, disclosure of information, complaints handling and consumer education. These requirements are particularly important in microfinance transactions because borrowers need adequate information before accepting credit facilities. Disclosure of loan terms, charges and other contractual conditions enables consumers to make informed decisions. However, disclosure alone may not provide effective protection where consumers do not understand the information provided. The practical effectiveness of the Regulations therefore depends on both compliance by financial service providers and consumers' ability to understand and use the information available to them.⁴

2.5 Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations, 2019

The Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations, 2019 supplement the Microfinance Act by providing regulatory requirements applicable to non-deposit-taking microfinance service providers. The Regulations are relevant to consumer protection because they establish standards governing the conduct and operation of providers within the microfinance sector. The Regulations consequently contribute to the prevention of practices that may expose borrowers to unfair treatment. Their effectiveness, however, depends on adequate supervision and enforcement. Where regulatory requirements are not effectively monitored, the existence of detailed rules may have limited practical impact on consumers.⁵

2.6 Fair Competition Act, Cap. 285 R.E. 2023

The Fair Competition Act, Cap. 285 R.E. 2023 provides a broader framework for protecting consumers against unfair conduct in commercial transactions. Its application complements sector-specific regulation by addressing consumer interests within the wider market environment. In the microfinance sector, fair competition principles are relevant where consumers may be exposed to misleading information or other conduct that undermines fair dealing. The Act therefore forms part of the broader legal framework supporting consumer protection alongside the specific laws governing microfinance and financial services.⁶

³ Bank of Tanzania Act, Cap. 197 R.E. 2023.

⁴ Bank of Tanzania (Financial Consumer Protection) Regulations, 2019.

⁵ Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations, 2019.

⁶ Fair Competition Act, Cap. 285 R.E. 2023.

¹ Constitution of the United Republic of Tanzania, 1977.

² Microfinance Act, Cap. 407 R.E. 2023.



2.7 Personal Data Protection Act, Cap. 44 R.E. 2023

The Personal Data Protection Act, Cap. 44 R.E. 2023 is relevant to microfinance consumer protection because microfinance providers collect and process personal information in providing financial services. Protection of such information is particularly important where personal data are used for credit assessment, customer communication and debt recovery. The protection of personal data also becomes important in debt recovery. The collection of a lawful debt does not remove the obligation of a service provider to handle a borrower's personal information in accordance with the law. The legal framework therefore requires consumer protection to extend beyond the financial terms of the loan to the lawful handling of information relating to borrowers. Taken together, these laws and regulations establish a multi-layered framework for consumer protection in the microfinance sector. The framework addresses regulation of providers, financial consumer protection, fair competition and personal data. The central issue is therefore whether these legal safeguards are effectively implemented and enforced in practice.⁷

3. EFFECTIVENESS OF THE LEGAL FRAMEWORK IN PROTECTING MICROFINANCE CONSUMERS

The effectiveness of a consumer protection framework should not be assessed solely by the number of laws regulating a particular sector. It should be assessed by whether the legal rules adequately address the risks faced by consumers, regulate the conduct of service providers, provide effective remedies and create mechanisms capable of securing compliance. In the microfinance sector, this assessment is particularly important because borrowers may possess less financial knowledge and weaker bargaining power than service providers. The Tanzanian framework therefore has to be examined not only in terms of the protection it formally recognises, but also in terms of the extent to which that protection addresses the substantive risks associated with microfinance transactions.

3.1 Transparency and Disclosure of Financial Information

Transparency and disclosure constitute fundamental elements of financial consumer protection. A consumer requires adequate and comprehensible information concerning the nature and cost of a financial service before assuming a contractual obligation. The Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 establish regulatory requirements concerning disclosure and transparency in the provision of financial services. These requirements provide an important legal basis for ensuring that consumers are informed about the conditions governing financial products.⁸

The significance of disclosure, however, extends beyond the mere provision of information. Effective disclosure requires information to be sufficiently clear, accurate and understandable to enable a

consumer to appreciate the consequences of the transaction. Where information concerning interest, fees, penalties and repayment obligations is presented in complex or technical terms, formal disclosure may exist without producing informed decision-making. Consumer protection law therefore treats access to understandable information as an essential element of meaningful protection. The Tanzanian framework is consequently significant because it imposes legal obligations concerning transparency, but its protective value depends upon the quality of the disclosure and the consumer's ability to understand it. Disclosure should operate as a substantive protection against uninformed borrowing rather than merely as a procedural requirement imposed upon microfinance providers.⁹

3.2 Fair Treatment and Responsible Lending

The protection of consumers also requires regulation of the manner in which financial services are provided. The Microfinance Act, Cap. 407 R.E. 2023 contains specific consumer protection provisions under Part VII, thereby recognizing that the relationship between a microfinance provider and its customer requires regulatory protection. This approach is important because the parties to a microfinance transaction do not ordinarily possess equal bargaining power, financial knowledge or access to information.¹⁰ The Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 reinforce this protection by establishing standards concerning fair treatment of financial consumers. Such requirements place limits on the manner in which financial service providers may conduct their relationships with consumers and provide a regulatory basis for promoting responsible financial practices.¹¹

The literature on financial inclusion further demonstrates that expanding access to credit without corresponding consumer safeguards may expose financially vulnerable borrowers to over-indebtedness and other forms of financial harm. Consequently, responsible lending should be regarded as an essential component of effective financial inclusion. The effectiveness of the Tanzanian framework therefore depends on whether the regulation of microfinance achieves an appropriate balance between expanding access to credit and preventing practices that may undermine consumer welfare.¹²

3.3 Complaints Handling and Access to Redress

Legal protection is incomplete where consumers lack effective means of enforcing their rights. The Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 establish requirements relating to complaints handling and redress. The regulatory framework therefore recognizes that consumers require

⁷ Personal Data Protection Act, Cap. 44 R.E. 2023.

⁸ Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 as amended.

⁹ HOWELLS, Geraint and WEATHERILL, Stephen, (2017), Consumer Protection Law, 2nd Ed., London, Routledge, p. 15.

¹⁰ Microfinance Act, Cap. 407 R.E. 2023, Part VII.

¹¹ Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 as amended.

¹² KELLY-LOUW, Michelle and DAMAR-BLANKEN, Duygu, (2025), Financial Inclusion Law and Over-Indebtedness, Abingdon, Routledge.

mechanisms through which grievances arising from financial services can be addressed.¹³

The importance of accessible redress is particularly pronounced in the microfinance sector. A consumer who has suffered a relatively limited financial loss may be discouraged from pursuing ordinary judicial proceedings where the process is costly, technical or time-consuming. Effective consumer protection consequently requires mechanisms that are accessible, proportionate and capable of providing meaningful remedies. The literature on vulnerable consumers emphasizes that access to justice is an essential component of substantive consumer protection because rights have limited value where they cannot practically be enforced.¹⁴

Accordingly, the existence of complaint mechanisms constitutes an important strength of the Tanzanian framework. Their effectiveness, however, depends upon whether consumers can access them without unreasonable procedural, financial or informational barriers. Redress mechanisms should therefore be viewed not simply as institutional procedures, but as instruments for converting statutory consumer rights into enforceable protections.

3.4 Regulation of Debt Recovery

Debt recovery represents an area in which the interests of microfinance providers and consumers may directly conflict. A provider is entitled to seek repayment of a lawful debt, while a borrower remains entitled to protection against recovery practices that are inconsistent with legal requirements. The Microfinance Act addresses debt collection and recovery, thereby placing the recovery of microfinance debts within a statutory framework. The regulation of debt recovery is important because the consequences of default may extend beyond the immediate financial relationship.¹⁵ Aggressive or unlawful recovery practices may affect the consumer's privacy, dignity and ability to access financial services in the future. Effective regulation must therefore distinguish between legitimate enforcement of contractual obligations and practices that improperly exploit the vulnerability of borrowers. This concern is consistent with contemporary literature on financial inclusion and over-indebtedness, which emphasizes that consumer protection must accompany access to credit. The regulation of debt recovery should consequently form part of a broader responsible-lending framework rather than operate merely as a mechanism for maximising recovery by financial service providers.¹⁶

3.5 Regulatory Supervision and Enforcement

The effectiveness of substantive consumer protection ultimately depends upon the capacity of regulatory institutions to secure compliance. The Bank of Tanzania Act, Cap. 197 R.E. 2023 provides the statutory basis for the regulatory functions of the Bank of Tanzania and empowers the Bank to make regulations necessary for implementing the Act. The Microfinance Act also establishes regulatory and supervisory powers over microfinance service providers.¹⁷ These powers are significant because consumer protection cannot depend exclusively on individual borrowers identifying violations and pursuing remedies. Regulatory supervision provides a mechanism through which compliance can be monitored systematically and regulatory intervention can occur where providers fail to meet their obligations.

The theory of responsive regulation is particularly relevant to this aspect of consumer protection. Effective regulation requires a combination of supervision, guidance and enforcement, with regulatory intervention responding to the conduct of regulated entities. In the microfinance sector, this approach supports the need for continuous monitoring of providers, regulatory guidance on compliance and appropriate enforcement where legal obligations are breached.

4. PRACTICAL CHALLENGES AFFECTING THE IMPLEMENTATION AND ENFORCEMENT OF CONSUMER PROTECTION LAWS

Although Tanzania has established a relatively developed legal framework for protecting consumers in the microfinance sector, the existence of legal rules does not by itself guarantee effective protection. The practical operation of the framework is affected by several factors that may limit the ability of consumers to understand, exercise and enforce their rights. These challenges concern consumer awareness, understanding of contractual terms, access to redress, regulatory supervision, debt recovery and the accessibility of formal legal remedies.

4.1 Limited Consumer Awareness

Limited consumer awareness presents a significant challenge to the effective implementation of consumer protection law. A consumer who is unaware of his or her legal rights is unlikely to identify unlawful conduct or make effective use of available complaint and redress mechanisms. Financial consumer protection therefore requires not only the existence of legal rights but also measures capable of enabling consumers to understand and exercise those rights. The Microfinance Act recognises financial education as part of consumer protection. This reflects the broader principle that financial inclusion should be accompanied by adequate consumer protection. Access to financial services without sufficient understanding of their costs, risks and contractual consequences may expose consumers to financial harm. The problem of

¹³ Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 as amended.

¹⁴ RIEFA, Christine and SAINTIER, Séverine, (2021), *Vulnerable Consumers and the Law: Consumer Protection and Access to Justice*, Abingdon, Routledge.

¹⁵ Microfinance Act, Cap. 407 R.E. 2023, Section 50-51.

¹⁶ KELLY-LOUW, Michelle and DAMAR-BLANKEN, Duygu, (2025), *Financial Inclusion Law and Over-Indebtedness*, Abingdon, Routledge.

¹⁷ AYRES, Ian and BRAITHWAITE, John, (1992), *Responsive Regulation: Transcending the Deregulation Debate*, New York, Oxford University Press, p. 35.

awareness therefore has a direct legal significance. Where consumers lack knowledge of their rights, the protective purpose of legislation may be weakened because enforcement becomes dependent upon the ability of individual borrowers to identify violations and initiate complaints. Consumer education should consequently be treated as an integral component of the regulatory framework rather than as a supplementary policy measure.¹⁸

4.2 Inadequate Understanding of Loan Conditions

A related challenge concerns the ability of consumers to understand the terms governing their financial obligations. Disclosure requirements are intended to promote informed decision-making, but disclosure is of limited value where information is presented in a form that ordinary consumers cannot readily understand. The Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 impose requirements concerning transparency and disclosure. These requirements are particularly significant in microfinance because the cost of borrowing may include interest, fees, penalties and other charges. Failure to understand these elements may result in consumers assuming obligations whose financial consequences they did not fully appreciate.¹⁹ Consumer protection literature recognises that meaningful disclosure requires more than the formal provision of information. Vulnerable consumers may require information to be presented in a manner that is clear, accessible and capable of supporting informed decisions. The regulatory objective should therefore be to ensure effective disclosure, rather than disclosure merely as a matter of contractual formality.²⁰

4.3 Difficulties in Accessing Complaint and Redress Mechanisms

The availability of complaint and redress mechanisms is an essential element of effective consumer protection. The Financial Consumer Protection Regulations provide for mechanisms through which consumers may lodge complaints concerning financial services. The Bank of Tanzania has also established procedures for dealing with financial consumer complaints. Nevertheless, a formal mechanism does not necessarily constitute an effective remedy. Where consumers face uncertainty concerning the appropriate institution, procedural requirements, time involved or potential costs, access to redress may remain difficult. This is particularly significant in disputes involving relatively small amounts of money, where the cost of pursuing formal proceedings may outweigh the value of the claim.²¹

The literature on vulnerable consumers emphasises that access to justice is an essential dimension of consumer protection. Consumer rights therefore require remedies that are not only legally available but also practically accessible. A complaint mechanism that exists in law but cannot reasonably be used by ordinary borrowers provides only limited substantive protection.²²

4.4 Weaknesses in Regulatory Supervision and Enforcement

Effective consumer protection also depends upon the capacity of regulatory institutions to ensure compliance with legal requirements. The Bank of Tanzania Act provides the Bank with regulatory powers, including the power to make regulations for carrying out the purposes of the Act.²³ The Microfinance Act similarly establishes a framework for regulating and supervising microfinance service providers.

The challenge is therefore not merely whether regulatory powers exist, but whether those powers are sufficiently and consistently exercised. Microfinance providers operate in different circumstances and may have different levels of institutional capacity. Effective supervision consequently requires continuous monitoring, appropriate guidance and proportionate enforcement.²⁴ Responsive Regulation Theory provides a useful analytical basis for understanding this challenge. Effective regulation requires regulators to respond to the conduct of regulated entities through a combination of persuasion, supervision and enforcement rather than relying exclusively on either voluntary compliance or punishment. This approach is relevant to microfinance because consumer protection depends upon continuing compliance with regulatory standards rather than intervention only after harm has occurred.

4.5 Uncertainty Concerning Debt Recovery Practices

Debt recovery presents another significant challenge to consumer protection. The Microfinance Act contains provisions governing the collection and recovery of debts, recognizing that the recovery of outstanding obligations must occur within the legal framework.²⁵ The legal regulation of debt recovery must balance two competing interests. Microfinance providers have a legitimate right to recover debts owed to them, while borrowers are entitled to protection against unlawful or unfair recovery practices. The absence of clear understanding concerning this balance may create uncertainty for consumers and undermine confidence in the regulatory framework. This issue is particularly important in the context of over-indebtedness. Contemporary literature on financial inclusion recognizes that expanding access to credit without adequate safeguards may expose consumers to excessive financial obligations. Debt recovery regulation should therefore be

¹⁸ KELLY-LOUW, Michelle and DAMAR-BLANKEN, Duygu, (2025), Financial Inclusion Law and Over-Indebtedness, Abingdon, Routledge.

¹⁹ Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 as amended.

²⁰ RIEFA, Christine and SAINTIER, Séverine, (2021), Vulnerable Consumers and the Law: Consumer Protection and Access to Justice, Abingdon, Routledge.

²¹ Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 as amended.

²² RIEFA, Christine and SAINTIER, Séverine, (2021), Vulnerable Consumers and the Law: Consumer Protection and Access to Justice, Abingdon, Routledge.

²³ Bank of Tanzania Act, Cap. 197 R.E. 2023, Section. 70(1).

²⁴ Microfinance Act, Cap. 407 R.E. 2023, Section. 13.

²⁵ Microfinance Act, Cap. 407 R.E. 2023, Section. 51.

understood as part of responsible lending and consumer protection, rather than merely as a mechanism for enforcing repayment.²⁶

4.6 Cost and Complexity of Formal Legal Remedies

The effectiveness of consumer protection is also affected by the accessibility of formal legal remedies. Although the law may provide avenues through which consumers can enforce their rights, judicial proceedings may involve financial costs, procedural requirements and delays that discourage consumers from pursuing relatively small claims. This creates a distinction between formal legal protection and substantive access to justice. A right has limited practical value where its enforcement requires resources that the affected consumer cannot reasonably afford. The literature on consumer protection consequently emphasises the importance of accessible and proportionate mechanisms for resolving consumer disputes. For microfinance consumers, accessible administrative and alternative redress mechanisms are therefore particularly important. Such mechanisms can reduce reliance on formal litigation while providing a practical means through which consumer rights can be enforced.²⁷

4.7 Institutional Coordination

Consumer protection in the microfinance sector involves several areas of regulation, including financial supervision, competition and consumer protection, and personal data protection. The existence of different institutional mandates may create difficulties where consumers are uncertain about the appropriate authority to approach or where a complaint involves more than one regulatory area.

The Fair Competition Act provides a general framework for consumer welfare and protection against misleading or deceptive conduct, while the Personal Data Protection Act establishes a separate framework for protecting personal information. These laws complement the sector-specific framework administered by the Bank of Tanzania. Effective consumer protection therefore requires institutional coordination. Clear allocation of responsibilities and cooperation among relevant regulatory institutions can reduce uncertainty for consumers and strengthen enforcement of overlapping legal protections.²⁸

5. LEGAL AND POLICY REFORMS FOR STRENGTHENING CONSUMER PROTECTION

The preceding analysis demonstrates that Tanzania has established an important legal framework for protecting consumers in the microfinance sector. The principal difficulty lies in ensuring that the protection recognized by law is effectively translated into practical protection. Reform should therefore focus on

strengthening implementation, improving the clarity of existing requirements and ensuring that consumers have accessible mechanisms through which their rights can be exercised and enforced.

5.1 Strengthening Consumer Financial Education

Consumer financial education should constitute an integral component of microfinance regulation. The Microfinance Act recognizes financial education as part of consumer protection, while the broader literature on financial inclusion demonstrates that access to financial services without adequate consumer understanding may expose borrowers to over-indebtedness and other financial risks.

The regulatory approach should therefore move beyond the assumption that consumers will understand financial products merely because information has been provided to them. Financial education should address the practical aspects of borrowing, including interest, fees, penalties, repayment obligations, consequences of default and available complaint mechanisms. This would strengthen the ability of consumers to make informed decisions and exercise their rights.

5.2 Improving the Clarity of Loan Disclosure

The existing framework should place greater emphasis on the quality and comprehensibility of disclosure. The Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 establish requirements concerning transparency and disclosure, but effective consumer protection requires information to be communicated in a form that ordinary borrowers can understand. Loan agreements should therefore present material financial information clearly, particularly the total cost of borrowing, interest, fees, penalties and repayment obligations. This approach would strengthen the substantive value of disclosure and reduce the possibility that consumers accept financial obligations without appreciating their consequences. The literature on consumer protection supports the principle that consumers require clear and accessible information to make informed choices. Accordingly, improving disclosure does not necessarily require extensive new regulation; it may also require more effective implementation and standardization of existing requirements.²⁹

5.3 Simplifying Complaint and Redress Mechanisms

The effectiveness of consumer protection also requires accessible complaint and redress mechanisms. The Financial Consumer Protection Regulations provide for complaints handling, while the Bank of Tanzania has developed procedures for resolving financial consumer complaints. These mechanisms should be made sufficiently simple for ordinary consumers to understand and use. The regulatory framework should clearly communicate the stages of a complaint, the responsibilities of the service provider, the circumstances in which a matter may be escalated and the remedies available to the consumer. Accessible redress is particularly important because formal judicial proceedings may not always be

²⁶ KELLY-LOUW, Michelle and DAMAR-BLANKEN, Duygu, (2025), Financial Inclusion Law and Over-Indebtedness, Abingdon, Routledge.

²⁷ RIEFA, Christine and SAINTIER, Séverine, (2021), Vulnerable Consumers and the Law: Consumer Protection and Access to Justice, Abingdon, Routledge.

²⁸ Personal Data Protection Act, Cap. 44 R.E. 2023, ss. 20-37.

²⁹ HOWELLS, Geraint and WEATHERILL, Stephen, (2017), Consumer Protection Law, 2nd Ed., London, Routledge, p. 15.

proportionate to the value of a microfinance dispute. Consumer protection literature emphasises that effective access to justice requires remedies that are practically accessible to vulnerable consumers.³⁰

5.4 Strengthening Regulatory Supervision and Enforcement

Greater attention should also be directed towards regulatory supervision and enforcement. The Bank of Tanzania Act provides the statutory foundation for regulatory intervention, while the Microfinance Act establishes supervision of microfinance service providers. The effectiveness of these powers depends on their consistent application. Regulatory supervision should therefore focus not only on the financial soundness of providers but also on market conduct, consumer treatment, disclosure, complaints handling and debt recovery practices. Responsive regulation provides a useful basis for this approach because it recognises that compliance may require different forms of regulatory intervention depending on the conduct of regulated entities. Supervision, guidance and enforcement should therefore operate as complementary mechanisms rather than isolated regulatory responses.³¹

5.5 Strengthening Regulation of Debt Recovery

The regulation of debt recovery should remain an important area of consumer protection reform. The Microfinance Act provides a statutory framework governing debt collection and recovery. However, effective protection requires consumers and service providers to have a clear understanding of the limits of lawful recovery. Parliament and the relevant regulatory authorities should therefore ensure that rules governing debt recovery are sufficiently clear and capable of addressing emerging lending practices. The objective should be to preserve the legitimate right of providers to recover lawful debts while preventing recovery practices that undermine consumer rights. This is particularly important in light of the relationship between credit access and over-indebtedness. Financial inclusion should not be pursued at the expense of consumer protection. Responsible lending and lawful debt recovery should therefore operate as complementary components of the regulatory framework.³²

6. CONCLUSION

Consumer protection in the microfinance sector in Mainland Tanzania is supported by a substantial legal and regulatory framework comprising the Microfinance Act, Cap. 407 R.E. 2023, the Bank of Tanzania Act, Cap. 197 R.E. 2023 and the Bank of Tanzania (Financial Consumer Protection) Regulations, 2019, which provide safeguards relating to transparency, disclosure, fair treatment, financial education, complaints handling and debt

recovery. However, the effectiveness of these protections depends on their practical implementation and enforcement, particularly the ability of consumers to understand their rights and loan obligations, access effective complaint and redress mechanisms, and obtain protection against unlawful practices. The principal concern is therefore the gap between formal legal protection and its practical application. Strengthening consumer financial education, improving disclosure of loan terms, simplifying complaint procedures, enhancing regulatory supervision and enforcement, ensuring lawful debt recovery and improving institutional coordination are necessary to make existing legal protections more effective and responsive to developments in the microfinance sector

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³² Microfinance Act, Cap. 407 R.E. 2023, s. 51.



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