



**Revocation Of Licences
Of Microfinance Banks,
Finance Companies And Primary
Mortgage Banks By The Central
Bank Of Nigeria**

The Revocation

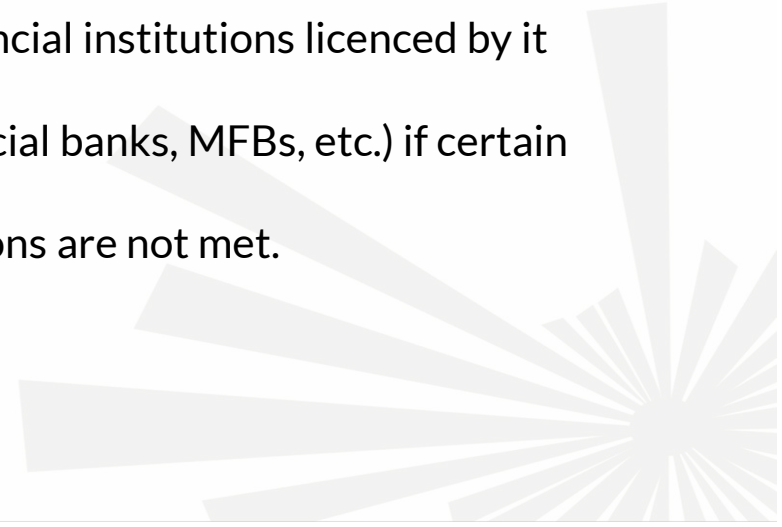
On May 22 and 23, 2023, the Central Bank of Nigeria (“CBN”), by a notice published in the official gazette of the Federal Government, revoked the licenses of one hundred and seventy-nine (179) Microfinance Banks (“MFBs”), three (3) Finance Companies and four (4) Primary Mortgage Banks (“PMBs”).



CBN's Power to Revoke Licences

As the primary regulatory body overseeing the banking and financial sector in Nigeria, the CBN is responsible for ensuring the stability, integrity, and soundness of the Nigerian financial system.

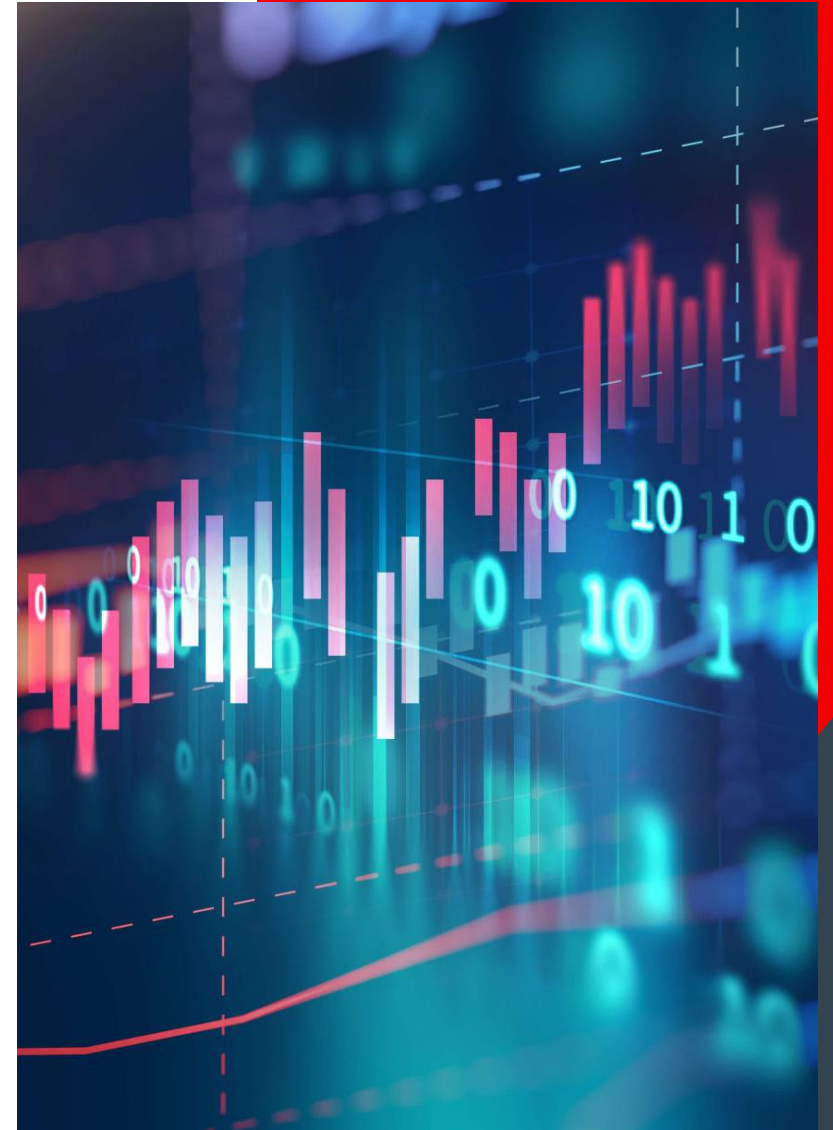
For this purpose, the CBN is empowered to revoke the licenses of financial institutions licenced by it (including commercial banks, MFBs, etc.) if certain prescribed conditions are not met.



Grounds For The CBN's Decision

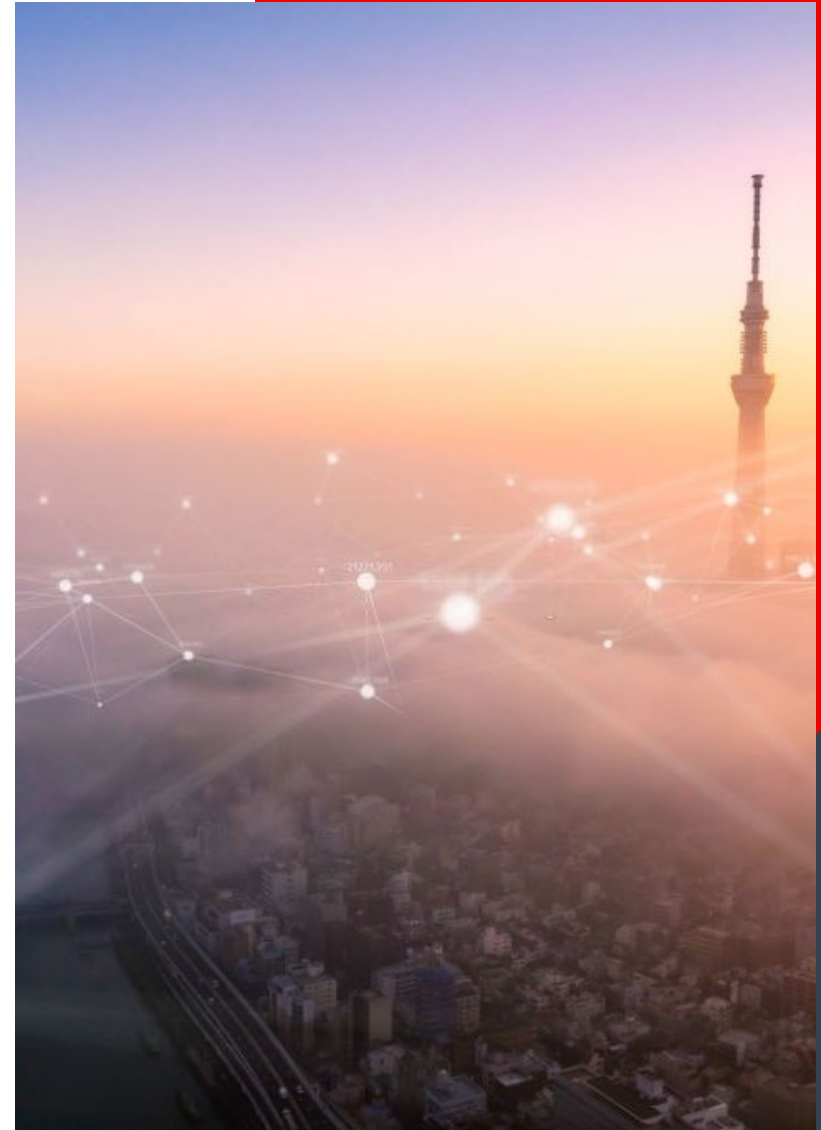
In providing the reasons for the revocation of the licences of the concerned entities in the instant case, the CBN explained that these institutions had, in contravention of BOFIA and the relevant guidelines:

- 1 Remained inactive;
- 2 Become insolvent;
- 3 Persistently failed to render the relevant returns as and when due;
- 4 Closed shop;



Grounds For The CBN's Decision

- 4 Ceased to carry on, in Nigeria, the type of business for which their licences were issued for a continuous period of six (6) months;
- 5 Failed to fulfil or comply with the conditions subject to which their licences were granted; or
- 6 Failed to comply with the obligations imposed upon them by the CBN e.g. during the evaluation stages before the revocation was announced.






What Next For The Affected Financial Institutions?

Winding Up of Operations by NDIC

Upon the revocation of licenses, the NDIC is required to commence the Winding Up of the affected institutions.

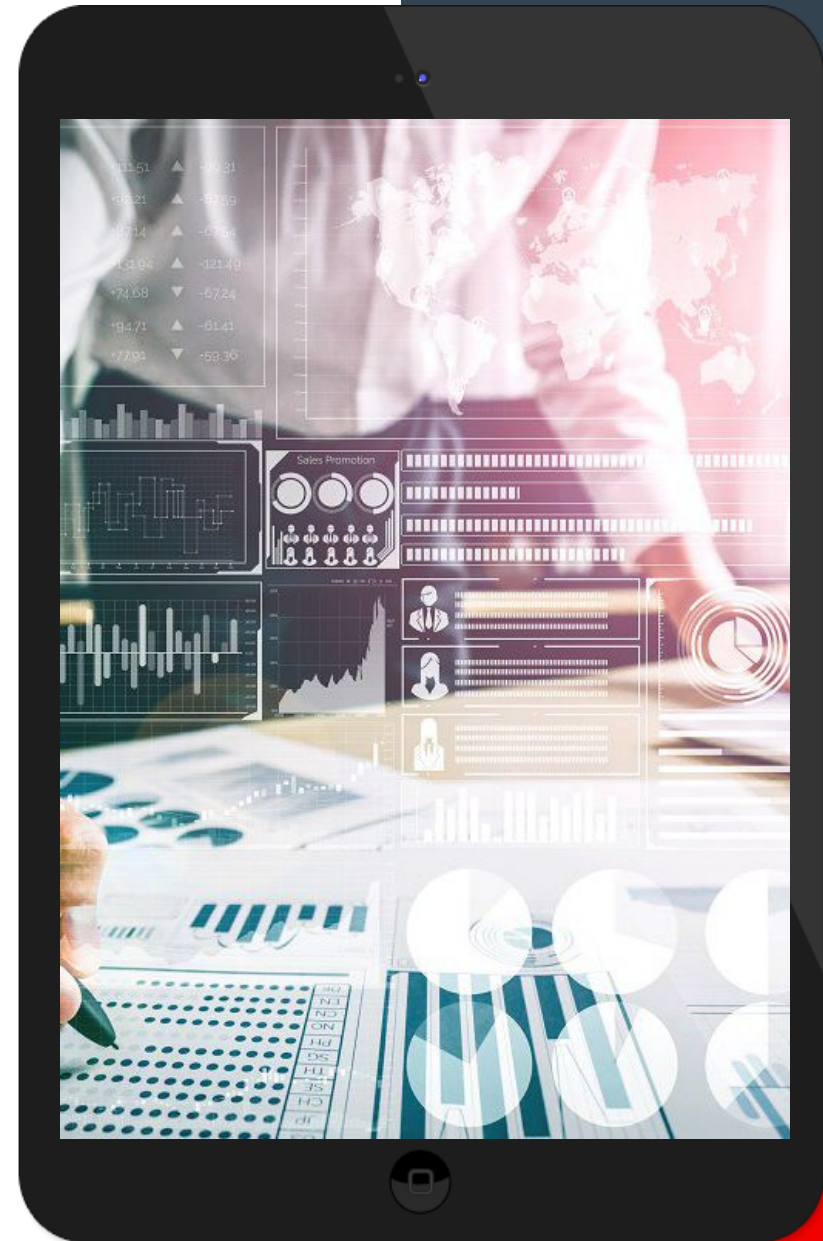
The NDIC will settle claims in the following order:

- a) insured depositors;
 - b) uninsured depositors;
 - c) creditors; and
 - d) shareholders.
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Options Available To Affected Financial Institutions

Options available to affected financial institutions for business continuity include:

- 1) Re-apply for same license or a Downgraded Licence: the licensee may re-apply for the grant of the same licence by the CBN. For MfBs, the company may also consider appealing to the CBN to issue a license for a lower tier/category where the MfB cannot recapitalize e.g. moving from a National MfB to a State MfB or from a State MfB to a Unit MfB. The company may, where applicable, also move from a Tier 1 Unit MfB to a Tier 2 Unit MfB.



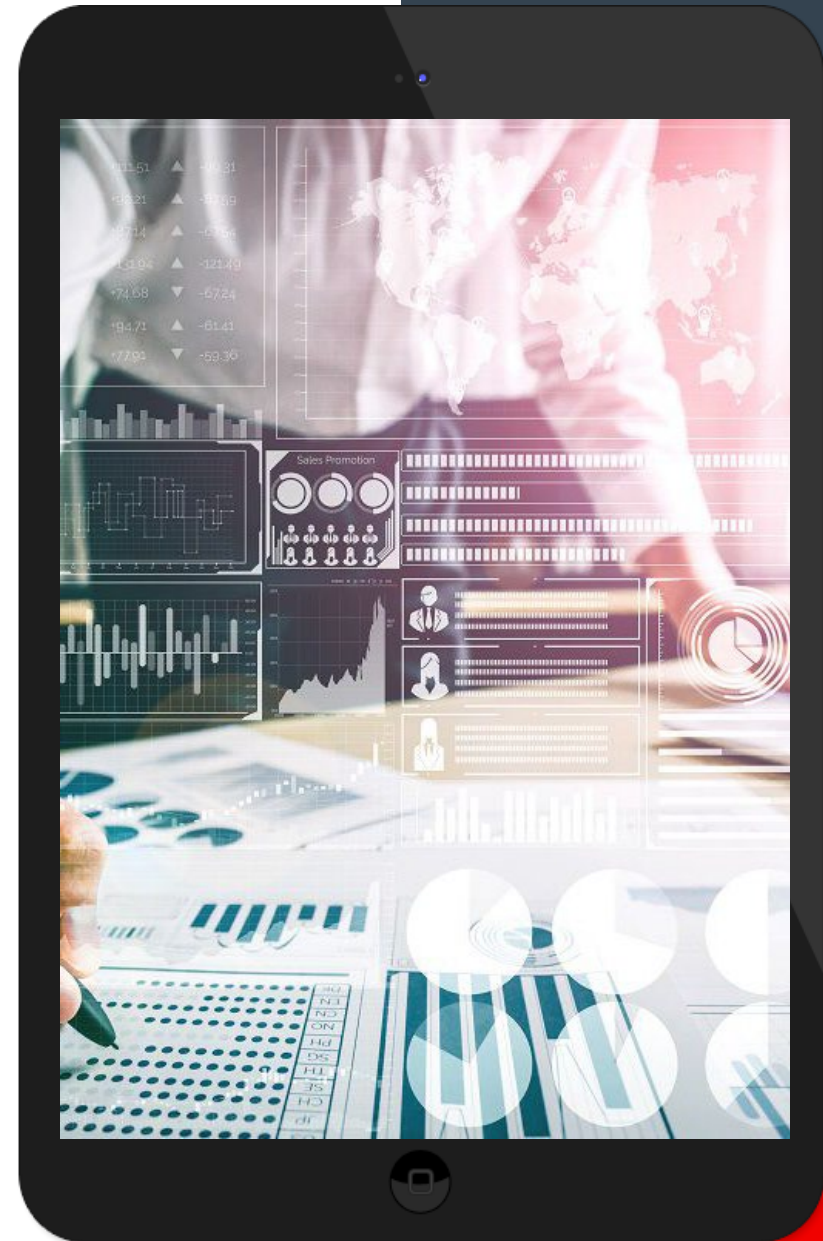
Options Available To Affected Financial Institutions

2) Apply for Alternative Licenses:

Depending on the business model, an MFB may consider applying for alternative licenses offered by the CBN, such as a Payment Service Provider (PSP) or mobile money operator (MMO) license, as these allow offering certain financial services without being a full-fledged MFB. If an MFB has a strong digital presence or operates as a fintech, it can explore transitioning to a fintech-focused business model.

3) Explore Partnerships or Acquisitions:

The affected MFB can explore opportunities for partnerships with or acquisitions of other financial institutions. Collaborating with established banks, fintech companies, or other MFBs can provide an avenue to continue operations and serve customers.



Can You Sue the CBN to Reverse its Decision?

- A financial institution whose licence has been revoked may bring an action against the CBN. However, the court cannot mandate the CBN to restore a revoked licence.
- The only remedy available to a licensee in such circumstances is monetary compensation not exceeding the equivalent of the value of its paid-up capital of the financial institution at the time of the revocation.
- Interest groups such as the National Association of Microfinance Banks (“**NAMB**”) can also lobby the CBN.





Depositors' Funds

- Depositors with deposit-taking financial institutions are insured by the NDIC.

Upon revocation of licence and winding up and upon verification of accounts, depositors with MfBs can receive up to NGN200,000, while depositors with PMBs can receive up to NGN500,000.



Depositors' Funds

- Any amount in excess of the sums stated above (i.e. uninsured deposits) will be paid to the depositors as Liquidation Dividend upon the liquidation of the financial institution.
- Insured deposits are paid within 30 days after revocation of licence, on the condition that depositors verify their accounts with the NDIC. However, uninsured deposits will be paid by the NDIC upon realization of the assets of the MfBs.

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