

A RE-EXAMINATION OF THE PLACE OF LETTERS OF CREDIT IN MODERN DAY GLOBAL COMMERCIAL TRANSACTIONS*

Abstract

One factor that must exist in a contract of sale of goods is payment of money consideration called price. Although the most commonly used mode of payment is by cash or cheque, there has sprung up in present times another mode of payment which is by the instrument called 'Documentary Letters of Credit'. This paper sets out to examine the concept of documentary letters of credit. It scrutinizes the various types of letters of credit. In examining the concept of documentary letters of credit, the paper looks at the 'doctrine of strict compliance', how a letter of credit is opened, its application in Nigeria, its advantages and salient points on letters of credit. The paper also considers the instruments of letters of credit and the contract of sale of goods particularly its use in the Nigerian sphere/banks vis-à-vis modern day global commercial transactions.

Keywords: Re-Examinations, Place, Letters of Credit, Modern Day, Global, Commercial Transactions.

1. Meaning and Essence of Documentary Letters of Credit

According to the Oxford Online Dictionary, letters of credit is a letter issued by a bank to another bank (especially one in a different country) to serve as a guarantee for payments made to a specified person under specified condition.¹ The 'Investopedia' sees a letter of credit as a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of purchase.² It is a mode of payment applicable only when the parties to an export transaction have themselves agreed to it in their contract of sale.³

When the parties have agreed to letters of credit as the mode of payment in their contract of sale of goods, the buyer of goods instructs a bank in his country (the issuing bank) to open a credit with a bank in the seller's country (the advising bank) in favour of the seller, specifying the documents which the seller has to deliver to the bank if he wishes to be paid for his goods. In the instruction, the buyer also specifies the date of expiration of the credit. The bank here promises to pay the seller the price of the goods or accept a draft for the value of the goods, against the tender of the specified documents which most times include the bill of lading, insurance policy and invoice. If the documents tendered by the seller are correct and tendered before the credit has expired, the advising bank becomes obliged to make the payment to the seller. The bankers in turn will be repaid by the buyer. It is normal for the bank to open the letter of credit at the request of the buyer who has given them a satisfactory security for the reimbursement of the amount paid by the bank to the seller. The document as specified in the instruction which is tendered by the seller to the bank serves as security to the bank for the payment made to the seller on behalf of the buyer. Letters of Credit are employed in Cost, Insurance and Freight (C.I.F) and Free on Board (F.O.B) contracts and the principles governing letters of credit are the same for both types of contract.⁴

Letters of Credit are guided by the Uniform Custom and Practice for Documentary Credits (the UCP) 2007 which is a set of Rules governing the use of documentary credit. The most recent edition of the rules is the 'UCP 600' was published by the International Chamber of Commerce in July 2007. A letter of credit in the Nigerian context is the assurance a foreign seller receives from a Nigerian Bank that it will be paid for the goods it has made arrangements to have delivered to a Nigerian buyer or a buyer based in Nigeria once it is able to provide genuine evidence for such delivery.⁵

The Nigerian economy is hugely dependent on importation of goods from foreign countries and commodities are purchased from international sellers by the Nigerian buyer travelling to these countries with cash to purchase the

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¹ www.google.com.ng. Accessed 13/8/19

² <https://www.investopedia.com/terms/L/letters-of-credit/> Posted 7th May, 2019. Accessed 13/8/19

³ *Minorities Finance v Afrifbank Nigeria Limited* 1 Lloyd Rep 134 at 139, Per Longmore J (1995)

⁴ Okany Achike, *Commercial Law in Nigeria* (1985) P.311

⁵ Adetola Ayanru 'Nigeria: Letters of Credit –A Secure Form of Payment offered by Nigerian Banks for International Sale Transactions.' Last Updated 14 June 2016. Accessed 14/8/19-[www.mondaq.com.Nigerian/x/488850/Fin](http://www.mondaq.com/Nigerian/x/488850/Fin)

goods or by drawing our Documentary Bills and other negotiable instruments.⁶ However, these modes of payment come with loss/theft of cash as well as the risks involved in carrying cash despite its advantage of being convenient and cheaper for the buyer.⁷ The use of Documentary letters of credit as an international payment mechanism for goods purchased across national and international borders has always been available but was not very popular amongst Nigerian merchants as a result of the additional cost associated with the use of the service as rendered by Nigerian Banks.⁸ However, with the coming into place of the Central Bank of Nigeria's Policy Guidelines dated November 6th 2014⁹ with the objective of ensuring stability of the foreign exchange market, limits have now been placed on the use of Foreign Exchange to finance import contracts or other purchases. There is also the Money Laundering Prohibition Act¹⁰ which in its Section 2(3) limits the amount of Foreign Exchange which can be moved by cash overseas stating that a person must declare an amount above 10,000 dollars meant for payment outside the country to the Nigerian Customs Service Commission. It is as a result of the above developments, that Nigerian banks encourage the use of Documentary Letters of Credit as a payment mechanism for customers who are desirous of purchasing commodities (such as raw materials, machinery, etc.) from foreign sellers.

2. Types of Documentary Letters of Credit

Documentary Letters of Credit are of various types. It is for this reason that parties stipulate the particular type which should govern their transactions. The types of documentary letters of credit which we shall be looking at are:-

- 1) The Revocable and Unconfirmed Letters of Credit.
- 2) The Irrevocable and Unconfirmed Letters of Credit.
- 3) The Irrevocable and Confirmed Letter of Credit.
- 4) The Transferable Letters of Credit.

We shall proceed to elaborate on the types of letters of credit.

Revocable and Unconfirmed Letter of Credit

Here, no commitment is entered to the seller by either the issuing or the advising bank. This type offers little security to the seller of his assurance to receive the purchase price through a bank. A revocable letter of credit is amendable and can be cancelled at any time without any notice being given to the beneficiary, i.e. the seller¹¹ but the buyer must reimburse the nominated bank for any loss arising from any payment, acceptance or negotiation made by such a bank prior to its receipt of the amendment or cancellation notice.¹² This type of Letter of Credit creates no contract between the issuing or advising bank and the seller. It can be revoked at any time before the drafts drawn under it has actually been accepted. A case in point is the case of *Cape Asbestos Co. Ltd. v. Lloyd's Bank*¹³. In that case, S & F of Warsaw desired to buy some asbestos sheets from the plaintiff. They instructed Lloyd's Bank to open a credit in their favour. On June 14th 1920, the Bank wrote the Plaintiffs informing that a credit of £1,620 had been opened in their favour and could be made available by sight drafts accompanied by an invoice for the goods. The letter concluded: 'this is merely an advice for opening of the credit and is not a confirmation of same'. On July 20th 1920, the plaintiffs shipped part of their goods and the draft was accepted. On August 4th 1920, the defendants were instructed by their customer to withdraw the credit, but they failed to inform the plaintiffs of this. On September 30, 1920, the plaintiffs shipped the remaining goods and thereafter presented their draft with documents attached but the defendants refused to accept it. It was held that the defendants acted rightly in view of the fact that the credit was revocable and unconfirmed. The nature of a revocable and unconfirmed credit was explained by Bello JSC in *Acb. v. Yesufu*¹⁴ thus: 'It has been held in *Cape Asbestos Co Ltd v. Lloyd's Bank Ltd* (1921) WN274...that a revocable letter of credit might be revoked at any time and that there was no real obligation on a banker to give notice of the revocation to his customer and that the giving of notice was an act of courtesy, which it was very desirable should be performed but it was not founded upon any obligation. It seems to us that Cape Asbestos case is the only reported judicial decision in the common law countries on the matter for it is cited by the learned authors of 3 Halsbury Law of England 4th Edition at P 100 note 4....to support the proposition that a banker has no legal duty to give notice of dishonour of a revocable credit to his customer, we think the support given in the proposition is weighty. We take it as been the correct

⁶ Ibid

⁷ Ibid

⁸ Ibid

⁹Central Bank of Nigeria, Trade and Exchange Departments Circular dated November 6th 2014.<http://www.cbn.gov.ng/out/2014/TED/TED.FEM.FPC.GEN.01.022.pdf>. Accessed 24th February 2016

¹⁰ Money Laundering Prohibition Act, Cap M18 LFN 2004

¹¹ Article 8a of the UCP 1993 Revision

¹² Article 86 UCP

¹³ (1921) WN 274

¹⁴ (1978)NSCC 76 Pp 73

statement of the law.’ It has been stated by I.O.Smith¹⁵, that although the seller/beneficiary does not receive an undertaking from the issuing or advising bank under a revocable credit, he may tender relevant documents at a bank in the beneficiary's own country and on refusal to pay, an action lies against the buyer for breach of Contract of Sale mainly.

Irrevocable and Unconfirmed Letter of Credit

In this type of Letter of Credit, the authority given by the buyer to the issuing bank is Irrevocable and the issuing bank is under obligation to the seller to pay. The obligation to pay is also Irrevocable as the bank has to honour the credit. This type of Letter of Credit is a better option for the seller as if the seller tenders the correct documents before the date of expiry of the credit; he will insist that the issuing bank honours the credit. Where the issuing bank refuses, the seller can sue it in the country where the headquarters of the issuing bank is located or in certain circumstance in the seller’s country where it has a branch office in the seller’s country.

Irrevocable and Confirmed Letter of Credit

Here, if the advising bank adds its own confirmation of the credit to the seller, the seller is then sure that a bank in his locality will provide him with money if he delivers the correct shipping documents at the agreed time. A case in point is the case of *Hamzah Malas And Sons v British Imex Industries, Ltd.*¹⁶ In the instant case, Jordanian buyers bought a quantity of steel rods from British Sellers. It was agreed that the goods will be shipped in two installments and payment made under two confirmed credits, one for each installment to be opened with Midland Bank London. After receiving the first Installment the buyers who had already opened the 2nd Credit sought an injunction to restrain the sellers from recovering any money under the second credit. The court refused the injunction on the ground that the bank was under an absolute obligation to pay, irrespective of any dispute between the parties to the Contract of Sale, on tender of the stipulated documents. A Confirmed Credit for which the seller has received notifications cannot be cancelled by the bank on the buyers Instructions. This is the position of the law as decided in *Urquhart Lindsay And Co v Eastern Bank.*¹⁷ In the instant case U sold machinery to E in Calcutta to be delivered by installments, payment to be made for each shipment as it took place by means of a confirmed credit with R's bank in England. E's bank told U that a 'Confirmed Irrevocable Credit' was open in its favour. After two shipments had been made and paid for, the bank on E's instruction refused U's bill. The Court held that, the bank was liable in damages. Nigerian Courts have pronounced on Confirmed Irrevocable Documentary Credit in the case of *Akinsanya v U.B.A*¹⁸ thus:

The whole Commercial purpose for which the system of unconfirmed Irrevocable documentary credits has been developed in international trade is to give to the seller an assured right to be paid before he part with the control of the goods and does not permit of any dispute as to the performance of the contract of sale being used as a ground for non-payment or reduction or deferment of payment.

Transferable Letter of Credit

This type of credit is used by the seller to finance supply transactions. Here, the parties to the Contract of Sale may agree that the credit shall be transferable. The buyer opens the credit in favour of the seller and the seller (who in the supply transactions is the buyer). The credit is transferred on the same terms in which it was opened by the buyer. However, the amount payable to the supplier is lesser as the seller retains his profit from the export transaction. A transaction credit is divisible as it is transferred in an amount smaller than the amount it is opened by the issuing bank.

3. The Use of Letters of Credit generally and how it is opened

The credit is made available to the seller at the beginning of the shipment. It is either the parties spell out a time in their contract for the opening of the credit or it is opened at a reasonable time before the seller has to make shipments.

4. The Use of Letters of Credit in Nigeria and how it works

In Nigeria, the documentary letters of credit have become one of the most preferred modes of payment in International Contract of Sale amongst merchants and banks. According to Adetola Ayanru, a letter of credit from the Nigeria perspective operates in the following sequence: Once an International seller and a Nigerian buyer have agreed in the underlying sale contract that payment shall be made by a letter of credit, the buyer (applicant), approaches his bank in Nigeria (the issuing bank), and request for the opening of a documentary credit in favour

¹⁵ I. O. Smith: *Nigeria Law of Secured Credit*, Lagos (Ecowatch Publications Limited)2001 P378

¹⁶ 1958 2Q.B 127

¹⁷ 1922 1K.B. 318

¹⁸ (1986) 4 NWLR PART34, P278

of the international seller(beneficiary). There is a prescribed form designed by the bank to meet general request for letters of credit but the specifications may be amended to meet each buyer's peculiar needs. Subject to the applicant meeting all the Bank's requirements such as the official 'know your customer' background checks as provided in the Central Bank of Nigeria (Anti-money Laundering and Combating the Financing of Terrorism in Banks and other Financial Institutions In Nigeria) Regulation 2013, Part VII, referencing requirements and his accounts being in good standing with the bank, the issuing bank will open an Irrevocable credit by virtue of Article 3 of the ICC Uniform and Customs Practice (UCP 600) 2007 in favour of the beneficiary. This Irrevocable credit will undertake to pay the seller in another country on the terms specified by the buyer in his instruction to his bank, or incur a deferred payment undertaking subject to payment upon maturity provided the seller makes available the documents specified by the buyer through his own bank to the buyer's bank. Such documents may be or may include transport documents such as a bill of lading, an insurance policy, an invoice, a certificate of origin, a certificate of quality and such other documents as may be specified in the underlying Contract of Sale. The issuing bank will proceed to inform the seller through his bank (the advising bank) that a letter of credit has been opened in his favour and that he is required to tender such documents required by the buyer. Upon the seller's tender of the required documents which is most likely to be after he has shipped the goods to the buyer's country, the documents will be confirmed to be adequate (this is referred to as a 'Complying Presentation') by the seller's bank (advising bank), and after the confirmation, the bank will be required to pay the seller the contract sum. Upon the payment of the agreed contract sum to the seller/beneficiary, the seller's bank/advising bank is entitled to seek reimbursement from the issuing bank/buyer's bank. The Documents will be passed unto the buyer by his bank and of course, he will pay the bank the contract price in addition to any other payments for the service rendered. Sometimes, the bank may grant the buyer/applicant an extension of time to pay the contract sum if he is not in a position to pay immediately. It depends on his relationship with the bank. In this case, the buyer/applicant may be allowed to sell the goods upon granting him access through the release of the documents to him and the Bank will be entitled to the proceeds of the sale up to the required amount.

5. The Doctrine of Strict Compliance

In this business of Documentary Credit, there exist an agency relationship between the bank and the buyer with the bank acting as agent for the buyer who is the principal. The bank is not to exceed the buyer's instruction otherwise his act will not be ratified by the buyer. Where the bank exceeds instruction given, the bank bears the loss. This principle of the bank sticking to instruction is what is now known as the Doctrine of Strict Compliance. Under this Doctrine, the bank will refuse documents tendered by the seller which do not correspond strictly with instruction. As Lord Sumner rightly observed in *Equitable Trust Co. of New York v Dawson Partners Ltd.*¹⁹, 'there is no room for documents which are almost the same or which will do just as well'. In the instant case, D bought a quantity of vanilla beans from a seller in Batavia (Jakarta). They opened a credit in his favour through E instructing them to provide finance on presentation of certain documents, including a certificate of expert. E paid on tender of a certificate by a single expert. The seller was fraudulent and had shipped mainly rubbish but the expert who inspected the cargo had failed to notice it. The Court that E had paid contrary to D's instructions and could not debit them.

Another case in point is the case of *Soproma S.P.A. v Marine and Animal by Products Corporation*²⁰. In the instant case, S an Italian company bought a quantity of Chilean fish full meal from M, a New York Company. The contract was a C and F. Savona and provided that the buyers open a letter of credit with a New York bank. The sellers were to present documents which include bills of lading issued to order and marked 'freight prepaid' and an analysis certificate showing that the fish meal had a content of at least 70 percent protein. The documents tendered to the bank were not correct; the bills of lading were not in order and bore the remark 'freight collect' as opposed to 'freight prepaid' and the certificate showed only a minimum protein content of 67 percent. The bank rejected the documents. On expiration of the credit, the sellers made a direct tender of the correct documents to the buyers who rejected them. The court held that the bank rightly rejected the first tender of the documents and so the second tender was irrelevant and had to be disregarded.

6. Advantages of Letters of Credit

Some of the Advantages of Letters of Credit are:

1. The use of wide network of banks.
2. Safety of transferring funds and documents.
3. The security of a guaranteed paymaster.²¹

¹⁹ (1926)27 Lloyd's Law Rep 49

²⁰ (1966) 1 Lloyd's Rep 367

²¹ Adetola Ayanru (Ibid)

7. Disadvantages of Letters of Credit

The major disadvantage of the use of documentary letters of credit is the presentation of forged documents. However, this can be forestalled if proper investigation is carried out by the dedicated department of the advising or issuing bank.²²

8. Advantages of Irrevocable Letters of Credit

Obligation to Pay Seller on Tender of Specified Documents

One of the advantages of irrevocable documentary letters of credit is the obligation on the bank to pay the seller once he presents the specific documents. The buyer cannot make a countermand revoking a credit already given by trying to make trouble that the goods do not conform to the contract thus delaying payment. There exists an independence of the credit from the contract of sale even though the credit is made to finance the contract of sale. A seller who tenders the specified documents is assured of payment for the goods he sold. The seller here does not have to obtain security for unpaid goods and there is also the absence of the legal problem of the need for the seller to retain some interest in the goods sold rather than allow property to pass. Thus the giving of the credit opens up an obligation to deliver the goods. A case in point is the case of *Wahbe Tamari and Sons and Jaffa Trading Co v 'Colprogeca' Sodedade Geral De Fibras, Cafes E Productos Coloniais Lda*. The buyer is given the opportunity to borrow money for the payment of the goods when they are in transit while he is given some breathing space to raise the money through sub-sales of the goods for repayment to the bankers that advanced the loan on the arrival of the goods at their destination, or at such times that may be agreed by the bank and the buyer.

9. Salient Points to Note on Documentary Letters of Credit

While the furnishing of Letters of Credit could be a condition precedent for the duty to deliver goods by the seller to be activated, the terms of the contract may stipulate that the letters of credit will be opened upon performance of a specified act by the seller. A case in point is the case of *Knotz. v Fairclough, Dodd And Jones Ltd*²³, the defendant purchaser contracted to buy copra from the plaintiff seller and payment was agreed to be made through a confirmed letter of credit which will be opened for 97 percent of a provisional invoice which the plaintiff failed to furnish. The court held that the furnishing of the invoice was material to the opening of the credit and that until that was received the defendant would not be under obligation to open credit. As payment by letters of credit is purely contractual, it is not out of place for a buyer to incorporate as a term of the contract the opening of the credit before notice of shipment is received. Let's say 'the credit shall not be opened less than 40 days before notice of shipment is received.' While there is a necessity for the letter of credit to comply with the terms of the contract as was in *Equity Trust Co. of New York. v Dawson Partners Ltd*²⁴, the seller can waive strict compliance with the issuing of the letter of credit by the buyer. Where the seller does so, he will be estopped, if he fails to perform his obligation to deliver the goods to then insist that the furnishing of a letter of credit is a condition precedent to delivery.

The *prima facie* rule as regards C.I.F (Cost, Insurance and freight) contracts is that if there is no provision in the contract specifying time for the opening of the letter of credit, it must be done within a reasonable time before first shipment date. However, for F.O.B (free on board) contracts, Diplock J in his decision in *Stach Ltd. v Baker Bosley Ltd*²⁵ stated that with regard to F.O.B contracts the buyer must open the credit at the earliest shipping date in the absence of any stipulation about time of payment by a confirmed letter of credit. The buyer is under a mandatory obligation to open the letter of credit in time, and no excuse will exonerate him from his liability and the seller is entitled to repudiate the contract. It is immaterial that the delay was outside his control. A case in point is the case of *Lindsay (A.E) And Co Ltd v Cook*²⁶ where the buyer delayed to open a letter of credit due to interbank communication. It was held that the buyer ought to have opened the credit on time even though the court sympathized with his steps to do so on time but held that the seller was right in repudiating the contract.

The banks duty to pay cannot be affected by any controversy between the seller and the buyer as to performance of the contract of sale, as the irrevocable letter of credit places an absolute duty on the bank to pay whenever the specified documents are tendered by the seller. A case in point is the case of *Hamzeh Malas and Sons. v British Imex Industries Ltd*²⁷. In the instant case, it was held that where goods are to be shipped in installments and payment was agreed to be by confirmed letter of credit for each installment, the fact that the quantity of the goods

²² Adetola Ayanru (Ibid)

²³ (1952) 1 Lloyd's Rep 226

²⁴ Ibid

²⁵ (1958) 1 Q.B 130

²⁶ (1953) 1 Lloyd's Rep 328

²⁷ Ibid

shipped, for example in one installment, was not in accordance with the contract specifications, was not a valid ground for terminating the other letters of credit for subsequent installments. Payment made by the issuing or advising bank must be in strict compliance with the terms of the credit as a variation releases the buyer from the duty to pay the bankers loan. A bank can therefore refuse to issue a letter of credit for payment of a consignment as shown on the bill of lading if for instance the contract of sale states that the buyer should open a letter of credit for purchase of a 'corolla car' and one of the specified documents furnished to it, to wit, the bill of lading refers to 'Honda car' because the seller has not complied with the terms of the contract, he would therefore not be entitled to payment. If there exists any ambiguity between the instructions given to the banker by the buyer and the documents which are to be tendered for the purpose of opening of the letters of credit, the bank will not be liable if it acted upon documents that are perceived as reasonably within the meaning of the ambiguous description of the documents specified in the buyer's instructions.

There is the common use of the phrase 'cash against delivery' in contracts of sale. If the phrase is used in export sales, it shows that the price is payable on delivery of the specified documents which includes the bill of lading. Where the bill of lading is endorsed to any person, it operates as a delivery of the stated goods to the said person. A case in point is the case of *Crompton Richard Co, Inc. v. Atanda*.²⁸ In that case, the plaintiff who is the assignee of a contractual right sued the defendant for damages for non-acceptance of goods ordered, through an agent, from the assignor, an undisclosed principal. The plaintiff's success depended on an answer to the question whether an undisclosed principal could enforce a contract against a party with whom his agent had contracted without disclosing his existence. In line with the English case of *Collins v Associated Greyhound Race Courses*²⁹, in which it was held that, when a party contracts with an agent whom he does not know to be an agent, the undisclosed principal is generally bound by the contract and entitled to enforce it, unless the agent of the undisclosed principal contracts in terms that could import he is the real and only principal, the court held that the plaintiff to whom the undisclosed principal in Crompton's case had assigned his right under the contract was entitled to sue the defendant for breach of the contract.

10. Dispute Resolution and Court with Jurisdiction in Letters of Credit Dispute

The issue of which court has jurisdiction in letter of credit dispute is one which appears to be shrouded in an air of confusion as there is a question as to whether it falls within the exclusive admiralty jurisdiction of the Federal High Court or whether it is a simple banker customer relationship which confers concurrent jurisdiction on the State and Federal High Courts. In *Akinsanya v UBA*³⁰, the Supreme Court opined that a matter concerning the opening of a letter of credit, in which there is a collateral agreement of carriage of goods by sea is not an admiralty matter and that the State High Court has Jurisdiction to try it. This is because the whole transaction being a documentary credit, a bill of lading is not itself the contract of carriage between the shipper and the charterer but is merely evidence of the terms. All parties to International Documentary Credit deal in documents only, and as the present action is between the buyer and the issuing bank, the Lagos High Court has jurisdiction. Again in *Nasaralai v Arab Bank Of Nigeria*³¹, Bello JSC while relying on *Jamal Steel Structure Ltd. v. ACB Ltd (1973) 1 All NLR (Pt 2) 208* held that a Letter of Credit transaction is essentially a matter of documentary contract between a banker and his customer, which has nothing to do with maritime law, it is a matter within the jurisdiction of the High Court of Lagos State and not the Federal High Court. Section 251(d) of the 1999 Constitution of the Federal Republic of Nigeria has made a provision for the exclusive jurisdiction of the Federal High Court with a proviso that the paragraph shall not apply to any dispute between an individual customer and his bank in respect of transactions between the individual customer and the bank. It is therefore correct to say that the Federal High Court will have exclusive jurisdiction based on Sections 251(d) if the letter of credit dispute is between two banks or involves the Central Bank of Nigeria. One may also say in the light of *N.D.I.C. v Okem Enterprises Ltd*³², that the Federal High Court and State High Court have concurrent jurisdiction when the dispute is between individual customers and their banks.

11. Conclusion and Recommendations

This paper discussed, among other things the place of 'Documentary Letters of Credit' in modern commercial transactions. The paper examined the concept of documentary letters of credit and the various types of letters of credit. In examining the concept of documentary letters of credit, the paper, also looked at the 'doctrine of strict compliance', how letters of credit are opened, their applications in Nigeria, the advantages and other salient points associated with the use of letters of credit. The paper also considered the instruments of letters of credit and the

²⁸ (1967) M.N.L.R. 383

²⁹ (1930) 1 Ch. 1

³⁰ Ibid

³¹ (1986) 4 NWLR (PT36) 406

³² (2004) 10 NWLR (PT 880) SC 107

contract of sale of goods particularly its use in the business environment vis-à-vis modern day global commercial transactions. It is recommended that a more frequent and effective use of letters of credit for international contract of sale of goods as the advantages far outweigh the disadvantages. The use of letters of credit is very effective in import transactions based on the low risk involved in the carrying physical cash about for business purposes.