

## **A CURSORY LOOK AT THE CENTRAL BANK OF NIGERIA AS AN INSTITUTION OF CONSUMER RIGHTS PROTECTION IN NIGERIA\***

### **Abstract**

*Financial services in Nigeria leave a lot to be desired for the average consumer of the financial sector. Most of the time, the financial sector consumer is taken for granted and made to feel like fish out of water because of the moribund nature of the sector. Consumers' complaints in the course of transacting with financial institutions are taken for granted and most of the time left unresolved with the Consumer at the losing end of those transactions. The apex body for financial services in Nigeria has over the course of time rolled out several guidelines and modifications on financial modalities and how the consumer of the financial sector can be better treated and handled in the course of his/her day-to-day financial dealings. This work is an attempt to look into the apex body of the financial sector in Nigeria: the Central Bank of Nigeria and the role it has played or ought to play as regards Consumer Rights Protection in Nigeria.*

**Keywords:** Central Bank of Nigeria, Consumer Rights, Financial Institution, Services, Sector

### **1. Introduction**

The Central Bank of Nigeria<sup>1</sup> is the apex body that regulates banking and certain financial services in Nigeria.<sup>2</sup> Through various guidelines and regulations, the CBN makes efforts to regulate how consumers of banking and financial services are treated by the various banks and allied financial institutions. The CBN was established in 1958 under the CBN Act which has undergone several amendments<sup>3</sup> and is presently the CBN Act of 2007.

### **2. The Central Bank of Nigeria as an Institution of Consumer Rights Protection**

Given the speed of technological advancement and the declining economic situation, individuals and business inevitably engage banks and other financial institutions frequently. Over the years, the CBN has been taking steps to ensure that consumers of banking and financial services are not unduly exploited. A major function of the CBN is the promotion of a sound financial system in Nigeria.<sup>4</sup> Ingrained in this is the promotion of the safety and stability of the financial system to engender and sustain public confidence.<sup>5</sup> In April 2012, the CBN established the Consumer Protection Department to carry out the following functions: to:

1. resolve consumer complaints against financial institutions under the purview of the CBN;
2. entrench fair and responsible conduct amongst the financial institutions in relation to their customers; and
3. promote and disseminate financial education and awareness amongst consumers and prospective consumers for the enhancement of their economic well-being.<sup>6</sup>

Over the years, the CBN has been rolling out directives, circulars and guidelines to banks and other financial institutions under its supervision and control. On the 7th of November, 2012 the CBN issued the Consumer Protection Framework<sup>7</sup> to guide effective regulation of consumer protection practices of financial institutions regulated by the CBN.<sup>8</sup> Financial institutions regulated by the CBN include Commercial or Merchant Banks, Specialized Banks, Micro-finance Banks, Discount Houses, Development Finance Institutions, Finance Houses, Bureau-de-Change, Primary Mortgage Banks, Credit Bureau, Mobile Payment Companies, Mobile Money Operators or any other institution as may be licensed by the CBN from time to time in line within the relevant provisions of Banks and other Financial Institutions Act.<sup>9</sup> The CBN CPF is focused on ensuring that consumers of financial services are well protected and treated fairly by financial institutions.<sup>10</sup> The CBN CPF mandates

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\*By **Ogugua V.C IKPEZE, PhD**, Professor and Dean of Law, Faculty of Law, Nnamdi Azikiwe University, Awka;

\***Egundu Grace IKEATU**, LL.M, PhD Candidate, Faculty of Law, Nnamdi Azikiwe University, Awka.

<sup>1</sup> Hereinafter referred to as CBN

<sup>2</sup> By virtue of its statutory functions under the CBN Act, 2007 and allied laws

<sup>3</sup> Central Bank of Nigeria, History of CBN in 1997 and 1998 retrieved from <https://www.cbn.gov.ng/AboutCBN/history.asp> on April 7, 2022.

<sup>4</sup> See section 2 (d) of the CBN Act

<sup>5</sup> Central Bank of Nigeria, Consumer Protection retrieved from <https://www.cbn.gov.ng> on April 5, 2022.

<sup>6</sup> Central Bank of Nigeria, Consumer Protection Department: Frequently Asked Questions retrieved from <https://www.cbn.gov.ng/OUT/2018/CPD/CONSUMER%20PROTECTION%20FAQs.PDF> on April 8, 2022

<sup>7</sup> Hereinafter referred to as CPF

<sup>8</sup> Central Bank of Nigeria, Consumer Protection Framework retrieved from [https://www.cbn.gov.ng/out/2016/cfpd/consumer%20protection%20framework%20\(final\).pdf](https://www.cbn.gov.ng/out/2016/cfpd/consumer%20protection%20framework%20(final).pdf) on April 8, 2022.

<sup>9</sup> See Article 1.3 of the interpretation section of the Consumer Protection Framework

<sup>10</sup> See the preamble to the CPF

the CBN to carry out financial consumer protection in line with the provisions of the CBN Act and the Banks and other Financial Institutions' Act.<sup>11</sup> The CBN shall also collaborate with relevant stakeholders to carry out Objectives of the CBN CPF which include the following –

1. Protection of consumers' assets.
2. Ensuring timely complaints handling and dispute resolution.
3. Ensuring that financial service operators put in place have effective consumer risk management framework.
4. To outline the rights and responsibilities of consumers.

Impressively, the CBN CPF recognizes and upholds several consumer rights that include the following:<sup>12</sup>

1. Right to be informed – financial institutions shall provide accurate and timely information on products and services to enable consumers make informed decisions.
2. Right to consumer education – consumers shall be provided with knowledge needed to make informed and confident financial decisions to enhance their economic well-being.
3. Right to choose – consumers shall have the liberty to choose from a variety of products and services on offer at competitive rates without restrictions or compromising quality. This right extends to opting out when services are no longer satisfactory provided outstanding commitments are settled.
4. Right to safety – financial institutions shall provide a safe and conducive banking environment, channels and platforms.
5. Right to confidentiality – consumer information must be protected from unauthorized access and disclosure.
6. Right to redress – consumers shall have access to an efficient redress mechanism for settlement of claims or disputes.
7. Right to be treated fairly – consumers shall be treated fairly regardless of any complaint and dispute already existing between them, their financial knowledge or status, physical ability, age, gender, tribe or religion. However, subscription to certain products and services may offer consumers special benefits.

The CBN mandates all stakeholders in the financial services industry to protect the above listed consumer rights.<sup>13</sup> The CBN shall work with relevant stakeholders to ensure that the rights of consumers of financial products and services are protected.<sup>14</sup> Such stakeholders include the Consumer Protection Council which is presently replaced with the Federal Competition and Consumer Protection Council, Consumer Advocacy Groups and the like. In 2019, the CBN issued the Consumer Protection Regulations<sup>15</sup> to give effect to the provisions of the CPF and improve overall compliance with same by financial institutions controlled by the CBN. Parts 2 and 6 of the CPR specifically made provisions for the fair treatment of consumers and complaint management respectively. Under the CPR, Consumer complaints against any financial institution shall first be lodged with the financial institution for timely resolution and redress.<sup>16</sup> The Financial Institutions are mandated to do the following -<sup>17</sup>

1. develop documented processes on Complaints Handling that will guarantee fairness, transparency, responsiveness and independence of the complaint handling mechanism as regards consumers.
2. Allocate adequate resources for complaints handling/redress and the processes manned by skilled and well-trained members of staff.
3. At all customer engagement points, disclose channels and contact details for lodging complaints, timeframe for resolution, and options for escalation. Where it is not practicable to comply with this, refer customers to where the information required could be obtained.

The CBN CPR stipulates that financial institutions shall provide multiple dedicated channels to receive and handle consumer complaints including verbal complaints.<sup>18</sup> Such channels may include letters, e-mails, telephone lines, social media and digital software platforms (like banking mobile apps). In the course of

<sup>11</sup> Article 2.1.1 of the CPF

<sup>12</sup> Article 3.1 (a) – (g) of the CPF

<sup>13</sup> Article 3 of the CPF

<sup>14</sup> Article 2.1.2. of the CPF

<sup>15</sup> Hereinafter referred to as CPR

<sup>16</sup> Article 6.1 of the CPR

<sup>17</sup> Articles 6.1.1 – 6.1.3 of the CBN CPR

<sup>18</sup> Article 6.2 op cit

financial institutions' deployment of consumers' complaint management systems the following requirements are applicable -<sup>19</sup>

1. Be effective, functional, efficient and accessible always.
2. Generate a unique identification number and acknowledge complaints within 24 hours of lodgment, including transcription of verbal complaints.
3. Accord special consideration to the needs of vulnerable groups, especially the physically challenged persons and seniors.
4. Provide emergency channels for reporting time sensitive issues especially fraud related complaints at all times.

The CBN CPR makes it compulsory for Financial Institutions to establish Internal Dispute Resolution (IDR) structures and processes to effectively manage consumer complaints. Such IDR mechanism shall satisfy several requirements that include the following:<sup>20</sup>

1. Be under the oversight of the Executive Compliance Officer or an equivalent.
2. Upon receipt of a complaint, communicate to the consumer within 24 hours, an acknowledgment containing:
  - a. a unique identification or tracking number,
  - b. contact details of the complaints desk,
  - c. expected resolution timeline,
  - d. escalation options;
  - e. an assurance that the complaint is being addressed.
3. use the identification or tracking number generated in all correspondence with the complainant.
4. Designate a unit for complaints handling independent of other products or business functions taking into consideration, the nature and complexity of their business.
5. Staff responsible for handling complaints shall be required to declare any conflict of interest that may affect their objectivity in handling a complaint
6. Resolve complaints received within the time specified in the Timelines for Complaints Resolution by Institutions
7. Refund identified excess charges, non-payment or under-payment of interest on deposits, unauthorized debits, etc. along with interest as provided in the extant Monetary, Credit, Foreign Trade and Exchange Policy Guidelines or any regulation issued by the CBN.
8. Issue a letter of apology to the complainant where the above applies.

It is pertinent to mention that before a consumer can escalate a complaint on any product or service of any Financial Institution to CBN, any of several conditions must exist which include the following -

- a. The consumer must have exhausted the Financial Institution's Internal Dispute Resolution (IDR) process.
- b. If a Financial Institution fails to acknowledge the consumer's complaint within 3 days.
- c. Within 90 days from the date of the receipt of a decision from a Financial Institution.
- d. If it is not undergoing the process of resolution or already considered and resolved by a recognized ADR channel.
- e. If it is not under litigation or already adjudicated upon by a court of law, except where the aspect before the court is distinct from the matter brought to the CBN or where the court is dealing with the criminal aspect of the matter.

Impressively, the CBN CPR has penalties that will be visited on Financial Institutions when the complaints of consumers are treated with levity. Such penalties include the following –

1. Where there is non-resolution of complaints within prescribed timelines - penalty of Five Hundred Thousand Naira (N500, 000.00) per complaint per week while the infraction subsists.
2. In the case of non-acknowledgment of complaints from customer or non-issuance of tracking numbers – Two Million Naira (N2, 000,000.00) per complaint.
3. Generally, where there is non-response to request or failure to comply with CBN directive - a penalty of Two Million Naira (N2, 000,000.00).

Commendably, CBN has several guidelines and regulations that have been made to ensure that consumers of financial products and services are well treated and not exploited. Unfortunately, the said consumers are not really aware of the CBN regulations made to protect them. Very few consumers take steps against financial

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<sup>19</sup> Article 6.2.1 – 6.2.3 of the CBN CPR

<sup>20</sup> See Articles 6.3.1 – 6.3.19 generally

institutions when they are wrongly treated. The majority of issues consumers have with most of the financial institutions revolve around poor Automated Teller Machines (ATM) services, excess charges and draconian interest rates. Very few consumers are bold enough to sue financial institutions or escalate complaints against financial institutions when aggrieved. With the several circulars issued by the CBN to Financial Institution, several banks charges have been reduced. In the new charges' guidelines, the CBN slashed charges for Automated Teller Machine (ATM) withdrawals from N65 to N35 after the third withdrawal within the same month, while the charges on interbank transfers was reduced from N300 to a maximum of N50 per transaction.<sup>21</sup> Also, charges on bills payment, including those effected through other e-channels, have been reviewed downwards from N1, 200 to a maximum of no more than N500 per beneficiary payable by the sender. In the same vein, charges on electronic funds transfer have been reviewed downward to N10 for a transaction below N5, 000; N26 for transactions of N5,001 to N50,000 and N50 for transactions above N50,000. While debit card maintenance charge that was N100 per month has been removed, charges on ATM bill payments have been slashed from N100 to N50.

### **3. Conclusion**

From the foregoing it can be seen and said that a lot has been enacted and put in place for the protection of the rights of the average consumer in the course of his/her day-to-day dealings in the financial sector and with financial institutions. The question now would be: is the average consumer aware of the protection afforded him by the law? The need for thorough consumer education cannot be over-emphasized at this point.

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<sup>21</sup> The Nation, Excess Bank Charges retrieved from <https://thenationonline.ng/excess-bank-charges/> on May 2, 2022