



Digital Lending in Nigeria:

Legal and Regulatory **LANDSCAPE**

Introduction

Digital lending is rapidly reshaping the financial services landscape in Nigeria, providing accessible credit through technology-driven platforms. Individuals and businesses can now secure loans without ever stepping into a bank.

While this convenience is a significant advancement, it comes with its own set of challenges, from issues surrounding proper licensing to concerns of legally compliant loan terms and debt recovery practices.

As oversight intensifies, digital lenders who fail to comply with legal and ethical standards risk severe consequences, including regulatory sanctions, lawsuits and reputational damage.

It is therefore imperative for digital lenders to consider the legal regulatory landscape and how to navigate the same for growth, shareholders' value and long-term credibility in the market.

Legal and Regulatory Landscape for Digital Lending in Nigeria

The legal and regulatory landscape in Nigeria comprise several statutes, laws and regulations chief amongst which are the;

1. Federal Competition and Consumer Protection Act (FCCPA), 2018
2. FCCPC's Limited Interim Regulatory/Registration Framework and Guidelines for Digital Lending, 2022.
3. Nigerian Data Protection Act, 2023 (NDPA)
4. Money Lenders Law of Various States.
5. Companies and Allied Matters Act (CAMA), 2020
6. Banks and Other Financial institutions Act, 2025 Anti-Money Laundering / Combating Financing of Terrorism (AML/CFT) Regulations and other Guidelines issued by the Central Bank of Nigeria (CBN)
7. Federal Inland Revenue Service (Establishment) Act and relevant Tax Laws.
8. Cybercrimes (Prohibition, Prevention, etc.) Act, 2015

Digital Lending and its attendant legal risks

As earlier mentioned, digital lending offers immense opportunities.

However, it also exposes digital lenders to a range of legal risks.

Accordingly, some of the legal risks a digital lender may encounter are considered below:

1. Operating without Appropriate Licenses:

One of the major legal risks for digital money lending operators in Nigeria is uncertainty about the specific licenses they are required to obtain. Typically, digital lenders are required to obtain a Money Lending License from the state where they operate and register with the Federal Competition and Consumer Protection Commission (FCCPC) under its 2022 Limited Interim Regulatory/Registration Framework for Digital Lending.

However, this requirement creates a regulatory overlap. The FCCPC Framework mandates registration for all digital lenders except microfinance banks licensed by the CBN whereas the Banks and Other Financial Institutions Act (BOFIA) 2020 exempts all CBN-licensed financial institutions from FCCPC oversight.¹

This begs the question: If a digital lender obtains a CBN license, is FCCPC registration still necessary?

Such conflicts in regulatory interpretation make it difficult for operators to determine which licenses are mandatory and which regulator has jurisdiction over specific aspects of their business.

To mitigate this legal risk, digital lenders whether operating under a CBN license or a state-issued money lending license are advised to comply with the FCCPC Framework to the extent it applies and engage legal counsel to navigate the licensing process, address regulatory overlap, and manage ongoing compliance with all relevant authorities, including the FCCPC, CBN, and state ministries.

2. Data Privacy and Security Breaches

Digital lenders process large volumes of personal data, making the failure to adequately protect user data a serious breach of the Nigeria Data Protection Act 2023 (“NDPA”). Many digital lending platforms have been found to lack adequate data protection measures and have been held liable for misusing customer data, including disclosing and publishing borrowers’ personal information to unauthorized third parties, particularly during loan recovery missions².

These actions often violate both the NDPA and the customer’s right to privacy under Nigerian law.

Improper data processing not only damages customer trust but can also attract regulatory sanctions, lawsuits and prosecution of operators of Money Lending business.

To stay compliant and mitigate exposure, digital lending businesses are strongly advised to engage the services of cyber security experts and a data privacy lawyer to help develop sound privacy policies, set up adequate data protection mechanisms, review loan recovery practices, ensure consent mechanisms are adequate, and align the business operations with current data protection laws and best practices.

3. Non-Compliance with Advertising Standards:

Digital lenders must be mindful when advertising their services, as improper or aggressive marketing practices could lead to the imposition of penalties.

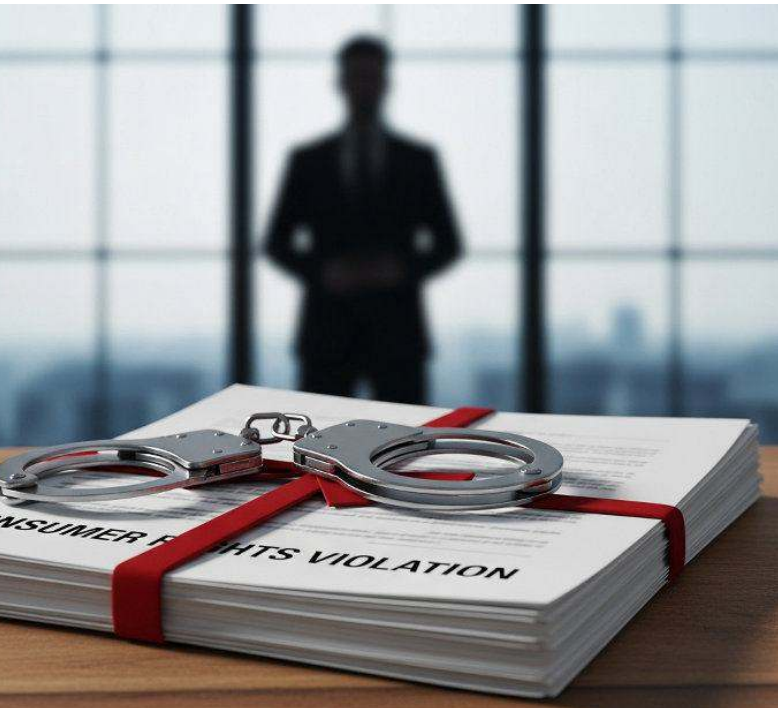
Many money lending laws expressly restrict certain advertising practices such as use of agents or canvassers to invite individuals to take out loans^[3], sending of unsolicited messages or targeting individuals directly with loan offers^[4], communication of false and misleading statements, or omitting material facts that would affect a borrower's decision,^[5] amongst others.

Digital money lenders must clearly state their interest rates, fees, and repayment terms, not just the loan amount or fast approval time.^[6]

Lenders are expected to adhere to advertising standards set out in the relevant state Money Lenders Laws, the FCCPA/Guidelines and other applicable consumer protection regulations.

To avoid penalties, digital money lenders should ensure that their marketing teams work closely with legal counsel to review and approve all advertisements and outreach strategies.





4. Consumer Rights Violations:

One of the most significant legal risks digital money lending operators face in Nigeria is the breach of customer rights.

This risk has legal, regulatory, and reputational consequences, which can ultimately threaten the sustainability of the business. Under the Federal Competition and Consumer Protection Act (FCCPA), 2018, digital lenders are mandated

to avoid contract terms that are unfair, unjust, or unreasonable⁷.

These include clauses that seek to waive the rights of consumers or limit the lender's liability for gross negligence, fraud, or misrepresentation.

Financial institutions, including digital lenders, are further expected to present loan terms in clear, straightforward language and must not obscure material information in lengthy or complex agreements⁸.

Also, digital money lenders must respect borrowers' privacy and dignity, particularly during the loan recovery process.

Any acts of harassment, cyberbullying, public exposure, and defamation, including sending defamatory text messages to a borrower's phone contacts are prohibited by the FCCPC.⁹

Practical Tips to Protect Digital Lending Business

To avoid the legal pitfalls discussed above, here are some strategies to safeguard your digital lending business:

1. Engage a Tech-Savvy Legal Team:

Team: Digital lending is a niche area. It's pertinent to engage the services of lawyers who understand the intersection of technology, finance, and regulation to guide licensing, product design, terms of use, privacy, loan recovery and general compliance with relevant laws.

The legal team would also monitor regulatory changes and ensure operations align with the law.

2. Use Legally Compliant Loan Agreements:

Avoid using generic loan contracts. Lending contract terms should be clear, fair, unambiguous and be drafted in accordance with the requirements of the law.

3. Conduct Periodic Audits:

Digital Money Lenders must conduct regular internal and external audits of their lending, data protection, and compliance systems to detect gaps early and take corrective actions. This ensures continuous improvement and regulatory readiness.

4. Conduct Regular Staff Trainings:

Regularly train employees, especially those in marketing, data handling, and loan recovery, on applicable laws, ethical standards, and compliance procedures. Well-informed staff can help prevent costly legal mistakes.



Conclusion

While digital lending presents a vista of opportunities for consumers in Nigeria, it also comes with significant legal risks for digital lenders. Compliance is not optional, it is required by the relevant statutes, state laws and regulations.

By understanding the legal landscape and proactively managing risks, digital lending businesses can thrive while staying on the right side of the law.

¹ Section 65(1) BOFIA, 2020

² Fatimah Yusuf Usman "When Borrowing Becomes Harm and NITDA Responds"

-June 12, 2025 <<https://economicconfidential.com/2025/06/when-borrowing-becomes-harm/>>

³ Section 18 Money Lenders Law of Kwara State, 2006; Section 20 Money Lenders Law of Lagos State

⁴ Section 21 Money Lenders Law of Kwara State; Section 23 Money Lenders Law of Lagos State

⁵ Section 25 Money Lenders Law of Kwara State; Section 27 Money Lenders Law of Lagos State; Section 125 of the FCCPA, 2018

⁶ Ibid

⁷ Section 127 FCCPA, 2018

⁸ Section 128 FCCPA, 2018

⁹ Busola Aro "FCCPC to loan apps: Don't use unethical loan recovery methods"

February 5, 2024 <<https://www.thecable.ng/fccpc-to-loan-apps-dont-use-unethical-loan-recovery-methods>>

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