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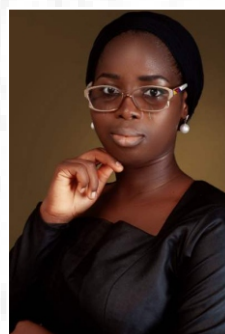


## DIGITAL LENDING UNDER SCRUTINY: FCCPC'S 2025 REGULATIONS AND WHAT DIGITAL LENDERS MUST KNOW

### Authors



**Ronke Fapohunda**  
Associate Partner  
Pinheiro LP



**Fasilat Rauf-Oyedele**  
Junior Associate  
Pinheiro LP

## INTRODUCTION

Nigeria's consumer credit landscape has undergone remarkable transformation in recent years, with the proliferation of digital lending platforms offering quick, short-term, and collateral-free loans. These services have been embraced by consumers for their accessibility and convenience, in contrast to the more rigorous and bureaucratic processes associated with traditional financial institutions.

According to the Federal Competition and Consumer Protection Commission (FCCPC), approved digital lenders increased by 166.7% from 173 in April 2023 to 461 in August 2025. While this growth demonstrates the sector's dynamism, it has also been accompanied by systemic abuses, including predatory debt recovery practices, breaches of data privacy, cyberbullying, defamatory disclosures against borrowers, and general violations of consumer rights.

In response to these abuses, the FCCPC introduced the **Digital, Electronic, Online or Non-Traditional Consumer Lending Regulations, 2025 (the "Regulation")**, which came into effect on 24<sup>th</sup> July 2025. The Regulation was issued pursuant to FCCPC's mandate under Section 17 of the Federal Competition and Consumer Protection Act, 2018 (FCCPA) to protect consumers, ensure fair competition, and promote market efficiency. In the case of **Emeka Nubia v. Honourable Minister of Industry, Trade and Investment & ors**, Hon. Justice F.N. Ogazi, reaffirmed FCCPC's authority to investigate anti-competitive practices across all sectors in Nigeria. This Regulation is specifically tailored to address the digital lending ecosystem; the Regulation prescribe clear operational standards for service providers while strengthening consumer protection safeguards.

## SALIENT PROVISIONS OF THE REGULATION

It is pertinent to note that the Regulation represents the first dedicated regulatory instrument issued by the FCCPC to directly address the challenges within Nigeria's digital lending sector. Prior to this issuance, the FCCPA had already provided a broad legal foundation for consumer protection and competition matters, particularly under Sections 17, 104, and 105, which empower the Commission to regulate undertakings and prevent exploitative practices. However, the FCCPA did not contain detailed, sector-specific provisions tailored to the peculiarities of digital lending. Hence, the Regulation fills this critical gap by establishing comprehensive standards for digital lenders.



## 1. Scope of Application

**Articles 3 and 4** provide that the Regulation applies to all unsecured lending transactions carried out in Nigeria through digital, electronic, online, or other non-traditional means. This includes lending conducted in the form of cash, airtime, data, cashback, services, or barter of quantifiable value. The Regulation therefore extends to:

<sup>1</sup>[Unreported] Suit No: FHC/L/CS/1009/2024,

- All lenders, vendors, service providers, and collaborators deriving benefit from such transactions;
- Undertakings operating in regulated industries as contemplated under **Sections 104 and 105 of the FCCPA**;
- All businesses operating across states or via online platforms, even where other regulators also exercise oversight.

Thus, the Regulation establishes a broad jurisdictional reach, while making sure sector-specific regulations are not displaced (e.g., under the Central Bank of Nigeria or the Nigerian Communications Commission).

## 2. FCCPC Approval Requirement

Pursuant to **Article 7**, existing consumer lending providers must, within 90 days of the Regulation's commencement, obtain FCCPC approval to continue operations.

### KEY PROVISIONS INCLUDE:

- **Dual-licensing obligations: Article 8** requires that where an undertaking (i.e an organization) engages in activities already regulated by another regulator, FCCPC approval will only be granted upon presentation of the requisite sectoral licence.
- **Partnership oversight: Article 10** mandates FCCPC approval for partnerships involving consumer lending services. All applications must include the relevant contracts, which must reflect the terms of collaboration.



- Mixed partnerships: Where a regulated undertaking partners with an unregulated entity, a consumer lending agreement must be executed and submitted for FCCPC's approval in accordance with **Article 11**.

### 3. Registration Requirements

**Article 12** outlines documentary and structural requirements for registration. Applicants must provide:

- A duly executed Consumer Lending Services Agreement;
- A completed application form and evidence of payment of applicable fees;
- Copies of regulatory licences (where applicable);
- Certificate of Incorporation, CAC status report, and constitutional documents;
- Profiles of directors, key management personnel, and shareholders;
- Evidence of financial capacity to sustain operations;
- Standard terms and conditions of service.

These requirements collectively aim to enhance transparency and accountability in the sector.

### 4. Validity and Renewal of Approvals

December of the third calendar year following issuance. Thereafter, renewals must be sought by 31 March of the following year, and subsequently every 36 months.

#### RENEWALS ARE CONTINGENT ON:

- Payment of prescribed levies;
- Compliance with FCCPC directives;
- Satisfactory operational performance as assessed by FCCPC.

### 5. Consumer Protection and Competition Safeguards

The proliferation of digital money lending has resulted in various cases of breach of fundamental human right, data privacy and harassment of borrowers.

The courts in the cases of **Ezugwu Emmanuel Anene v Airtel Nigeria Ltd** and **Godfrey Nya Eneye v MTN Nigeria Communication Ltd** held against wrongful handling of customer's data which may result in unsolicited messages. To curb unprofessional acts, the Regulation imposes certain obligations on digital lenders to:

- Conduct business responsibly, professionally, and ethically;
- Disclose clear and accurate information regarding services, applicable fees, and contract terms;
- Provide accessible complaint-handling channels;
- Notify consumers of any contractual changes;
- Avoid intrusive or coercive marketing practices;
- Treat consumers equitably and without discrimination;
- Comply with the Nigeria Data Protection Act, 2023, cybersecurity regulation, and provisions of the FCCPA on restrictive agreements and unfair trade practices.

<sup>2</sup>Suit FCT/HC/CV/545/2015 (unreported)  
<sup>3</sup>Appeal No: CA/A/689/2013 (Unreported)

These safeguards are designed to curb exploitative practices and restore consumer confidence in digital lending.



## 6. Reporting and Record-Keeping

**Article 25** imposes reporting requirements on service providers. Lenders are required to do the following:

- Maintain accurate records of transactions, complaints, and consumer interactions;
- File biannual reports with the FCCPC;
- Submit annual returns of lending activities by 31 March of the following year;
- Preserve records for at least five years and furnish them within 48 hours of FCCPC's request;
- Report material breaches, legal disputes, or significant operational challenges.

## 7. Penalties for Non-Compliance

The FCCPC has unequivocally emphasized that the Regulation is not merely advisory in nature, but it is binding and enforceable. In this regard, the Commission has stipulated stringent penalties for non-compliance to ensure rigorous enforcement of the Regulation. Article 27 prescribes far-reaching sanctions for violations, which include: Fines, suspension, delisting service providers from registration, or revocation of approval.

- For natural persons, fines up to N50 million (Fifty Million Naira);
- For body corporates, fines of N100 million (One Hundred Million Naira) or 1% of annual turnover, whichever is greater;
- Disqualification of directors for up to five years.

These punitive measures are deliberately structured to serve as both a deterrent against infractions and for compelling strict adherence by all market participants. Nigerian courts have consistently affirmed the validity of regulations issued under enabling statutes. For instance, in **Omatseye v. FRN**, the Court of Appeal upheld regulatory powers exercised pursuant to a statutory mandate. Hence, even the courts lend credence to the importance of complying with regulations.

## CROSS-JURISDICTIONAL PERSPECTIVE ON DIGITAL LENDING OVERSIGHT

Various countries around the world have moved (or are moving) to address the consumer risks posed by

digital lending and other non-traditional credit models, albeit by using different regulatory bodies and frameworks. In the United Kingdom, digital lending is not left unregulated. Oversight falls primarily within the mandate of the Financial Conduct Authority (FCA), which supervises all firms engaged in consumer credit. The UK legal framework already imposes obligations around affordability checks, responsible lending, fair marketing practices, and dispute resolution. In recent years, regulators have turned particular attention to Buy-Now-Pay-Later (BNPL) and other short-term, digital-based credit products, recognising that these operate in ways similar to Nigeria's digital loan apps. The FCA has issued extensive guidance requiring firms to provide transparent disclosures, clear advertising, and ensure that credit is not extended recklessly. HM Treasury has also signalled statutory reform to close gaps in the regulatory perimeter, ensuring that fast, app-based lending does not escape scrutiny. The approach demonstrates that the UK, while not having a "standalone" digital lending regulation, embeds digital lending within the broader consumer credit regime, making such rules not only obtainable but already enforceable under existing law.

The regulatory approach in Ghana combines statute and active rule-making. Ghana's primary statutory framework for credit is the Borrowers and Lenders Act (2020). On September 1<sup>st</sup> 2025, the Bank of Ghana issued a notice signalling that it is actively developing specific digital credit guidelines to regulate delivery channels, disclosures and fair practices in digital lending. That combination of statute plus forthcoming sectoral guidelines means Ghanaian regulators are explicitly treating digital credit as a policy priority.

In South Africa the National Credit Act remains the principal instrument governing consumer credit and it is enforced by the National Credit Regulator (NCR). While the country does not possess a standalone Regulation for digital money lender, the NCR has repeatedly published notices and taken enforcement action to curb unfair digital lending practices and industry guidance proposing specific measures that address specific risks in digital lending.

## REGULATORY IMPACT ON BORROWERS AND DIGITAL LENDERS

**1. Impact on consumers:** The Regulation produces tripartite benefits for consumers. First, it raises minimum standards of disclosure and transparency so consumers receive clear, timely information about pricing, repayment schedules and material contract terms before they borrow; such disclosure requirements reduce information asymmetry and make harm easier to detect and litigate.

Second, it reduces abusive debt-collection and privacy invasions by requiring permitted collection channels and by linking breaches to tangible sanctions (fines, suspension, delisting), thereby deterring predatory behaviour. Third, once a digital lender has been registered, it must abide by the Regulation while practicing safe consumer practices as opposed to the popular humiliation and public-shaming of borrowers.

**2. For digital lenders:** introduction of robust digital-lending rules creates both compliance costs and market discipline. With regards to cost, lenders must invest in stronger onboarding (registration with FCCPC, affordability checks, digital KYC), secure data-handling systems to meet data-protection laws, and compliance reporting systems, all of which raise operating expenditure, particularly for early-stage entrants. On market discipline, however, a binding regulatory floor reduces reputational risk and can improve investor confidence: institutional investors and strategic partners are likely to back platforms that can demonstrate regulatory compliance and sustainable lending practices. Conversely, absent enforceable rules, widespread abusive practices create systemic reputational risks that can precipitate heavy clampdowns, sector-wide restrictions or bank-style regulation that would be more costly for smaller lenders over time.

## CONCLUSION

The Digital, Electronic, Online or Non-Traditional Consumer Lending Regulations, 2025 represent a watershed in Nigeria's efforts to reform the digital lending sector. It establishes a structured compliance regime, strengthens consumer protections, and promotes competitive fairness, while addressing abuses such as unlawful debt recovery and data privacy violations. It is, however, important to note the limits of the FCCPC's jurisdiction. By virtue of Section 65(1) of the Banks and Other Financial Institutions Act, 2020 (BOFIA), the FCCPC has no authority to regulate banks or money lenders duly licensed by the Central Bank of Nigeria (CBN). Accordingly, the Regulation applies principally to non-bank digital lenders and allied service providers.

By setting minimum operational standards, mandating approval processes, and imposing sanctions for non-compliance, the FCCPC has signalled its commitment to consumer protection in a rapidly evolving credit market.



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