



# Fintech Disruption and the Future of Banking Regulations in Nigeria: Assessment of Challenges, Gaps and Reform Pathways

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**ABSTRACT:** *Fintech innovations in financial technology has redefined customer expectations in banking. The traditional banking institutions are struggling to keep pace with the innovative solutions introduced by Fintech firms which enhance efficiency, accessibility, and user experience. Fintechs are leveraging on cutting–edge technologies such as blockchain, and big data analytics to deliver faster and more convenient financial services than conventional banks. It becomes imperative therefore to examine whether existing banking laws adequately regulate fintech innovations. This paper appraised Fintech disruption and the future of Banking Regulation in Nigeria and finds that though Fintechs in Nigeria are regulated by multi agency, there is a glaring intention by the government to control their activities through regulation. There are however enforcement issues, overlapping mandates and legal gaps that have constituted challenges needing attention. A doctrinal approach of research is adopted by examining statutes, case laws, existing literature on the topic This paper recommends among others, Public –private partnership between the Government and some of these companies for effective service delivery, stricter prudential oversight as is available in conventional banks, attractive entry requirements, including licensing package.*

**KEYWORDS:** *Financial Technology, Conventional Banks, Regulations, PPP Model, Nigeria.*

## INTRODUCTION

Nigeria's fintech disruptors are making waves in the digital banking world in Nigeria and all over the world. They are competing and almost overtaking the conventional banks. According to highlights from the 2025 KPMG West African Banking Industry Consumer Experience Survey. The survey which polled over 35,000 retails customers across Nigeria and Ghana, reveals a clear divide which is that mobile-first fintechs dominate the top spots in consumer experience (CX) rankings, while even the strongest traditional banks lag behind by several percentage points.<sup>1</sup> Opay leads with an impressive 80.7 percent score. The KPMG report evaluated providers on six pillars of integrity, Resolution, Expectation, Time and effort, delivering quick, low-friction transactions and expectation, with consistent uptime and minimal

<sup>1</sup> <https://businessday.ng> "Traditional Banks Trails as FinTech's set new customer experience benchmarks" Accessed on January 26, 2026.

failures.<sup>2</sup> This paper appraised Fintech disruption and the future of Banking Regulation in Nigeria and finds that though Fintechs in Nigeria are regulated by multi agency, there is a glaring intention by the government to control their activities through regulation. There are however enforcement issues, overlapping mandates and legal gaps that have constituted challenges needing attention. This paper is segmented. The first segment clarified concepts, the second segment gave an overview of Nigeria's Banking regulatory framework, the third segment discussed the legal status and regulation of fintechs institution, the fourth segment examined regulatory gaps and risks inherent in fintechs, the fifth segment compared perspectives from other jurisdictions like UK and South Africa, the final segment concluded the work and made some recommendations.

## CONCEPTUAL CLARIFICATIONS

### *FinTechs*

Fintech companies are providing solution to consumer which before are the exclusive preserve of conventional banks. They are using technology to make financial operations easier, faster and more accessible to business, institutions and the general public at large. Fintech companies offer consumers access to financial transactions such as online banking, investment, risk and wealth management, payments, online trade and many more, in the comfort of their homes. The ease and comfort afforded by such banking transactions places fintechs in a competitive position to regular banks. These companies leverage on evolving technology to deliver the financial services.<sup>3</sup>

Fintech companies in Nigeria such as Opay, Flutterwave, Patstack, Palmpay, Interswitch, Kuda Bank, Paga, Remita, Carbon, Moniepoint etc. are reshaping Nigeria's financial future.<sup>4</sup> Financial inclusion from the Nigerian context is defined as an ideal state "when adult Nigerians have easy access to a broad range of formal financial services by a broad spectrum of any country's population would accelerate the pace of growth and development. This is because more people will be empowered to contribute to economic activity, thereby enabling the business environment, creating jobs, building skills, transferring expertise and technology and providing a competitive market and environment for innovation to thrive.<sup>5</sup> The Federal government has reaffirmed its commitment to expanding financial inclusion in Nigeria through digital identity and pro-growth regulation.<sup>6</sup> The incursion of fintechs into the financial ecosystem is a viable means of achieving the financial inclusion drive of the Federal Government.

### *Banking Business*

By virtue of (Bofia) 2020,<sup>7</sup> banking business means the business of receiving deposits on current account, savings deposit account or other similar account, paying or collecting cheques, drawn by or paid in by customers; provision of finance consultancy and advisory services relating to corporate and investment matters, making or managing investments on behalf of any person whether such businesses are conducted digitally, virtually or electronically only or

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<sup>2</sup> Ibid.

<sup>3</sup> <https://www.pwc.com> "Fintech-banking-sector-nigeria.pdf" Accessed on January 26, 2026.

<sup>4</sup> <https://socialander.com> "Top 10 Fintech Companies in Nigeria" Accessed on January 26, 2026.

<sup>5</sup> <https://www.cbn.gov.ng> "Financial Inclusion- Central Bank of Nigeria" Accessed January 15, 2026.

<sup>6</sup> This commitment was made by the Minister of State for Finance, Dr. Doris Uzoka-Anike at Senator's Next 3 Billion Tour held at the Transcorp Hilton Abuja.

<sup>7</sup> Banks and other Financial Institution Act 2020. s. 131.

such other business as the Governor may, by order published in the Gazette, designate as banking business.

Commercial banks play a vital role in the financial system of any country including Nigeria. They offer a wide range of services and products that help individuals, businesses and other organizations manage their money and achieve financial goals. Some of these services are accepting deposits, providing checking and savings accounts, issuing debit and credit cards, providing loans, offering financial advice and planning services, providing foreign exchange services, issuing checks, providing online and mobile banking services, offering credit card and processing services, providing wire transfer services, offering investment products, providing insurance products, offering safe deposit boxes, providing cashier's checks, providing notary services, providing ATM services, providing credit reports, offering account recondition services, providing mortgage services, offering small business banking services, providing merchant services, offering payroll services, providing business loans, offering business credit cards.<sup>8</sup>

## OVERVIEW OF NIGERIAN BANKING REGULATORY FRAMEWORK

The primary legislation governing banks in Nigeria is the Banks and other Financial Institutions Act 2020 and the Central Bank of Nigeria (Establishment) Act, 2007. The Banks and Other Financial Institution Act (BOFIA) 2020 vests the Central Bank of Nigeria with the authority to regulate, license and supervise banks and other financial institutions in Nigeria.

### *Banks and Other Financial Institution Act (BOFIA) 2020*

The Act made copious provisions on the legal control of Banks. Three arms of the control are reviewed here. a. regulation of banks legal identity b. Control of banking business c. Control of banking staff.

#### Regulation of Banks Legal Identity:

The Act in regulating banking business provided that “No person shall carry on any banking business in Nigeria except it is a company duly incorporated in Nigeria and holds a valid banking license issued under BOFIA”.<sup>9</sup> The Act,<sup>10</sup> restricts the banks from the use of tribal or ethnic name or any name which includes the words central, Federal, Federation, National, Nigeria, Reserve, State, Christian, Islamic, Moslem, Quaranic, Biblical, except with the written consent of the Governor of central Bank. The use of the word *Bank* or its derivative in any language description or title under which a person is carrying on business in Nigeria is prohibited except if the entity is a bank.<sup>11</sup>

Similarly, no person with the objects to offer payments or other financial services required by the Act shall be registered by the Corporate Affairs Commission with the word “fintech” or any of its derivatives either in English or in any other language included in the description or title under which the person is carrying on business in Nigeria.<sup>12</sup> The Act empowers CBN to by notice published in the Federal Government Gazette, or print and electronic media, revoke any license granted under the Act if a bank: (a) ceases to carry on in Nigeria the type of banking business for which the license was issued for any continuous period of six months or any period

<sup>8</sup> <https://research.gti.com.ng> “24 Functions of Commercial Banks in Nigeria” Accessed on January 26, 2026.

<sup>9</sup> Banks and other Financial Institutions Act, 2020.s.2.

<sup>10</sup> Ibid. s. 43.

<sup>11</sup> Ibid. (b).

<sup>12</sup> Ibid. (c).

aggregating six months during a continuous period of 12 months; (b) goes into liquidation or is wound up or otherwise dissolved; (c) fails to fulfill or comply with any condition subject to which the license was granted; (d) has insufficient assets to meet its liabilities; (e) conducts its business in an unsound manner or its directors engage in unsafe practices; (f) is involved in a situation, circumstances, action or inaction which constitutes a threat to financial stability; (g) fails to comply with any obligation imposed upon it by or under the Act, or the Central Bank of Nigeria Act or any other rule, regulation, guideline or directive made under the Act.; (h) is, in the opinion of the Bank critically undercapitalized with a capital adequacy ratio below the prudential minimum or such other ration as the Bank may prescribe; (i) fails to commence banking operations within 12 months following the grant of a license; or fails to comply with the provisions as relates to the minimum paid up share capital requirement or minimum capital ratio.<sup>13</sup> The Bank must at all times, maintain capital funds unimpaired by losses, in such a ration to all or any asset or to all or any liability or to both such assists and liabilities of the bank and all its offices in and outside Nigeria as may be specified by the Bank.<sup>14</sup>

#### Control of Banking Business:

The Act,<sup>15</sup> defined banking business as the business of receiving deposits on current account, savings deposit account or other similar account, paying or collecting cheques, drawn by or paid in by customers; provision of finance consultancy and advisory services relating to corporate and investment matters, making or managing investments on behalf of any person whether such businesses are conducted digitally, virtually or electronically only or such other business as the Governor may, by order published in the Gazette, designate as banking business.

The Act made some copious provision on the supervision and examination of banking activities which are ways of control of banking business. The CBN shall determine the minimum paid-up share capital requirement of each category of banks licensed under the Act (BOFIA), which shall be complied with by each bank within the time prescribed by CBN. Failure to comply with the requirement of minimum paid – up share capital as determined by the CBN, is a ground for the revocation of any license issued under the Act or any other Act repealed by it.<sup>16</sup>

The Act provides for the appointment of officers or directors with supervisory functions over banks and other financial institutions.<sup>17</sup> The appointed directors or officers are to carry out examinations of the banks, other financial institutions and specialized banks including maiden, routine, special and target examinations.<sup>18</sup> Special examination or investigation of the books and affairs of a bank, other financial institutions or specialized shall be carried out where it is in the interest of the public to do so and for other reasons.<sup>19</sup> The Act equally made some prudential provisions aimed at controlling banking business. Every bank shall cause to be kept proper books of account with respect to all the transactions of the bank.<sup>20</sup> Bank shall also submit to the CBN not later than five days after the last day of each month or such other interval as CBN may specify, a statement showing the assets and liabilities of the bank and also an analysis of advances and other assets, at its head office and branches in Nigeria and branches and

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<sup>13</sup> Ibid. s. 12.

<sup>14</sup> Ibid. section 13.

<sup>15</sup> Banks and other Financial Institution Act 2020. s 131.

<sup>16</sup> Ibid. 9 (1) (2).

<sup>17</sup> Ibid. s. 31.

<sup>18</sup> Ibid. s. 32.

<sup>19</sup> Ibid. s. 33.

<sup>20</sup> Ibid. s. 23.

subsidiaries outside Nigeria, in such form as CBN may specify.<sup>21</sup> Appointment of auditors is another significant provision of the Act for the control of banking business. Their duty is to present to the shareholders a report of the annual statement of financial position and statement of profit and loss of the bank.<sup>22</sup>

To ensure that a bank's capital is not dissipated in the form of dividend payment, no bank shall pay dividend on its share unless profit is made and until: (a) All its preliminary expenses, commissions and brokerages incurred losses and other capital expenses not represented by tangible assets have been completely written off; (b) Adequate provisions have been made to the satisfaction of the CBN for actual and contingent losses on risk assets, liabilities off balance sheet commitments and such unearned income as are derivable therefrom; (c) It has complied with any capital ratio requirement as specified by the CBN on minimum capital ratio; (d) It has satisfied any other corporate governance and prudential requirements that may be stipulated by the Banks.<sup>23</sup>

In the case of failing banks, the CBN has special powers of management and control over their affairs, which are detailed in the Act. Where a bank informs CBN that it is likely to become unable to meet its obligations under the Act or it is about to suspend payment to any extent or it is insolvent or where the CBN discover that a bank is in a grave situation after examinations as provided under the Act, the CBN has intervention powers which includes prohibition of further extension of credit facilities, suspension of any payment or delivery obligations pursuant to any contract to which the bank is a party.<sup>24</sup>

#### Control of Banking Staff:

The Act provides for the disclosure of the interest of directors, managers and other officers in any advance facility loan or credit facility. No manager or any other officer of a bank shall in any manner whatsoever, whether directly or indirectly have personal interest in any advance, loan or credit facility, and if he has any such interest, he shall declare the nature of his interest to the banks or grant any advance, loan or credit facility to any person unless it is authorized in accordance with the rules and regulations of the bank and where adequate security is required by such rules and regulations, such security shall prior to the grant, be obtained for the advance, loan or credit facility granted by the bank.<sup>25</sup> The Act further prohibits the receipt of any gift, commission, money, property or anything of value by a bank staff from any person for procuring any credit or loan or so discount on any draft, cheque and bill

“Any director, manager, officer or employee of a bank or any other person receiving remuneration from the bank, who asks for receives, consents or agrees to receive any gift, commission, employment, service, gratuity money, property or thing of value for his personal benefit or advantage or for that of any of his relations from any person”.<sup>26</sup>

The Act prohibits the appointment of certain class of persons as managers or directors in a bank. A bank shall not employ any person who is or any time has been adjudged bankrupt or

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<sup>21</sup> Ibid. s. 25.

<sup>22</sup> Ibid. s. 28.

<sup>23</sup> Ibid. s. 16.

<sup>24</sup> Ibid. s. 34 -36.

<sup>25</sup> Ibid. s. 17 (1) (a) and (b).

<sup>26</sup> Ibid. s. 46.

has suspended payment to or has compounded with his creditors or who is or has been convicted by a court for an offence involving fraud or dishonesty or professional misconduct.<sup>27</sup>

The Act also prohibits another class of persons from being appointed directors or secretary of a bank. (Management of a bank). It provides “no person shall be appointed or shall remain a director, secretary or an officer of a bank who is of unsound mind or as a result of ill-health is incapable of carrying out his duties or is declared bankrupt or suspends payments or compounds with his creditors including his bankers or is convicted of any offence involving dishonesty or fraud or is guilty of serious misconduct in relation to his duties or in the case of a person possessing professional qualification, is disqualified or suspended from practicing his profession in Nigeria by the order of any competent authority made in respect of him personally.”<sup>28</sup>

No person who has been a director of or directly concerned in the management of a bank which has been wound up by the federal high court shall without the express authority of the governor of the CBN act or continue to act as director or be directly concerned in the management of any other bank.<sup>29</sup>

#### *Central Bank of Nigeria Act 2007 (CBN Act)*

The CBN is constituted by a board of directors consisting of the Governor, four deputy Governors, the permanent secretary, and federal ministry of finance, five directors and accountant general of the federation. The board shall have the responsible for the policy and general administration of the affairs and business of the bank.<sup>30</sup> The principal objects of the CBN shall be to: (a) ensure monetary and price stability; (b) To issue legal tender currency in Nigeria; (c) To maintain external reserves to safeguard the international value of the legal tender currency; (d) To promote A sound financial system in Nigeria; and To act as banker and provide economic and financial advice to the federal government.<sup>31</sup>

It is imperative reiterate that among the key objects of the CBN is to promote a sound financial system in Nigeria.<sup>32</sup> In furtherance of this objective, the CBN has powers to license and regulate credit bureau.<sup>33</sup> The CBN in its supervisory role has the right to require and share information affecting the economy of Nigeria. It also has the right to issue guidelines on persons or institutions under its supervision.<sup>34</sup>

There are other relevant legislations such as the Companies and Allied Matters Act (CAMA) 2020. Nigerian Deposit Insurance Corporation Act, 2006 which is responsible for insuring all deposit liabilities of licensed banks, Foreign Exchange (Monitoring and Miscellaneous Provisions Act 1995 (FEMM Act) which establishes the Autonomous Foreign Exchange and provides the regulatory framework for foreign exchange transactions and control.

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<sup>27</sup> Ibid. s. 18.

<sup>28</sup> Ibid. s. 47.

<sup>29</sup> IBID. S. 47 (3).

<sup>30</sup> The Central Bank of Nigeria (Establishment) Act, 2007. S. 6 (91)(92).

<sup>31</sup> Ibid. s. 2.

<sup>32</sup> Ibid. 2. (d).

<sup>33</sup> Ibid. 57.

<sup>34</sup> Ibid. s. 33 (a) and (b).

## LEGAL STATUS AND REGULATION OF FINTECH INSTITUTIONS

There is no single united legislation known as “Fintech Act” or anything similar to it. Fintechs are regulated by a number of regulators through laws, guidelines and regulations. Some of them will be reviewed.

### *Central Bank of Nigeria (CBN)*

The CBN regulates fintechs as mandated by Banks and Other Financial Institutions Act (BOFIA) 2020 by making provisions on licensing, consumer protection and cyber security. There are various types of fintech licenses that a company can apply for in Nigeria. The nature of company’s business determines the license.

#### i. Payment Service Provider (PSP) License

The Central Bank of Nigeria grants the Payment Service Provider (PSP) License, allowing companies to provide electronic payment solutions, internet banking and mobile money.<sup>35</sup> To obtain PSP License, the following steps must be taken as to incorporation and legal structure:

- a. The applicant must be duly incorporated as a company in Nigeria.
- b. The legal structure and corporate governance must align with the requirements stipulated by the CBN.
- c. The objectives and authorised share capital of the company must fit into the exact category of license to be applied for.
- d. Directors, shareholders and key management personnel must meet the “fit and proper” criteria set by the CBN. This involves assessing their integrity, competence and financial soundness. They may be interviewed by relevant security agencies for a background check.<sup>36</sup>

There are other requirements like financial requirements, documentary requirements, and application process.

#### ii. Mobile Money Operator (MMO) License

The Mobile Money Operator (MMO) License issued by CBN allows companies to offer mobile money services like electronic wallets, funds transfers and bill payments. There are capital, documentary and other kinds of requirements before the license can be issued.<sup>37</sup>

#### iii. Payment Service Bank (PSB) License

Payment Service Banks (PSBs) are licensed by the Central Bank of Nigeria (CBN) to leverage technology and agency banking to provide financial services especially in rural and hard-to reach areas. The main objective is to enhance financial inclusion by increasing access to deposit products and payment/remittance services.<sup>38</sup> There are so many other categories of licenses issued by CBN to fintech to ensure control of their activities in Nigeria. By virtue of the provisions the Act,<sup>39</sup> the Central Bank may issue guidelines to any person and any institution under its supervision. The CBN from time-to-time issues guidelines on the operations of Banks including fintech including guidelines that ensure consumer protection.

<sup>35</sup> <https://www.legal500.com> “Types of Fintech Licenses Required for operation in Nigeria” Accessed on January 28, 2026.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

<sup>39</sup> The Central Bank of Nigeria (Establishment) Act, 2007. S. 33 (1)(b).

### *Consumer Protection Regulations 2019*

The Regulation provided minimum standards required of institutions under the regulatory purview of CBN on fair treatment of consumers, disclosure and transparency<sup>40</sup>, business conduct,<sup>41</sup> complaints handling<sup>42</sup> and redress in order to protect the rights of consumers and to hold the institutions accountable. Under the Regulation, financial institutions including fintechs are required to develop a policy that documents the processes, procedures and systems designed to ensure compliance with consumer protection. Fintechs are also required to ensure that contracts with consumers do not contain unfair terms,<sup>43</sup> such as eliminating or limiting the liability of a fintech to loss caused to a consumer by misrepresentation, negligence or misleading information on its products or services.

The regulation also requires financial institutions, including fintechs to treat consumers with equity,<sup>44</sup> courtesy and respect and not engage in unethical practices such as threats, humiliation, misrepresentation, deception, or unfair inducements when engaging with consumers. Fintech are expected to act in a manner that is ethical and consistent with the terms and conditions of their contract with their consumers.

### *Securities and Exchange Commission (SEC)*

Securities and Exchange Commission develops and regulates the Nigerian Capital Market with the view of protecting investors and enhancing efficiency. Fintech Companies that provide services in the Nigerian Capital Market such as e-dividends, direct cash settlement and dematerialization, registration of securities, capital market surveillances will be required to register with SEC. The Investment and Securities Act 2025, signed into law in March 2025, expressly recognizes virtual and digital assets (including crypt currencies and tokens) as securities under SEC's purview. This landmark reform brings virtual Asset Service Providers (VASPs) digital assets operators, and exchanges into the regulated space, requiring them to register with SEC before conducting business.<sup>45</sup> Every Collective Investment Scheme is to be registered with SEC.<sup>46</sup> Fintech Companies that are desirous of raising funds through the Capital Market are also required to register with SEC.<sup>47</sup>

### *Nigeria Data protection commission*

The Nigeria Data protection commission enforces the Nigeria data protection Act 2023 governing how fintechs handle user data. The Act has significant impact on the fintech industry and represent a comprehensive approach to data protection. The Nigeria Data Protection Commission is empowered to investigate complaints.<sup>48</sup> The Act builds upon the core principles enshrined in the Nigerian Data Protection Regulation, such as transparency, accountability, and data subject rights. It reiterates the importance of obtaining informed consent from users before

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<sup>40</sup> Consumer Protection Regulations 2019. S. 2.1.

<sup>41</sup> Ibid. 5.1.

<sup>42</sup> Ibid. 6.1.

<sup>43</sup> Consumer Protection Regulations 2019. S. 3.3.

<sup>44</sup> Ibid. 3.2.

<sup>45</sup> <https://finteching.org> "Nigeria's ISA 2025: Key Takeaways from FinTechNG'S stakeholder Engagement with the SEC" Accessed January 28, 2026.

<sup>46</sup> Investment and Securities Act. 2025. S 150 and 151.

<sup>47</sup> <https://www.lexology.com> "Legal and Regulatory Considerations for Fintech Startups in Nigeria" Accessed January 28, 2026.

<sup>48</sup> The Nigeria Data Protection Act, 2023. S. 6 (f).

processing their data.<sup>49</sup> The Act mandates that Fintechs and other data controllers,<sup>50</sup> minimize the amount of data they collect<sup>51</sup> and implement robust security measures to safeguard personal information.<sup>52</sup> The Act prescribes the rights of data subjects,<sup>53</sup> empowering users of fintech solutions with greater control over their personal data. They are granted right to access, rectify, erase, and restrict the processing of their data.<sup>54</sup>

### *Federal Competition and Consumer Protection Commission*

It regulating digital lending requiring registration and compliance with fair lending guidelines.

#### Digital Electronic Online or Non-traditional Consumer Lending Regulation 2025:

In July 2025, the Federal Competition Protection Commission introduced the 'Digital Electronic Online or Non-traditional Consumer Lending Guideline' 2025. The guideline made provision for oversight on Digital lending services by FCCPC<sup>55</sup> it provides that all lending Applications to be used for the provision of consumer lending Services shall be disclosed to the Commission during the application process. The following shall also be forwarded to the Commission:

- a. Evidence of compliance with the relevant standards for mobile applications, data messaging, information security, data quality and secure authentication, as determined by the International Organization for Standardization (ISO),
- b. Evidence of ownership of intellectual property rights in the Lending Application or a valid and subsisting license to use the same;
- c. Evidence of compliance of the Lending Applications with the Data Legislations and other applicable Laws as may be required by the Commission; and
- d. Such other information or documentation as may be required by the Commission.<sup>56</sup>

Where an applicant fails to declare or disclose any Lending Application used or intended to be used in the provision of Consumer Lending Services, the Commission may refuse to grant approval. Where approval has already been granted prior to the Commission's discovery of an undeclared or undisclosed Lending Application, the Commission may, without prejudice to any other sanction, revoke such approval or impose an administrative penalty in accordance with the Regulations or the Act. The Commission may further direct any mobile application market place or digital distribution platform to immediately delist any Lending Application operated in breach of the Regulations or these guidelines.<sup>57</sup> There are sanctions for noncompliance.

The guidelines apply to all persons, entities or institutions engaged in the provision, facilitation or administration of digital, electronic, online, or other non-traditional consumer lending services within the Federal Republic of Nigeria, whether directly or through digital platforms, agents, or other intermediaries. It also applies to all persons and entities enumerated in FCCPA

<sup>49</sup> Ibid. s.26.

<sup>50</sup> Data controller is defined by the Act as an individual private entity, public commission, agency, or any other body who alone or jointly with other, determines the purposes and means of processing personal data.

<sup>51</sup> The Nigeria Data Protection Act, 2023. S. 24 (c).

<sup>52</sup> Ibid. s. 39.

<sup>53</sup> A data subject is an individual to whom personal data relates.

<sup>54</sup> The Nigeria Data Protection Act, 2023. Part vi.

<sup>55</sup> Digital Electronic Online or Non-traditional Consumer Lending Guideline' 2025 s. 4.

<sup>56</sup> Ibid 19.

<sup>57</sup> Ibid s. 23.

2018 and binding on persons and activities included therein. It equally extends to cross-border digital consumer lending services offered to consumers in Nigeria.<sup>58</sup>

The Regulation does not apply to a. financial Institutions duly licensed and regulated by the Central Bank of Nigeria; b. Lending arrangements between employers and employees undertaken strictly pursuant to a contract of employment, staff handbook, or other ancillary employment policies; and c. duly registered and licensed cooperative societies operating in accordance with applicable laws.<sup>59</sup> The guidelines recognize the growth of the digital lending services sector, and in the best interest of the consumers require participating undertakings to be transparent, accountable, fair, and competitive in their service offerings.<sup>60</sup> This Regulation has repealed the provisions of FCCPC Limited interim Regulatory/ Registration Framework for Digital Lending (2022) on digital lending guidelines. This was done to prevent a dichotomy of regulations and guidelines on the operationalization of consumer lending services.<sup>61</sup>

## REGULATORY GAPS AND RISKS IN FINTECHS

Fintechs are still evolving with attendant gap in regulation and associated risks. Some of the regulatory gaps and risks are reviewed.

### *Fragmented Oversight and Conflicting Jurisdiction*

It is very clear that there is no single, unified or comprehensive legislation for fintech industry. This situation brings about overlapping and sometimes contradictory regulations from the CBN, SEC, Federal Competition and Consumer Protection Commission (FCCPC), and the National Information Technology Development Agency (NTDA).<sup>62</sup> Clarity on specific regulation on specific fintech operation has become imperative.

### *Data Sovereignty and off-shore Storage*

Many fintechs store customer's data outside Nigeria, which limits the ability of local regulators to audit or trace transactions in real-time, raising national security and data privacy concerns. The data localization policy of the government which requires sensitive or regulated data to be stored domestically and any cross-border transfers comply with the adequacy and safeguard requirement provided in the NDPA has not completely solved the problem.<sup>63</sup>

### *Unclear Regulations for Emerging Sectors*

Despite the SEC's efforts, comprehensive long-term frameworks for crypto-assets, virtual assets and crowd funding are still evolving. Nigeria's fintech regulatory framework is critical for ensuring that the sector's rapid growth aligns with consumer protection and financial stability.<sup>64</sup>

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<sup>58</sup>Digital Electronic Online or Non-traditional Consumer Lending Regulation 2025. S.1.

<sup>59</sup>Ibid 2.

<sup>60</sup>Ibid. 4.

<sup>61</sup>Ibid. S. 7.

<sup>62</sup><https://www.mondaq.com> "Regulatory Challenges in Fintech: Breaking Down the Red Tape" Accessed on January 28, 2026

<sup>63</sup><http://businessday.ng> "How Nigeria's data localization regime shapes fintechs' handling of Financial, identity, and transaction data" Accessed on January 28, 2026.

<sup>64</sup><https://wyze-ng.com> "Navigating Fintech in Nigeria: Balancing Growth, Regulation" Accessed on January 28, 2026.

*Systemic Risk*

Some of the risks are highlighted below.

## Cyber security and Data Breaches:

The rise in digital transactions has led to an increase in cyber-attacks with high vulnerabilities to hacking phishing and phishing attacks. The Nigeria Data protection commission enforces the Nigeria data protection Act 2023 governing how fintechs handle user data. The Act has significant impact on the fintech industry and represent a comprehensive approach to data protection. This Act will mitigate this risk to some extent.

## High incidence of fraud:

Weak verification systems and inadequate oversight have enabled criminals to use point of sale (POS) networks and fintech platforms for illicit fund transfers. Proper regulation.<sup>65</sup> Fraud not only impacts liquidity and the bottom line but also erodes trust in the company and leads to cascading impact on its overall health.<sup>66</sup>

## Compliance and financial Risk:

The high cost of obtaining licenses and compliance forces smaller firms into financial and operational risks. The inability to conduct deep scrutiny related to complex algorithms makes the potential system shock more significant, as appropriate standardization measures have not been implemented concerning digital service provision.<sup>67</sup>

## Unethical Debt Collection (Digital Lending):

In the digital lending sector, weak oversight has led to unethical debt collection practices, including harassment of borrowers. In July 2025, the Federal Competition Protection Commission introduced the 'Digital Electronic Online or Non-traditional Consumer Lending Guideline' 2025. The guideline made provision for oversight on Digital lending services by FCCPC. This will go a long way in protecting consumers from the activities of predatory lenders and harassment.

## **COMPARATIVE PERSPECTIVE IN SELECTED JURISDICTION UNITED KINGDOM (UK)**

There is no specific regulatory framework for fintech business, which are subject to the existing body of UK financial regulation. Fintech firms will fall within the regulatory perimeter if they carry on certain regulated activities (specified in the legislation) by way of business in the UK and do not fall within the scope of an exemption. This regulatory perimeter covers "traditional financial services, such as the provision of banking, consumer credit and insurance services, as well as certain areas more typically associated with fintech start-ups, such as crowd funding."<sup>68</sup>

UK Fintech regulation is primarily supervised by the Financial Conduct Authority (FCA) for conduct and Prudential Regulation Authority (PRA) for stability, focusing on consumer protection, market integrity and competition. A firm that wishes to undertake regulated

<sup>65</sup> <https://www.fraud.net> "Fraud is the Leading Risk for Fintechs and Financial Institutions" Accessed on January 28, 2026.

<sup>66</sup> <https://www.fraud.net> "Fraud is the leading Risk for Fintechs and Financial Institutions. Accessed on January, 29, 2026.

<sup>67</sup> <https://www.scrip.org> "Systemic Risk and Financial Stability: the Role of Fintech in Emerging Markets" Accessed on January, 29, 2026.

<sup>68</sup> <https://iclg.com> "Fintech Laws and Regulations Report 2025 -2026 United Kingdom" Accessed on January, 29, 2026.

activities in the UK will need to apply for authorization from one of the UK's financial regulators, the (FCA) or the prudential Regulation Authority (PRA). Once authorized, those firms will be subject to a range of additional primary legislation as well as detailed (and in some cases, activity-specific) rulebooks published by FCA and the PRA.<sup>69</sup>

### *South Africa*

Fintech regulation in South Africa is strict and proactive. It is supervised primarily by the Financial Sector Conduct Authority (FSCA) for market conduct and South African Reserve Bank. (SARB), which is a prudential authority for stability. Key regulatory considerations for launching a fintech in South Africa is that if fintech performs services like banking, insurance or credit lending, it must obtain the appropriate license before operating. Infact, there is no launch without license.<sup>70</sup>

The regulatory structure as noted above focuses on two pillars (Twin Peaks Framework), which are the Financial Sector Conduct Authority (FSCA) for market conduct and the prudential authority for financial stability. There is also the intergovernmental Fintech Working Group (IFWG) which provides a sandbox, allowing firms to test products in a controlled environment with regulators.<sup>71</sup> The Intergovernmental Fintech Working Group is a South African collaborative body launched in 2020 by financial regulators to understand, regulate and foster responsible fintech innovation.<sup>72</sup> The essence is to proactively manage risks and opportunities arising from fintech, ensuring financial stability, consumer protection and promoting innovation.

## **RECOMMENDATIONS FOR LEGAL REFORM**

In South Africa, if fintech performs services like banking, insurance or credit lending, it must obtain the appropriate license before operating. Infact, there is no launch without license. This enables the intergovernmental Fintech Working Group (IFWG) which provides a sandbox, allowing firms to test products in a controlled environment with regulators. Though the central Bank of Nigeria and other regulators have launched a regulatory sandbox to allow fintechs to test innovative products like AI, blockchain etc. in a controlled environment, it is only open to those fintechs that are registered with CBN. Fintechs not licensed are not covered by the legislation. The implication for Nigeria is that unregistered fintech operators in Nigeria are not tested before they operate which exposes consumers to risk of various kinds.<sup>73</sup> It is therefore imperative that apart from sensitizing the public on the risks inherent in dealing with such fintechs, a technological method of recognizing and pulling them into the regulation stream of the CBN is important. This will ensure the financial inclusion drive of the Federal government and also protect consumers.

## **CONCLUSION AND RECOMMENDATION**

Fintechs are assuming a great space in financial space in Nigeria and all over the world. They are competing with the traditional Banks of Brick. They are also complimenting them. To

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<sup>69</sup> Ibid.

<sup>70</sup> <https://jumo.world> "Navigating Africa's fintech regulatory landscape" Accessed on January, 29, 2026.

<sup>71</sup> Ibid.

<sup>72</sup> <https://www.moonstone.co.za> "Launch of the Intergovernmental Fintech Working Group (IGWG) Innovation Hun" Accessed on January, 29, 2026.

<sup>73</sup> <https://www.Nigeriacommunicationsweek.com.ng> "SEC Says CBEX, other Unregistered Digital platforms are illegal" Accessed on January 29, 2026.

ignore their influence is to look and move backwards when the world is moving forward. It is a fact that single legislation may not be suitable for fintechs because fintechs are not a single business model and different risk profiles require different rules. Innovations are usually faster than legislations. It is however recommended that Public –private partnership between the Government and some of these companies for effective service delivery, stricter prudential oversight as is available in conventional banks, attractive entry requirements, including licensing package. Technology driven supervision is also recommendation.



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