



CENTRAL BANK OF NIGERIA

CONSUMER PROTECTION

GUIDELINES

ON

RESPONSIBLE BUSINESS CONDUCT

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1. INTRODUCTION

Pursuant to the powers conferred on the Central Bank of Nigeria (CBN) by Sections 2 (d) and 33 (1) (b) of the CBN Act, 2007 (as amended) and Section 57 (2) of the Banks and Other Financial Institutions Act [BOFIA] 2007, as amended, the CBN hereby issues this Guidelines on Responsible Business Conduct, herein referred to as “the Guidelines” to give effect to the Responsible Business Conduct Principle contained in the Consumer Protection Framework (CPF) for institutions regulated by the CBN.

The Guidelines provide minimum standards of business required of Financial Institutions under the regulatory purview of the CBN to protect the rights of consumers and to hold the institutions accountable as a result of the skewed power imbalance.

2. OBJECTIVE

The objective of the Guidelines is to protect consumers against the unethical and predatory practices that undermine consumer confidence in the use of financial services. The Guidelines therefore sets out the minimum standards expected from Financial Institutions on responsible business conduct.

3. SCOPE

The Guidelines shall apply to all transactions by financial institutions licensed and regulated by the Central Bank of Nigeria and their agents, subsidiaries and associates. These include Commercial Banks, Merchant Banks, Specialized Banks, Micro-finance Banks, Development Finance Institutions, Finance Companies, Bureaux-de-Change, Primary Mortgage Banks, Credit Bureaux, Mobile Money Operators, Payment Service Banks, Switching Companies, Payment Solution Service Providers, Payment Terminal Service Providers, Non-bank Acquirer, Super Agents, Mobile Money Operators, and other licensed providers of digital financial services.

Financial Institutions shall ensure that the provisions of the Guidelines form part of any consumer related transaction, product or service agreement they may enter into with any other institutions which are otherwise not regulated by CBN.

4. GENERAL PROVISIONS

To promote good business practices, Financial Institutions shall comply with the following general provisions.

1. Conduct their businesses in a responsible, professional and ethical manner.
2. Train their staff to promote competence, efficiency and professionalism in the discharge of their duties.
3. Provide clear information about products and services, features, terms and conditions and the applicable fees and charges.

4. Protect the privacy and confidentiality of consumer information.
5. Not impose any product, service or channel on consumers.
6. Not charge fees for issuance and renewal of products/services without prior request by the consumers.
7. Provide and inform consumers of the channels to make enquiries and complaints.
8. Notify customers of circumstances or situations that may affect the terms of their contract or relationship.
9. Not compel consumers to buy a product or service as a condition for the purchase of another product or service.
10. Display all applicable fees for electronic payment services with the option to accept or decline before a transaction is consummated. This should include a warning that third-party charges may apply, where applicable.

5. PROVISIONS OF FINANCIAL ADVICE

To help consumers determine their financial needs and ensure proper planning to meet the needs, Financial Institutions shall:

1. Provide consumers with objective advice to enable them make informed decisions on suitable products to meet their specific needs.
2. Provide financial advisory services incidental to their business activities such as advising on financing and business strategies and structures, conducting research and economic intelligence services, building financial models, writing business plans, conducting private placements, arranging loan syndications and advising on project structures.

3. Not charge advisory fee for loans and other services not captured in 2 above. This is without prejudice to the permissible activities of Merchant Banks.

6. RESPONSIBLE LENDING

To ensure that consumers' capability to repay credits are efficiently assessed, Financial Institutions shall comply with the following requirements:

1. Describe in credit risk assessment procedures, the type and circumstances for which a credit will be suitable, as well as clear lines of authority for approving the product.
2. Assess the capability of customers to repay a credit in a sustainable manner taking into consideration the customers' financial circumstances.
3. Set clear policies and procedures on consumer loans to ensure that customers who are unable to meet their repayment obligations due to ill health, unemployment or other disabilities, are treated fairly and with due consideration.
4. As part of their regular monitoring of loan performance and upon early detection of signs of repayment difficulties, inform consumers of the importance of timely engagement with the Financial Institutions to discuss alternative repayment measures.
5. Make reasonable efforts to offer an alternative repayment plan that is appropriate to the customer's changed circumstances and financial situation.
6. Obtain the credit history of consumers from the Credit Risk Management System, Credit Bureaus and other sources of credit reference to ascertain consumers' outstanding debt obligations and repayment history before advancing credits.

7. Financial Institutions shall not compel a consumer to buy a product or service, such as insurance or valuation service from a particular provider as a pre-condition for the grant of a credit facility.
8. Ensure that guarantors read and understand the full nature of their commitment, potential implication of their decisions and the maximum amount they are guaranteeing.
9. Ensure that Guarantors confirm in writing that they have either:
 - a. Sought and obtained independent professional advice before executing the guarantee; or
 - b. Understood their obligations under the guarantee and do not need to seek any independent advice before executing the guarantee.
10. Obtain the consent of customers to provide periodic update to their Guarantors on the loan performance to enable them to assess the likelihood of being called upon to discharge their commitments.
11. Issue Letter of Discharge to customers within 5 business days after liquidation of their loans. Where the loan is guaranteed, the Guarantor shall also be notified accordingly.
12. Notify customers where their loan requests are declined. The reason(s) for decline shall be provided upon request.

7. DEBT COLLECTION

To ensure that debt recovery processes are courteous and fair, devoid of undue pressure, intimidation, harassment, humiliation or threat, Financial Institutions shall:

1. Inform customers of the debt recovery procedures in loan contracts.
2. Proactively engage and give customers early notice of outstanding obligations prior to the commencement of debt collection process.
3. Initiate foreclosures only when other reasonable attempts to reach a resolution have been unsuccessful.
4. Give customers a minimum period of 6 months from the date of notice of foreclosure, the option of a private sale before commencing foreclosure, except where the customer waives the right.
5. Ensure that the entire debt collection process is transparent and with active participation of the customer including the foreclosure.
6. Provide customers a report of sale of the asset stating the process, proceeds, incidental expenses and the net proceeds.
7. Ensure that the net proceeds are immediately applied to the loan account and customers informed of any balance.
8. Be liable for the actions of their agents engaged for the purpose of debt collection.
9. Not pass the cost of engaging debt recovery agents to customers.
10. Not engage in any of the following:

- a. Contact friends, employer, relatives or neighbours of a customer for any information other than telephone numbers or address, except where:
 - i. The person being contacted has guaranteed the loan.
 - ii. The person has consented to be contacted.
 - iii. The employer is required to confirm the customer's employment status.
- b. Require any of the persons listed above to offset the debt, except where the person has acted as a guarantor.
- c. Make telephone or personal contact with customers between the hours of 8.00pm and 8.00am for the purpose of debt recovery (unless with prior consent of the customer).

8. SALES PROMOTION

To ensure that advertisements and promotional materials on products and services are clear and not misleading, Financial Institutions shall:

1. Prominently display information that could affect consumers' decisions.
2. Carry out incentive-based marketing of products and services in an ethical and professional manner.
3. Ensure that sales and marketing staff are properly trained and competent to perform their functions. The staff should be knowledgeable in key features, risks and critical terms of product offerings.
4. Establish a process to periodically check and monitor the competence and conduct of sales and marketing staff.

5. Not tie remuneration of marketing/sales staff to sales volume.
6. Provide consumers with the option to opt out from receiving marketing materials.

9. COMPLIANCE

Financial Institutions shall have in place a policy approved by the Board of Directors which documents the processes, procedures and systems designed to ensure compliance with the provisions of the Guidelines.

10. SANCTIONS

Failure to comply with the provisions of the Guidelines shall attract regulatory sanctions provided for by the CBN Act, the BOFIA, other laws and regulations.

11. AMENDMENT

This Guidelines may be amended by the CBN, as the need arises.

12. GLOSSARY OF TERMS

TERM	DEFINITION AS USED IN THE GUIDELINES
Advertisement	Information disseminated to the public through displays, exhibitions, publications and notices etc.
Consumer	A person or an entity that uses, has used or a potential user of financial products or services of a Financial Institution.
Credit Risk Management System	Central credit register maintained by the Central Bank of Nigeria.
Customer	A person or entity that has a relationship with a Financial Institution by reason of purchase of products or services offered by the institution.
Private Sale	Sale of collateral by a customer.
Letter of Discharge	A letter issued by a Financial Institution to customers as evidence of full repayment of a credit facility.
Sale Promotion	A short-term process designed to boost sales by persuading customers to buy a product.

CONSUMER PROTECTION DEPARTMENT

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You are kindly requested to send your comments or observations by 13th August, 2019 to:

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Thank you.