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Banking Supervision Department
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Letter to All Deposit Money Banks, Development Finance Institutions and the Asset Management Corporation of Nigeria.

PROHIBITION OF LOAN DEFAULTERS FROM FURTHER ACCESS TO CREDIT FACILITIES IN THE NIGERIAN BANKING SYSTEM

The Central Bank of Nigeria(CBN) has noted with concern the impunity with which some borrowers default on their loans in some Institutions and yet are availed further credit facilities by other Institutions under the same or sometimes, different identity.

This could have the effect of triggering serial defaults and a buildup of non-performing loans which could negatively impact liquidity in the financial sector and ultimately hamper its stability.

In order to proactively avert the menace of resurgence of non-performing loans, and in furtherance of the CBN's mandate of maintaining a safe and sound financial system, the Bank hereby directs as follows:

1. No Institution shall, without the prior written approval of the CBN, grant a facility to a potential borrower who is in default of any existing facility to the tune of **N500 million** and above in the case of deposit money banks; and **N250million** and above in the case of development banks and banks in liquidation.
2. No Institution shall, except with the prior written approval of the CBN, grant a facility to any potential borrower who has a delinquent facility of

any amount whatsoever which has been taken over by the Asset Management Company of Nigeria (AMCON).

3. All Institutions shall ensure that all returns on credit facilities granted, together with their performance status are rendered on the Credit Risk Management System (CRMS) and reported to two Credit Bureaux in line with our circulars dated September 10, 2013 and October 21, 2013 respectively.
4. All Institutions are also reminded that it is mandatory to perform credit checks on a potential borrower on CRMS and from at least two Credit Bureaux in line with our circular dated April 30, 2010, as part of the credit appraisal process.
5. The prohibition threshold may be reviewed by the CBN from time to time with the aim of inculcating responsible and appropriate credit culture in borrowers.
6. The provision of this circular shall, in the case of defaulting corporate obligors, also apply to their directors and/or related interests.
7. Any Institution that contravenes the above directive shall be required to make an immediate 150% provision of the facility in addition to other existing regulatory sanctions that the CBN may apply.
8. Where an Institution fails to report a facility and/or its status on the CRMS or to at least two Credit Bureaux as required, it shall be considered as concealment and misrepresentation of a material fact and the Institution shall be penalized in accordance with the relevant provisions of the Banks and Other Financial Institutions Act, LFN 2004 CAP B3 (BOFIA). In addition, the Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer (or their equivalents) shall be liable to sanctions in line with the relevant provisions of the BOFIA.
9. This circular is effective from the 1st of July, 2014.



Tokunbo Martins (Mrs)
Director of Banking Supervision.