



How to Become a Member of a Company in Nigeria: A Comprehensive Guide

Description

Joining a company as a member in Nigeria comes with various rights and obligations, as well as specific eligibility criteria under the Companies and Allied Matters Act (CAMA) 2020.

Whether you aim to join as a shareholder in a private or public company or represent a corporate entity, this guide will walk you through the process, legal requirements, and everything in between.

Who is a Member of a Company?

Under Section 105 of CAMA 2020, a **member of a company** refers to an individual or entity listed in the company's **register of members**. Membership can be achieved through:

1. **Subscription to the Memorandum of Association (MOA):** A person who subscribes to the company's memorandum during registration automatically becomes a member upon the company's incorporation.
2. **Written Agreement:** Anyone who agrees in writing to become a member and whose name is subsequently entered into the company's register of members.
3. **Shareholder Status:** For companies with share capital, members hold at least one share unless the company has only one shareholder.

Legal Requirements to Become a Member of a Company in Nigeria

To become a member of a company in Nigeria, certain criteria and restrictions apply:

1. Eligibility Requirements (Section 106 of CAMA 2020)

- **Sound Mind:** Individuals must not have been declared of unsound mind by a competent court.
- **Bankruptcy:** Individuals who are undischarged bankrupts cannot become members.
- **Age Restriction:** Individuals under the age of 18 cannot be counted toward the legal minimum number of members unless they inherit shares.
- **Corporate Entities in Liquidation:** A company in liquidation cannot become a member of another company.

2. Shareholding Requirements

- For companies with a share capital, potential members must acquire at least one share, except in single-shareholder companies.
- Payment for shares must align with the terms set by the company.

Steps to Become a Member of a Company in Nigeria

Here is a step-by-step guide to becoming a member of a company:

Step 1: Identify the Type of Membership

Determine if you want to join as an **individual**, **corporate entity**, or **representative** of a group.

Step 2: Meet the Legal Criteria

Ensure you satisfy the eligibility requirements specified under Section 106 of CAMA 2020.

Step 3: Acquire Shares (If Required)

For companies with share capital, purchasing shares is mandatory. Contact the company or authorised agents to initiate this process.

Step 4: Submit a Written Agreement

Indicate your intent to become a member by submitting a written agreement. This could involve signing a shareholder agreement or a similar document.

Step 5: Register in the Company's Register of Members

Your name must be entered into the company's register of members within **28 days** of concluding the membership agreement.

Step 6: Fulfill Financial Obligations

Pay all required amounts for shares or membership as stipulated by the company's articles of association.

Rights and Obligations of Members

Rights of Members

As a member of a company, you are entitled to:

1. **Attendance at General Meetings:** Members can attend and vote on resolutions.
2. **Profit-Sharing:** Members are entitled to dividends if declared.
3. **Access to Information:** Members can inspect company records, including the register of members.
4. **Transfer of Shares:** Members can transfer shares subject to company rules.

Obligations of Members

1. **Payment of Calls:** Members must pay for shares in full if a call is made.
 2. **Compliance with Articles of Association:** Members must adhere to the company's governing rules.
 3. **Liability for Debts:** In limited liability companies, members are only liable up to the amount unpaid on their shares.
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Maintaining a Company's Register of Members

Section 109 of CAMA mandates every company to maintain a **register of members**. This document must include:

- Names and addresses of members.
- Details of shares held (including class and numbers).
- Dates of registration and cessation of membership.

Failure to comply can attract penalties for both the company and its officers.

Common Misconceptions About Membership in Companies

1. **Misconception:** Membership guarantees control over the company.
 - **Truth:** Voting power and control depend on the number and class of shares held.
 2. **Misconception:** Anyone can become a member of any company.
 - **Truth:** Legal restrictions under Section 106 of CAMA apply, such as age, mental capacity, and bankruptcy status.
 3. **Misconception:** Members are automatically directors.
 - **Truth:** Members and directors have distinct roles. While directors manage the company, members are primarily owners/shareholders.
 4. **Misconception:** Membership in a company lasts forever.
 - **Truth:** Membership ceases upon share transfer, resignation, or other specified events.
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Frequently Asked Questions (FAQs)

1. What are the eligibility criteria to become a member of a company in Nigeria?

You must be of sound mind, not an undischarged bankrupt, and at least 18 years old. Additionally, you must agree in writing to become a member and have your name entered in the company's register of members.

2. Can a foreigner become a member of a Nigerian company?

Yes, foreigners can become members of Nigerian companies, subject to compliance with foreign investment laws and minimum share capital requirements for certain sectors.

3. What happens if a member transfers shares to an ineligible person?

The transfer does not vest title in the ineligible person. The shares remain with the transferor or their personal representative.

4. Can a minor inherit shares?

Yes, minors can inherit shares, but they are not counted toward the minimum membership threshold under CAMA.

5. What penalties apply for failing to maintain a register of members?

The company and its officers may face fines and additional daily penalties as prescribed by the Corporate Affairs Commission (CAC).

Conclusion

Becoming a member of a company in Nigeria is a straightforward process that requires compliance with CAMA 2020 and the company's governing rules.

Membership confers significant rights and responsibilities, from voting at meetings to profit-sharing. However, it is essential to meet eligibility criteria and understand the nuances of shareholding to maximise your membership benefits.

By adhering to the steps and addressing common misconceptions, you can navigate the process with ease. For legal assistance, consult a qualified professional to guide you through your membership journey.

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