



HOW TO OBTAIN A FINANCIAL SERVICE COMPANY LICENSE IN NIGERIA

Description

Before diving into the step-by-step process, here is a concise overview of what you need to know: A Finance Company license in Nigeria is issued by the Central Bank of Nigeria (CBN) under the powers conferred by the CBN Act 2007 and the Banks and Other Financial Institutions Act (BOFIA) 2004. Obtaining this license involves submitting a formal application to the Governor of the CBN, paying prescribed fees (including a non-refundable application fee of ₦100,000 and an escrow deposit of ₦100 million), and providing detailed documentation such as a business plan, draft Memorandum & Articles of Association, and proof of shareholder payments. After an Approval-in-Principle, incorporation at the Corporate Affairs Commission (CAC), and satisfaction of pre-commencement conditions, the Final License is granted. Post-licensing, the Finance Company must comply with quarterly returns, audited financial statements, capital adequacy ratios, KYC/AML guidelines, and annual renewal fees.

This article unpacks each phase, lists all requirements and costs in clear tables, addresses common misconceptions, and answers the top FAQs to ensure your application is seamless and positions your company for regulatory compliance and growth.

Regulatory Framework

Governing Laws and Authority

The Central Bank of Nigeria (CBN) is the sole regulatory authority for Finance Companies in Nigeria, empowered by:

- The Central Bank of Nigeria Act, 2007
- The Banks and Other Financial Institutions Act (BOFIA), 2004

All applications, guidelines, and directives for Finance Companies are published on the CBN website and enforced by the Director of the Other Financial Institutions Supervision Department (OFISD).

Definition and Scope

A Finance Company (“Financial Service Company”) is strictly licensed to provide non-deposit financial services such as consumer/business loans, asset finance (lease and hire purchase), project finance, trade finance, debt factoring, and financial consultancy, among others.

Finance Companies are explicitly **prohibited** from deposit-taking activities, foreign exchange transactions (except via authorised dealers), and non-financial business operations.

Step-by-Step Licensing Process

Step	Action Required
1. Prepare Application Package	Compile required documents (see Requirements section).
2. Submit to CBN Governor	Deliver a written application, including bank drafts for fees and capital, to the Governor of the CBN.
3. Approval-in-Principle (AIP)	CBN reviews submission; if satisfactory, issues AIP permitting CAC registration.
4. Incorporate with CAC	Register your company name and Memorandum & Articles of Association at CAC only after receiving CBN’s AIP.
5. Fulfil Pre-Commencement Conditions	Submit certified documents (share register, share certificates, Forms C02 & C07 or Status report, audited opening statement, etc.) to OFISD.
6. Physical Inspection & Final License	CBN conducts premises inspection. Upon satisfaction, issues the Final Finance Company License.

Step	Action Required
7. Commence Operations	Notify CBN in writing of the commencement date and begin permissible activities.
8. Annual Renewal & Compliance	Pay renewal fees each first quarter, submit quarterly returns, audited accounts, and adhere to prudential standards and regulatory directives.

Detailed Requirements for Grant of License

Documentary Requirements

Document	Details
Formal Application Letter	Addressed to the Governor, CBN.
Bank Draft: Non-Refundable Application Fee	₦100,000 payable to the Central Bank of Nigeria.
Bank Draft: Escrow Deposit of Minimum Capital	₦100,000,000 payable to the CBN; refunded with interest upon issuance of Final License.
Evidence of Shareholders' Payment	Verifiable proof of payment into escrow account.
Detailed Business Plan / Feasibility Study	Objectives, market need, services, 5-year financial projections, branch expansion plan, staff training program.
Draft Memorandum & Articles of Association	Objectives must align with permissible activities.
Letter of Intent to Subscribe	Signed by each subscriber indicating shareholding intention.
Shareholders' Register Listing	Names, residential/business addresses, and bankers of all proposed shareholders.
CVs of Board & Management	Signed and dated curricula vitae of all proposed directors and key officers.

Financial Requirements & Fees

Fee Type	Amount (NGN)	Description
Application Fee	₦100,000	Non-refundable fee with initial application.

Fee Type	Amount(NGN)	Description
Minimum Capital Escrow Deposit	₦100,000,000	Refunded (with accrued interest) upon final license issuance.
Non-Refundable Licensing Fee	₦250,000	Payable upon grant of Final License.
Annual License Renewal Fee	₦20,000	Payable within first quarter each year.
Change of Name Fee	₦20,000	Payable for any company name alteration.

Conditions Precedent to Commencement of Operations

Before commencing business, submit the following certified documents to OFISD:

1. Copy of Shareholders' Register (with originals for sighting).
2. Copy of Share Certificates.
3. Certified true copy of CAC Form C02 (Return of Allotment) or Status Report
4. Certified true copy of CAC Form C07 (Particulars of Directors) & confirmation of CBN-approved board.
5. Certified Memorandum & Articles of Association filed with CAC.
6. Opening Statement of Affairs, audited by a CBN-approved firm.
7. CAC Certificate of Incorporation (with originals).
8. Letters of Offer & Acceptance for all management staff & confirmation of CBN clearance.

9. Letter of Undertaking to comply with all CBN rules for Finance Companies.

The CBN will inspect the head office and notify the company in writing when it may commence operations.

Post-Licensing Compliance Obligations

Prudential and Governance Standards

- **Capital Adequacy:** Maintain a minimum CAR of 12.5% and a capital-to-net credits ratio not exceeding 1:10.
- **Single Obligor Limit:** No single borrower exposure above 20% of unimpaired shareholders' funds.
- **Fixed Asset Investment:** Maximum 20% of shareholders' funds in fixed assets.
- **Dividend & Reserve Policy:** Transfer 15% of PAT to statutory reserve until it equals paid-up capital, thereafter 10%.

Reporting Requirements

- **Quarterly Returns:** Financial position, profit/loss, loans, investments, non-performing assets, etc., due by the 14th of the month following each quarter.
- **Audited Financial Statements:** Submit audited accounts within four months after year-end and publish abridged accounts in a national newspaper.

KYC & AML Compliance

- Implement comprehensive KYC policies covering customer acceptance, identification, risk profiling, and ongoing monitoring.
- Comply with the AML/CFT Act and submit KYC returns quarterly.

Failure to comply with any requirement attracts fines ranging from ₦5,000 per day for late returns up to revocation of license for serious breaches.

Frequently Asked Questions

1. What is a Finance Company license in Nigeria?

It is a regulatory authorisation issued by the CBN allowing a company to provide non-deposit financial services such as loans, leasing, and financial consultancy.

2. How long does the licensing process take?

From submission of a complete application to grant of Final License typically takes 6–9 months, depending on the completeness of documentation and CBN inspection schedules.

3. Can foreign investors obtain this license?

Yes. Foreign shareholders can participate provided they meet the minimum capital requirement and submit all required documents, including NIPC registration if applicable.

4. What activities are Finance Companies prohibited from?

They cannot take deposits, engage in trading, construction, stock broking, or direct FX transactions (except via authorised dealers).

5. Must I renew my license every year?

Yes. A non-refundable renewal fee of ₦20,000 is due within the first quarter each calendar year.

Common Misconceptions

- **“It’s the same as a bank license.”**

Finance Companies cannot accept deposits, grant current accounts, or hold customer funds; banks have broader deposit-taking powers.

- **“The ₦100 million cannot be refunded.”**

The escrow deposit is fully refundable with accrued interest upon grant of the Final License.

- **“Any company can start before CBN approval.”**

No incorporation at CAC or business commencement is permitted without CBN’s written Approval-in-Principle and completion of pre-commencement conditions.

Conclusion

Securing a Finance Company license in Nigeria is a rigorous but well-structured process designed to ensure prudential management and protection of clients. By meticulously adhering to the CBN’s Revised Guidelines; submitting comprehensive documentation, meeting capital requirements, and upholding strict governance and reporting standards, your enterprise will be poised to bridge financing gaps in the MSME sector and drive economic growth.

Embark on your application today by preparing the required documents, engaging qualified professional advisors, and maintaining open communication with the CBN to fast-track your Finance Company license and unlock new opportunities in Nigeria’s dynamic financial landscape.

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