

Can a Private Company Incorporated Before CAMA 2020 Have Just One Shareholder?

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Description

On July 30, 2024, a Federal High Court in Abuja made an important decision that cleared up confusion about how the Companies and Allied Matters Act (CAMA) 2020 applies to companies created before the law came into effect.

The ruling was about whether companies formed before CAMA 2020 can legally operate with only one shareholder.

Here is a breakdown to help you understand the key points:

Background of the Case

Two companies, Primetech Design & Engineering Nigeria Limited and Julius Berger Nigeria Plc, went to court because the Corporate Affairs Commission (CAC) refused to allow them to transfer shares, making Julius Berger the only shareholder of Primetech.

The CAC argued that the **CAMA 2020** rule allowing one shareholder applies only to companies formed after the law was passed.

What Were the Arguments?

- **Primetech and Julius Berger (the Plaintiffs)**: They argued that CAMA 2020 should apply to all private companies, whether they were set up before or after the law. According to them, CAMA 2020 was meant to make things easier for all companies, so any private company should be able to have only one shareholder. They felt it was unfair for the CAC to use old laws that had been replaced by the new CAMA 2020.
- **The CAC (the Defendant)**: The CAC said that the law allowing just one shareholder only applied to companies formed after CAMA 2020. They also pointed out that laws usually do not apply to past events unless stated clearly, so the new law should not be applied to older companies.

What Did the Court Decide?

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The court ruled in favor of Primetech and Julius Berger, stating that CAMA 2020 allows all private companies to have just one shareholder, no matter when they were formed.

This means that companies created before CAMA 2020 can now legally operate with only one shareholder.

Here is what the court clarified:

- **CAMA 2020 applies to all private companies**: There is no difference between companies formed before or after the law. All can have one shareholder.
- **No more old rules**: The old law, **CAMA 1990**, is no longer valid, so the CAC cannot apply its rules.
- **Single shareholder is allowed**: As long as the company's **Memorandum and Articles of Association** (its legal rules) do not restrict it, a company can have just one shareholder.

What Does This Mean for Companies?

This ruling is important for businesses, especially small companies that want more flexibility in managing their shares.

Here is how it helps:

1. **Easier for Business Owners**: Companies can now operate with just one shareholder, which makes things simpler for business owners. There is no need to bring in another shareholder just to meet old legal requirements.
2. **Less Confusion About the Law**: There is now clear guidance that CAMA 2020 applies to all private companies, whether formed before or after the law.
3. **No Penalties for Single Shareholder**: Companies would not be penalised for having only one shareholder as long as they follow CAMA 2020. This makes it easier to do business without worrying about legal complications.

Conclusion

In simple terms, this court ruling makes it clear that all private companies in Nigeria, whether they were formed before or after CAMA 2020, can now legally have just one shareholder.

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This ruling removes confusion and makes running a company simpler and more flexible for business owners.

This is a positive step for businesses in Nigeria, making it easier to comply with the law and focus on growth.

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