

REGULATING DIGITAL LENDING AND FINTECH CREDIT PLATFORMS IN NIGERIA

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Abstract

The impact of technology in the financial world today is enormous. While financial inclusion is targeted by the government, digital financial services continue to proliferate. However, the system faces significant consumer protection challenges that threaten the very foundation of trust upon which sustainable financial inclusion depends. Regulating digital lending and FinTech Credit Platforms in Nigeria is the thrust of this paper. It finds that the Regulations for digital lending platforms in Nigeria are adequate but are not efficacious enough to deter fraud and adequately protect consumers. The financial inclusion objective envisaged by the Federal government by the year 2030 hangs in the air if the predatory credit providers are not checked by regulation. A doctrinal approach of research is adopted by examining statutes, case laws, existing literature on the topic. This paper recommends among other, an interest rate ceiling for digital lenders to deter predatory lending. Regulators must enhance enforcement capacity, harmonize overlapping mandates, and leverage technology for better supervision. Digital credit lender and Fintech credit platforms must embrace consumer protection as a core business value.

Keyword: Digital Lending, Fintech Credit Platforms, Consumer Protection, Financial Inclusion, Nigeria.

1.0 Introduction

Online banking, fintechs, and digital lenders have grown rapidly with increased digital adoption, but this growth has been accompanied by rising consumer protection concerns. Harassment, predatory lending and data privacy violations, fraud are some of the problems associated with digital lending which in the long run will undermine the financial inclusion drive of the federal government. Regulating digital lending and FinTech Credit Platforms in Nigeria is the thrust of this paper. It finds that the Regulations for digital lending platforms in Nigeria are adequate but are not efficacious enough to deter fraud and adequately protect consumers. The financial inclusion objective envisaged by the Federal government by the year 2030 hangs in the air if the predatory credit providers are not checked by regulation. This paper is segmented. the first segment clarified concepts; the second segment examined the legal and regulatory framework governing digital lending in Nigeria; the third segment looked at the regulatory challenges and informant gaps; the fourth segment discussed consumer protection concerns, the fifth segment examined the effects of over regulation to financial inclusion; the sixth segment compared perspectives in selected jurisdictions like Kenya, UK and South Africa on the topic, the seventh segment discussed lessons for Nigeria; the final segment concluded the paper and made some recommendations.

2.0 Conceptual clarification

Digital Banking

Digital banking refers to the transformation of traditional banking services into digital formats, allowing customers to manage their financial accounts, conduct transactions, and access various banking services through digital channels. This include online banking, mobile banking and mobile apps, which provide a seamless and convenient banking experience that can be accessed via a mobile device. By leveraging digital banking services, customers can enjoy a secure personalized approach

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to managing their finances, with the ability to securely access their accounts at any time without the need to visit a physical bank branch.²

Digital banking services includes the services available with Brick and wall banks like obtaining bank statements, online statements (view and download account activity electronically), cash withdrawals, cash deposit (deposit cash with POS operators), transferring funds , checking /savings account management, opening a digital bank account, Debit cards (for ATM withdrawals and purchases), Loan Management, Bill Payments (manage and pay bills online), cheques management, Transaction records monitoring, overdraft fees (manage and monitor potential charges), send money and receive money from others.³

Fintech Lending

Fintech lending often referred to as digital or online lending is when lenders use financial technology to assign loans. These loans are typically offered by companies outside the traditional banking sector. Lenders determine the approval process and terms for these loans using advanced technologies such as artificial intelligence, machine learning, and big data analytics, which allow them to assess credit faster and more accurately than traditional methods.⁴

Fintech lenders offer increased access to credit for small businesses or individuals with minimal credit histories who might be overlooked by conventional banks. The types of fintech loans available include personal loans, loans for small businesses, short-term loans, and loans between individuals.⁵

The application is made by borrowers by completing forms and uploading required documents through an online platform. The fintech lenders use a variety of data points beyond credit scores to assess a borrower's credit. They might analyze transaction history, online behavior, educational background or social media activities. The borrower is identified. Fintech platforms use algorithms to quickly process the available data and make lending decisions. They sometimes make decisions in minutes or hours, rather than the days or weeks it might take with traditional banks. Where the loan is approved, the lender usually electronically disburses the loan amount directly into the borrower's bank account. Borrowers repay their loans through the same online platform, with options to set up automatic repayments. The fintech lender often provides tools for borrowers to manage their loans and track their repayment progress online.⁶

Fintech companies include PayPal (Payments), Robinhood (Investing), Stripe (Payment processing) Chime (digital banking), Square (POS/ PAYMENTS), Klarna (buy now, pay later), Coinbase (crypto), and Intuit (Turbo Tax/QuickBooks)(tax/accounting software). These companies use technology to offer financial services like payments, lending, investing and banking.⁷

Consumer protection in banking law

Consumers are important assets for the banking industry. Consumer protection therefore refers to measures taken to safeguard the interests of buyers and customers against harmful, degrading, or harsh market practices, it also refers to measures that enable consumers make an informed decisions about their choices and have access to effective redress mechanism.

² <https://sdk.finance> “Digital Banking: 2026 Market Overview, Trends and Insights” Accessed on January 13, 2026

³ *ibid*

⁴ <https://stripe.com> “A guide to fintech lending” January 13, 2026

⁵ *ibid*

⁶ *ibid*

⁷ <https://plaid.com> “What is fintech? 6 main types of fintech and how they work” January 13, 2026

Nigeria's consumer protection framework in the financial sector is built on several laws and regulations, creating a comprehensive yet complex system. The Federal Competition and Consumer Protection Act 2018 CCPA (2018) is the apex consumer protection authority in Nigeria. The Act established the Federal Competition and Consumer Protection Commission (Commission)⁸ and the Competition and Consumer Protection Tribunal.⁹ These two arms form the foundation for consumer protection across all sectors. The FCCPA provides for concurrent jurisdiction with other bodies which enables sector specific handling of consumer issues. The Primary legislation governing banks in Nigeria is Banks and other Financial Institution Act, 2020 (BOFIA). The Act¹⁰ vests the Central Bank of Nigeria (CBN) with the powers of examination and supervision of the operations of the bank and other financial Institutions to ensure stable financial system. The FCCPC and CBN have both made far-reaching regulations to address new and emerging consumer risks in the financial services, ecosystem, occasioned by the adoption of financial technology (Fintech) in the delivery of financial products and services to consumers.

Financial Inclusion

Financial inclusion means that individual and businesses have access to useful and affordable financial products and services that meet their needs like transaction payments, savings, credit and insurance delivered in a responsible and sustainable way. Access to a transaction account is a first step towards broader financial inclusion since it allows people to store money, send and receive.¹¹

Financial inclusion from the Nigerian context is defined as an ideal state “when adult Nigerians have easy access to a broad range of formal financial services by a broad spectrum of any country's population would accelerate the pace of growth and development. This is because more people will be empowered to contribute to economic activity, thereby enabling the business environment, creating jobs, building skills, transferring expertise and technology and providing a competitive market and environment for innovation to thrive.”¹²

The Federal government has reaffirmed its commitment to expanding financial inclusion in Nigeria through digital identity and pro-growth regulation.¹³ It has noted that Trust is the foundation of inclusion. With NIN and BVN strengthening identity verification, more Nigerians can be safely onboarded into the financial system.

The Mobile-first solutions and nationwide agent networks are lowering the barriers to access. People can transact, save and receive payments in their communities without heavy brick –and mortar infrastructure. Platforms such as Moniepoint, OPAY and PalmPay alongside bank –led wallets and agency services are accelerating daily –use cases from payments to remittances for households and small businesses.

3.0 Legal and Regulatory Framework Governing Digital Lending in Nigeria

There are a number of legal and regulatory framework governing Digital Lending in Nigeria. It is imperative to review some of the them.

Banks and Other Financial Institutions Act (BOFIA) 2020

⁸ The Federal Competition and Consumer Protection Act, 2018. S 3

⁹ Ibid. s 30

¹⁰ Banks and other Financial Institution Act, 2020. S 30, CBN ACT, S. 2 (D)

¹¹ <https://www.worldbank.org> “Financial Inclusion” Accessed January 15, 2026

¹² <https://www.cbn.gov.ng> “Financial Inclusion- Central Bank of Nigeria” Accessed January 15, 2026

¹³ This commitment was made by the Minister of State for Finance, Dr. Doris Uzoka-Anike at Senator's Next 3 Billion Tour held at the Transcorp Hilton Abuja

The Act,¹⁴ defined *banking business* as:

” the business of receiving deposits on current account, savings deposit account or other similar account, paying or collecting cheques, drawn by or paid in by customers; provision of finance consultancy and advisory services relating to corporate and investment matters, making or managing investments on behalf of any person whether such businesses are conducted digitally, virtually or electronically only or such other business as the Governor may, by order published in the Gazette, designate as banking business.”

The Inclusion of digital of virtual banking as banking is indicative of the regulatory powers of the CBN on digital banking in Nigeria.

In exercising its supervisory role over financial institutions, particularly in the area of consumer protection, the Act¹⁵ gives the CBN powers to issue regulations, guidelines and policies to banks, specialized banks and other financial institutions in Nigeria. The CBN has in the exercise of this power issued some Regulatory Guidelines for Digital Lending.

Exposure Draft of the Revised Consumer Protection Regulations 2.0.

The CBN, in other to review the Consumer Protection Regulations issued in 2019, and in line with its mandate to promote a safe and sound financial system,¹⁶ issued “Exposure Draft of the Revised Consumer Protection Regulations 2.0. “ This revised Consumer Protection Regulations will help to ensure improved customer service standards, responsible business conduct and fair treatment of consumers by financial institutions licensed and /or supervised by CBN. These are some efforts made to protect consumers from the activities of digital lenders and fintech companies, which are not computer friendly.

Digital Electronic Online or Non Traditional Consumer Lending Regulation 2025.

In July 2025, the Federal Competition Protection Commission introduced the 'Digital Electronic Online or Non Traditional Consumer Lending Guideline' 2025. The guideline made provision for oversight on Digital lending services by FCCPC¹⁷ it provides that all lending Applications to be used for the provision of consumer lending Services shall be disclosed to the Commission during the application process. The following shall also be forwarded to the Commission:

- a. Evidence of compliance with the relevant standards for mobile applications, data messaging, information security, data quality and secure authentication, as determined by the International Organization for Standardization (ISO),
- b. Evidence of ownership of intellectual property rights in the Lending Application or a valid and subsisting license to use the same;
- c. Evidence of compliance of the Lending Applications with the Data Legislations and other applicable Laws as may be required by the Commission; and
- d. Such other information or documentation as may be required by the Commission.¹⁸

Where an applicant fails to declare or disclose any Lending Application used or intended to be used in the provision of Consumer Lending Services, the Commission may refuse to grant approval. Where approval has already been granted prior to the Commission's discovery of an undeclared or undisclosed Lending Application, the Commission may, without prejudice to any other sanction, revoke such approval or impose an administrative penalty in accordance with the Regulations or the

¹⁴ Banks and Other Financial Institutions Act (BOFIA) 2020. 131

¹⁵ Ibid. s 30

¹⁶ <https://proshare.co> “CBN I issues Exposure Draft of the Revised Consumer of Protection Regulations 2.0” Accessed January 15, 2026

¹⁷ Digital Electronic Online or Non Traditional Consumer Lending Guideline' 2025 s. 4

¹⁸ Ibid 19

Act. The Commission may further direct any mobile application market place or digital distribution platform to immediately delist any Lending Application operated in breach of the Regulations or these guidelines.¹⁹ There are sanctions for noncompliance.

The guidelines apply to all persons, entities or institutions engaged in the provision, facilitation or administration of digital, electronic, online, or other non-traditional consumer lending services within the Federal Republic of Nigeria, whether directly or through digital platforms, agents, or other intermediaries. It also applies to all persons and entities enumerated in FCCPA 2018 and binding on persons and activities included therein. It equally extends to cross-border digital consumer lending services offered to consumers in Nigeria.²⁰

The Regulation does not apply to a. financial Institutions duly licensed and regulated by the Central Bank of Nigeria; b. Lending arrangements between employers and employees undertaken strictly pursuant to a contract of employment, staff handbook, or other ancillary employment policies; and c. duly registered and licensed cooperative societies operating in accordance with applicable laws.²¹ The guidelines recognize the growth of the digital lending services sector, and in the best interest of the consumers require participating undertakings to be transparent, accountable, fair, and competitive in their service offerings.²²

This Regulation has repealed the provisions of FCCPC Limited interim Regulatory/ Registration Framework for Digital Lending (2022) on digital lending guidelines. This was done to prevent a dichotomy of regulations and guidelines on the operationalization of consumer lending services.²³

4.0 Regulatory Challenges and Enforcement Gaps

There has been a lot of digital Lending platforms offering quick, short- term, and collateral –free loans. These services have been embraced by consumers for their accessibility and convenience, in contrast to the more rigorous and bureaucratic processes associated with traditional financial institutions. Though this innovation has enhanced access to credit, it has also created severe regulatory challenges and enforcement gaps.

Proliferation of unlicensed digital lenders

All fintechs businesses (except those involved in insurance, pension fund management, collective investment schemes, and capital market business) are required to be incorporated and licensed by the CBN.²⁴ Unlicensed FinTechs will be difficult to regulate and the laws and regulations guiding their operations will not be applicable to them because they are unregistered.

Weak enforcement mechanisms

Beyond repayment challenges, digital lenders engage in practices that violate basic consumer rights. There has been Complaints from consumers concerning the activities of identified money lenders. They include questionable repayment enforcement practices such as public shaming and violations of privacy; use of exploitative interest rates and loan balance calculations; and failure of consumer feedback mechanisms.²⁵

¹⁹ Ibid s 23

²⁰ Digital Electronic Online or Non Traditional Consumer Lending Regulation 2025.. 1

²¹ Ibid 2

²² Ibid. 4

²³ Ibid. S. 7

²⁴ Banks and Other Financial Institution Act, 2020. S 57 (ix)

²⁵ <https://businessday.ng> “Consumer Protection , complaints, and trust in the Nigerian Financial ecosystem” Accessed January 16, 2026

Jurisdictional overlap

The regulators of FinTechs have overlapping mandates. While the FCCPC serves as the apex consumer protection authority, the CBN retains sector specific powers. The FCCPA enables concurrent jurisdiction allowing both bodies to handle consumer issues. This dual structure gives consumers more avenues for redress but also creates potential confusion and regulatory overlap, sometimes leading to uncertainty about which regulator has ultimate authority.²⁶

Poor consumer awareness

A lot of consumers are not aware of the protection that the law affords them. They therefore cannot challenge the infraction of a right that they did not know existed.

5.0 Consumer Protection Concerns

The regulation of FinTechs in Nigeria is necessary for the purpose of ensuring consumer protection. Many regulations put in place by the regulators such as customer due diligence requirements, FCCPC's registration requirement, data compliance, etc. are designed to safeguard customers in areas such as fraud, predatory lending practices and financial crimes, breach of data etc.

The FCCPC's registration requirement for digital money lenders was put in place to protect consumers from exploitative practices such as breach of data privacy, threats and intimidating tactics for loan recovery etc.²⁷ Without Fintech regulations, consumers may be subject to arbitrary charges, data breaches and delayed or lack of resolution of legitimate complaints etc.²⁸

6.0 Effects of over Regulation to Financial Inclusion

When consumers don't trust financial institutions, they avoid formal financial services, undermining Nigeria's financial inclusion objectives. Also when complaints are not resolved successfully, consumers are more likely to reduce or even stop using the problematic service altogether.

Regulations are designed to create an environment of trust and confidence among the participants especially the consumer. A positively regulated environment ensures innovation and attracts investors. Where however the Regulation of Fintech is stifling, it will definitely work against the financial Inclusion that the country desires.

Nigeria's ambition to achieve \$1 trillion economy by 2030.²⁹ depends on a resilient inclusive, and trustworthy financial system. Consumer protection is foundational to this vision. Regulations therefore that will promote the protection of Consumers without stifling the operations of the Fintech companies will ensure the objective of financial inclusion.

7.0 Comparative Perspective in selected Jurisdictions

Kenya

One of the legislations guiding digital lending in Kenya is the Central Bank (Amendment) Bill 2021. (The Act provides for the regulation of digital lenders in Kenya. The Act requires any person carrying on digital credit business and is not licensed under any other law to obtain a license from the Central Bank of Kenya within six (6) months of coming into force of the Act.³⁰

The Act also provides that the Central Bank of Kenya (CBK) will make regulations necessary to give effect to the Act. Some of the provisions to be covered under the regulations are registration, management and reporting requirements, credit information sharing, data protection and consumer protection. The CBK introduced the Digital Credit Providers (DCP) Regulations 2022 for digital lenders. Some of the highlights of the DCP are as follows:

²⁶ *ibid*

²⁷ <https://www.goldsmithsllp.com> "Overregulation of FinTech in Nigeria: Myth or Reality" Accessed January 16, 2026

²⁸ *ibid*

²⁹ <https://nationalplanning.gov.ng> "\$1 Trillion Economy by 2030 Achievable" Accessed January 16, 2026 Accessed January 16, 2026

³⁰ <https://bowmanslaw.com> "Kenya: Regulation of Digital Lenders"

- a. The CBK Amendment Act and the DCP Regulations apply to digital credit providers (DCPs) except those regulated under other laws
- b. DCPs are required to obtain a license from the CBK. Existing DCP's have a 6 month grace period to apply for the license.
- c. DCPs may only engage in business activities permitted by the CBK and may not undertake deposit business or take cash collateral for loans.
- d. Certain thresholds of investments in and financing of DCPs will require prior approval of or notification to the CBK respectively.
- e. Transactions involving amalgamation or transfer assets and liabilities of a DCP (other than in the ordinary course of business) require prior written approval of the CBK.
- f. DCPs are required to observe sound corporate governance principles.
- a. DCPs are now subject to confidentiality requirements and compliance with the Data Protect Act Number 24, 2019
- b. DCPs are required to participate in credit information Sharing with credit reference bureaus subject to certain restrictions set out in the DCP Regulations.
- c. DCPs are required to have their products and variations to product features approved by the CBK
- d. The DCP Regulations also have vast provisions regulating the manner in which DCPs should conduct their business, including provisions on lending, pricing, consumer protection, debt collection and anti-money laundering³¹

United Kingdom

Digital lending in the UK is a well-established, regulated sector where loans are processed inline via websites or mobile apps. The Financial Conduct Authority (FCA) is the primary regulator overseeing both consumer credit lending and peer to peer (P2P) platforms. The law focuses on consumer protection, market integrity, and competition, ensuring platforms are authorized, transparent and have robust dispute resolution mechanism especially concerning high cost credit and ensuring fair treatment for automated lending decisions.³²

There is no single “Digital Lending Act” in UK but there are pockets of other frameworks regulating digital lending in the UK. The Prudential Regulation Authority ensures stability of the financial system but applies only to digital lenders that are licensed. Digital lending Platforms must comply with Financial Services and Market Act 2023 (FSMA) which covers activities like operating electronic lending systems.

South Africa

Digital lending in South Africa is regulated by the National Credit Act (NCA) 2005, amended in 2023. National Credit Regulator (NCR) is responsible for regulating the online lending industry in South Africa by enforcing the National Credit Act (NCA) as amended. It has the responsibility to ensure that all credit providers comply with the National Credit Act (NCA) which is the law that governs credit agreements in South Africa. The NCA requires all credit providers including online lenders to be registered with the NCR and to comply with the Act's provisions which include:³³

- a) Providing consumers with pre-agreement disclosures, which outline the costs and terms of the loan;
- b) Conducting affordability assessments to ensure that can afford the loan;
- c) Providing consumers with statement of account , which show the outstanding balance, interest and fees charged;

³¹ <https://bowmanslaw.com> “Kenya: Regulation of Digital Lenders in Kenya” Accessed January 16, 2026

³² <https://www.globallegalinsights.com> “Fintech Laws and Regulations 2025” Accessed January 16, 2026

³³ <https://rcs.co.za> “Online Lending Regulations and Your Rights” Accessed January 16, 2026

- d) Allowing consumers to settle their debt before the end of the credit agreement.

The NCR has the power to investigate and take action against credit providers that contravene the NCA this includes the power to impose fines and revoke the registration of credit providers. In addition to the regulations in place, there are also several consumer protections in place to safeguard the financial interests of consumers.³⁴ These include, the right to cancel a credit agreement within five days of signing it; the right to settle a debt before the end of the credit agreement; the right to dispute a credit providers decision to decline a loan application; the right to receive a statement of account which shows the outstanding balance, interest and fees charged.

Consumers also have the right to lodge a complaint with the NCR if they feel that their rights have been violated. The NCR will investigate the complaint and take action against the credit provider if it is found to be in contravention of South African law.³⁵

A notable provision of the National Credit Act (NCA) is digital lending is the requirement for responsible lending, creditworthiness assessment and capping of interest rates to protect consumers from predatory practices. All digital lenders including fintech apps and online lenders must be registered with the National Credit Regulator (NCR) and adhere to maximum interest rate and fees which are calculated based on the South African Reserve Banks repo rate.³⁶

The National Credit Act,³⁷ provides that interest on a credit agreement (Including digital loan) must not exceed the highest rate applicable to any part of the principal debt under the Agreement. This discourages punitive rates on arrears /overdue greater than what the agreement itself permits on the principal. The Act further permits a variable rate only if tied to a reference rate e.g South African Reserve Bank's repo rate.³⁸ The minister makes regulations with the involvement of the National Credit Regulator on how interest is calculated and disclosed.

8.0 Lessons for Nigeria

Nigeria's legislations and regulations on digital lending and Fintech credit platforms are adequate in comparison with the selected jurisdiction. Nigeria may however further protect consumer by introducing capping of interest rate for the credit providers as is the case in South Africa. This will checkmate the activities of predatory lenders and protect consumers from their actions.

9.0 Conclusion and Recommendation

This paper finds that the Regulations for digital lending platforms in Nigeria are adequate but are not efficacious enough to deter fraud and adequately protect consumers. The financial inclusion objective envisaged by the Federal government by the year 2030 hangs in the air if the predatory credit providers are not checked by regulation. . This paper recommends an interest rate ceiling for digital lenders to deter predatory lending. Regulators must enhance enforcement capacity, harmonize overlapping mandates, and leverage technology for better supervision. Digital credit lender and Fintech credit platforms must embrace consumer protection as a core business value. Vigorous sensitization of the public on their rights to protection as consumers, from fraudulent activities of online lenders. There should be in place an accessible redress mechanisms in case of infraction.

³⁴ *ibid*

³⁵ *ibid*

³⁶ National Credit Act (Act 34 of 2005). S. 103

³⁷ *Ibid.*s103 (1)

³⁸ *Ibid* (4)