DRAWBACKS AND LIMITATIONS OF THE SECURED TRANSACTIONS IN MOVABLE ASSETS ACT 2017*

Abstract

The Secured Transactions in Movable Assets Act (STMAA 2017) of 2017 was enacted to enhance credit accessibility, particularly for micro, small, and medium enterprises (MSMEs), by facilitating the use of movable assets as collateral. Despite its potential to revolutionize secured transactions in Nigeria, the Act presents notable legal ambiguities that could hinder its effectiveness. This article critically analyzes the procedural uncertainties in STMAA 2017's dispute resolution framework, particularly the lack of clarity regarding the interplay between arbitration, mediation, and traditional court proceedings. It further evaluates the risks associated with the enforcement of security interests, focusing on the potential misuse of law enforcement agencies and the vulnerabilities created by the mandatory notice period for repossession. Additionally, the paper explores the challenges judgment creditors face due to the Act's prioritization of secured creditors and the implications of the statutory ousting of the Stamp Duties Act on the enforceability of security agreements. The article also assesses the unintended financial burdens imposed by the mandatory insurance requirement for security agreements, arguing that it could deter financial inclusion rather than promote it. To enhance the efficacy of STMAA 2017, legislative reforms are necessary to clarify dispute resolution procedures, establish stronger judicial oversight in enforcement, and ensure a fair balance between secured and judgment creditors.

Keywords: Secured Transactions, Movable Assets, Dispute Resolution, Enforcement of Security Interests, Financial Inclusion

1. Introduction

Access to credit is a fundamental driver of economic growth, particularly for micro, small, and medium enterprises (MSMEs), which constitute a significant portion of Nigeria's business sector. Recognizing the barriers to credit access, Nigeria enacted the Secured Transactions in Movable Assets Act (*STMAA* 2017) in 2017 to modernize the legal framework governing secured transactions. By enabling businesses and individuals to leverage movable assets such as inventory, equipment, and receivables as collateral, *STMAA* 2017 aims to facilitate financial inclusion, improve credit availability, and enhance the efficiency of security enforcement mechanisms. Despite its laudable objectives, the implementation of *STMAA* 2017 presents critical legal and procedural challenges that may undermine its effectiveness. Key concerns include ambiguities in its dispute resolution framework, potential procedural conflicts between arbitration, mediation, and traditional court processes, and jurisdictional uncertainties regarding the enforceability of security interests. Additionally, the Act's provisions on enforcement raise concerns about the role of law enforcement in repossession processes, the impact of mandatory notice periods on creditor rights, and the risk of collateral depreciation before recovery. Another significant issue arises from the Act's prioritization of secured creditors over judgment creditors, which could limit the enforceability of court judgments and restrict unsecured creditors' ability to recover debts. Moreover, *STMAA* 2017's ousting of the Stamp Duties Act introduces legal uncertainties regarding the taxation and admissibility of security agreements in judicial proceedings. The Act's mandatory insurance requirement for secured transactions further complicates access to credit by imposing additional financial burdens on borrowers, particularly MSMEs. This paper critically examines these legal and procedural challenges within the *STMAA* 2017 framework, highlighting their implications for secured lending in Nigeria. It argues that while *STMAA* 2017 is a progressive legal reform, its practical implementation requires legislative refinements to ensure clarity, fairness, and efficiency in dispute resolution, enforcement, and creditor rights. The paper ultimately proposes reforms that can enhance the effectiveness of Nigeria's secured transactions regime while balancing the interests of creditors and borrowers.

2. The Secured Transactions in Movable Assets Act (*STMAA* 2017)

The enactment of the Secured Transactions in Movable Assets Act 2017 (*STMAA* 2017) on May 30, 2017, marked a pivotal moment in Nigeria's credit and security law. The primary objective of *STMAA* 2017 is to address the credit accessibility challenges faced by micro, small, and medium enterprises (MSMEs), thereby fostering financial inclusion and responsible lending. In furtherance of this objective, *STMAA* 2017 seeks to: (i) facilitate access to credit secured with movable assets; (ii) ensure efficient perfection and realization of security interests; and (iii) establish and regulate a collateral registry for the registration of security interests in movable property[1]. However, its application is statutorily limited, as *STMAA* 2017 does not govern: (i) rights of set-off; (ii) interests in land (except for account receivables); and (iii) interests in movable property subject to specialized registries, such as those pertaining to ships and aircraft[2]. A robust legal regime necessitates precise statutory definitions, and *STMAA* 2017 accordingly defines key terms in its definition section[3]. For instance, 'Movable Assets' are broadly characterized as 'tangible or intangible property other than real property,' while 'Security Interest' is conceptualized as 'a property right in collateral created by agreement to secure payment or performance of an obligation, regardless of its designation'[4]. Similarly, the Act delineates 'Security Agreement' as 'any agreement establishing a security interest between a grantor and a creditor,' and 'Financing Statement' as 'a prescribed form used to effect registration'[5]. These statutory definitions are pivotal as they establish the foundational principles governing secured transactions.

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[1] Section 1(1), *STMAA* 2017

[2] Section 1(2), *STMAA* 2017

[3] Section 62 *STMAA* 2017

[4] ibid

[5] ibid

Security Interests Creation under *STMAA* 2017

Under *STMAA* 2017, a security interest is created through the execution of a security agreement between a grantor and a creditor. The scope of such an interest is necessarily constrained by the extent of the grantor's rights in the collateral[6]. The Act further prescribes mandatory components of a security agreement, which must reflect the intention to create a security interest, identify the parties, specify the secured obligation and its maximum enforceable amount, describe the collateral, stipulate the tenor of the obligation, and confirm submission to arbitration as a first recourse in case of disputes[7]. While *STMAA* 2017 does not explicitly outline the consequences of non-compliance, it is reasonable to infer that non-conformity with these statutory requirements may impede the registration of such agreements.

Collateral Registry and Security Interests' Perfection

Central to the operationalization of *STMAA* 2017 is the establishment of the Collateral Registry, which serves as the repository for the registration and publicization of security interests. The registry functions as an avenue for submitting, storing, and accessing information on secured transactions, thereby promoting transparency and reducing transactional risks[8]. Any interested party may conduct a search at the registry upon payment of the prescribed fee[9]. In the event of a grievance, an aggrieved party must notify the collateral registry within sixty (60) working days; if unresolved within thirty (30) days, judicial recourse may be sought.[10] Perfection, a critical aspect of secured transactions, occurs upon the registration of a financing statement with the collateral registry. Notably, mere possession of the collateral does not constitute perfection under *STMAA* 2017[11]. The Act also provides for the automatic perfection of proceeds derived from the disposal of collateral, particularly where the proceeds take the form of money, accounts receivables, negotiable instruments, or bank accounts. However, where proceeds are not of the described nature, an amendment must be filed within Fifteen (15) days to reflect the new form of proceeds[12].

Financing Statement and Process of Registration

A Financing Statement, an essential instrument under *STMAA* 2017, may be registered by a creditor with the grantor's consent. Importantly, a grantor's consent is deemed granted where all requisite details are provided for registration[13]. The Act does not impose a time limit for the registration of security interests, meaning that registration can occur at any time. However, errors in registration may impact the validity of a financing statement, particularly if such errors materially affect the identification of the grantor or collateral[14]. A registered financing statement remains valid until its cancellation, expiration, or removal from the registry after six (6) months post-expiration[15]. Additionally, where new grantors or collateral are involved, the financing statement must be amended accordingly[16].

Security Interests' Priority

The priority of interests in collateral, including both present and future interests, is fundamentally determined by the sequence of registration at the collateral registry[17]. However, creditors may voluntarily subordinate their priority to subsequent creditors through appropriate amendments to the financing statement[18]. Special provisions apply to purchase money security interests (PMSIs), which, upon registration, take precedence over non-PMSIs. Where multiple security interests exist in goods that become commingled into a mass, priority is determined proportionally to their respective values in the mass[19]. Furthermore, where two assignees claim an interest in account receivables, priority is dictated by the time of registration.[20]. Importantly, perfected security interests rank ahead of unsecured judgment creditors who either fail to register or register subsequently.[21] Certain exceptions exist to the general principle of priority based on registration. Specifically, possessory liens enjoy priority over registered security interests, and a bona fide holder of a negotiable instrument for value and without notice has superior priority.[22] Additionally, a purchaser or lessee who acquires collateral for value and without notice enjoys priority over a perfected security interest.[23]

Security Interests' Transferability and Enforcement

STMAA 2017 also recognizes the transferability of secured interests. A creditor may assign security interests without requiring the grantor's consent or amending the financing statement, even if the security agreement stipulates otherwise.[24] Upon default,

[6] Sections 3 and 4, *STMAA* 2017
[7] Section 5, *STMAA* 2017
[8] Section 11, *STMAA* 2017
[9] Section 22, *STMAA* 2017
[10] Section 60, *STMAA* 2017
[11] Section 8, *STMAA* 2017
[12] Section 9, *STMAA* 2017
[13] Sections 12 and 13, *STMAA* 2017
[14] Sections 16 and 17, *STMAA* 2017
[15] Section 18, *STMAA* 2017
[16] Section 19, *STMAA* 2017
[17] Sections 23 and 24, *STMAA* 2017
[18] Section 23, *STMAA* 2017
[19] Section 24, *STMAA* 2017
[20] Section 23, *STMAA* 2017
[21] Section 24, *STMAA* 2017)
[22] Sections 30 and 31, *STMAA* 2017
[23] Section 31, *STMAA* 2017
[24] Section 25, *STMAA* 2017

the creditor is empowered to exercise rights under both the security agreement and the statutory provisions of *STMAA* 2017.[25]. These enforcement mechanisms reinforce the efficacy of secured transactions, ensuring that creditors can realize their security interests while preserving the sanctity of contractual obligations.

In sum, *STMAA* 2017 represents a transformative development in Nigeria's secured transactions regime. By facilitating the use of movable assets as collateral, it enhances credit accessibility, reduces transactional risks, and bolsters the legal predictability of security interests. Nonetheless, certain ambiguities and challenges presented by the law some of which are discussed below remain areas requiring judicial clarification and potential legislative refinement.

3. Drawbacks and Limitations of *STMAA* 2017

The enactment of the *STMAA* 2017 represents a commendable legislative effort aimed at fostering financial inclusivity by facilitating responsible lending to Micro, Small, and Medium Enterprises (MSMEs). By establishing a framework for secured transactions, *STMAA* 2017 seeks to enhance access to credit and mitigate the risks associated with lending. However, despite these noble objectives, several inherent challenges may hinder the seamless implementation of the Act. Among these concerns, the prioritization of rights within the security framework remains a critical issue that warrants closer examination.

Priority of Rights

A fundamental limitation of *STMAA* 2017 lies in its failure to differentiate between legal and equitable rights in security interests. The Act broadly defines a security interest as any property right in collateral created through an agreement securing the payment or performance of an obligation, without distinguishing between legal and equitable rights. This oversight runs counter to the conventional understanding in secured transactions, where legal rights are generally regarded as superior to equitable rights. *STMAA* 2017[26] establishes that the perfection and priority of a security interest in a borrower's asset are determined based on the time of registration of the security interest in the National Collateral Registry, rather than the nature or moment of creation of the security right. The sole exception to this rule pertains to the priority accorded to purchase-money security interests (PMSIs) over non-PMSI arrangements, as stipulated in Section 27 of the Act. This approach, which prioritizes registration over the intrinsic nature of the security right, effectively eliminates any natural hierarchy of rights based on their legal standing. Furthermore, *STMAA* 2017[27] permits the creation of security interests in the form of charges by companies registered under the Companies and Allied Matters Act (CAMA). This provision appears to be a legislative misstep, as it inadvertently retains the CAMA floating charge mechanism, which operates as an equitable interest until it crystallizes upon the borrower's default or insolvency. The allowance for incorporated companies to continue creating fixed and floating charges ultimately perpetuates the very fragmentation between equitable and legal rights that *STMAA* 2017 ostensibly seeks to overcome. A notable inconsistency emerges when examining the relationship between floating charges under CAMA and the priority framework established under *STMAA* 2017. Under CAMA, a floating charge remains an equitable interest until it crystallizes. However, under *STMAA* 2017's priority rules, which favor the first-to-register principle, a secured creditor who registers a floating charge allowing the borrower to use the assets in the ordinary course of business may find their interest subordinated to that of a subsequent secured creditor who registers an *in rem* security interest in the same assets. As CAMA[28] explicitly defines a floating charge as an equitable charge, the practical consequence of the provision of *STMAA* 2017[29] is the subjugation of floating charge holders to later registrants who perfect their security interests in the collateral registry. This conflict between *STMAA* 2017 and CAMA is not merely theoretical; it poses significant litigation risks and potential complications in the settlement of security rights, particularly in insolvency proceedings. The divergence between the two legislative instruments may lead to uncertainty in judicial interpretation, complicating the enforcement of security interests and undermining the intended predictability and efficiency of the secured transactions regime. Resolving this inconsistency is imperative to ensure the effective realization of *STMAA* 2017's objectives without compromising the established principles governing security interests under Nigerian corporate law.

Multiple Movable Collateral Registries

This issue is evident in Nigeria's regulatory landscape, where, in addition to the National Collateral Registry established under *STMAA* 2017[30], other registries exist for the registration of security interests in movable assets. Notably, the Corporate Affairs Commission (CAC) maintains a registry for floating and fixed charges, which must be registered as a prerequisite for perfection under CAMA[31]. However, a fundamental flaw in the current framework is the apparent disconnect between the CAC registry and the National Collateral Registry. Although *STMAA* 2017[32] upholds the right of companies to create floating charges registrable at the CAC, the result is the emergence of two parallel registries, compelling potential secured creditors to conduct searches in multiple locations before extending credit to borrowers. Beyond these two primary registries, additional registries exist for the registration of licenses related to intellectual property rights. For instance, trademarks in Nigeria are registered with the Trademarks Registry under the Federal Ministry of Trade and Investments. However, encumbrances on intellectual property rights such as licenses, assignments, and charges fall under the purview of *STMAA* 2017[33] and are classified as

[25] Section 39(1), *STMAA* 2017
[26] Section 23 of *STMAA* 2017
[27] Section 2(3) of *STMAA* 2017
[28] Section 203(1) of CAMA
[29] Section 23 of *STMAA* 2017
[30] Sections 10 and 23 of *STMAA* 2017
[31] Section 222 of CAMA
[32] Section 2(3) of *STMAA* 2017
[33] Section 23 of *STMAA* 2017

intangible movable property. This fragmented approach to collateral registration presents significant challenges, as secured creditors must navigate multiple unlinked registries to ascertain the priority of their security interests.

The existence of multiple, unintegrated collateral registries exacerbates the difficulty of accessing affordable credit. Secured creditors face the risk of losing their priority status due to the uncertainty surrounding where to search and register security interests. This uncertainty fosters a risk-averse lending environment, where creditors may resort to imposing exorbitant interest rates as a precautionary measure to compensate for the potential loss of priority in security interests. Additionally, the increased cost and administrative burden associated with searching multiple registries inflate the overall cost of lending to individuals and MSMEs. This, in turn, undermines the fundamental objective of *STMAA* 2017, as articulated in Section 1, which aims to expand access to affordable credit for individuals and MSMEs in Nigeria. By perpetuating inefficiencies in the secured transactions framework, the existence of multiple registries effectively diminishes the transformative potential of *STMAA* 2017 in fostering financial inclusion and economic growth.

Dispute Resolution

The dispute resolution framework established by *STMAA* 2017 presents significant ambiguities that may hinder its efficiency in resolving conflicts between creditors and grantors. The Act permits dispute resolution through arbitration, the Mediation and Dispute Resolution Panel, and the traditional courts. However, the interplay between these mechanisms is unclear, leading to potential procedural conflicts and prolonged litigation. A fundamental source of confusion arises from the conflicting provisions within *STMAA* 2017 regarding the initial forum for dispute resolution. Under *STMAA* 2017[34], the Mediation and Dispute Resolution Panel is designated as the *'first recourse for mediation and settlement over any civil dispute which may arise between the Creditor and the Grantor in the course of implementing the Act.'* Conversely, *STMAA* 2017[35] mandates that a Settlement Agreement must *'confirm the agreement by parties to submit to arbitration, as first recourse in a situation that any civil dispute arises.'* Furthermore, *STMAA* 2017[36] requires that a financing statement contain *'a confirmation that parties have agreed to submit themselves to the mediation and arbitration mechanism empowered under this Act, as first recourse, in a situation that any civil dispute arises.'* These overlapping provisions create uncertainty as to whether arbitration or the Mediation and Dispute Resolution Panel serves as the primary forum for dispute resolution. The absence of clarity in prioritizing these mechanisms may result in procedural inefficiencies and jurisdictional disputes. Beyond this procedural ambiguity, the jurisdictional scope of the Mediation and Dispute Resolution Panel remains undefined, particularly concerning the appellate process and the final forum for adjudication of disputes arising under *STMAA* 2017. While the Act establishes the Panel as an initial forum, it does not specify whether its decisions are binding or whether appeals must proceed to a specific court. This gap in the legislative framework leaves room for forum shopping and protracted legal battles, potentially undermining the expeditious resolution of disputes.

Additionally, under *STMAA* 2017[37], the courts retain jurisdiction over disputes arising from transactions governed by the Act. Given the inherently litigious nature of secured transactions, parties may resort to the courts to either enforce rights under security agreements or challenge decisions made by the Mediation and Dispute Resolution Panel. This potential for judicial intervention raises concerns regarding delays in enforcement, particularly in cases where creditors seek to take possession of collateral while disputes remain unresolved. Unlike immovable assets, which typically appreciate over time, movable assets such as inventory or equipment are prone to depreciation. Thus, prolonged litigation may result in significant financial losses for creditors, as the collateral's value diminishes before the resolution of the dispute. The lack of a clear, hierarchical dispute resolution framework within *STMAA* 2017 not only increases legal uncertainty but also weakens the predictability of enforcement mechanisms. To ensure efficiency and prevent unnecessary delays in the realization of security interests, the Act should be amended to establish a well-defined sequence of dispute resolution, clearly delineating the jurisdictional boundaries of arbitration, the Mediation and Dispute Resolution Panel, and the courts. By addressing these legislative gaps, *STMAA* 2017 can foster greater confidence among creditors and borrowers, thereby enhancing the overall effectiveness of Nigeria's secured transactions regime.

Security Interests' Enforcement

The enforcement and realization of registered security interests under *STMAA* 2017 raise significant concerns, particularly regarding the rights of secured creditors and the procedural safeguards for borrowers. *STMAA* 2017[38] affirms that, in the event of default, a secured creditor may exercise all its rights under the Act and the Security Agreement. However, a critical issue arises from the ability of creditors to enforce security interests without obtaining a court order, as permitted by *STMAA* 2017[39]. These provisions empower secured creditors to seek police assistance for the peaceful repossession of collateral, provided they present the security agreement and a certified confirmation statement from the collateral registry that verifies the registration number, date, and time of the collateral's registration. This statutory authorization of police involvement in secured transactions raises serious concerns regarding potential abuses by creditors, particularly within the context of Nigeria's debt recovery practices. Historically, the courts have consistently condemned the involvement of law enforcement agencies in civil and contractual disputes, emphasizing that the police should focus on combating crime and fraud rather than enforcing private contractual obligations. By allowing creditors to enlist police assistance without a court order, *STMAA* 2017 risks

[34] Section 41(2)
[35] Section 5(f) of *STMAA* 2017
[36] Section 4(5) of *STMAA* 2017
[37] Section 56 of *STMAA* 2017
[38] Section 39(1)(a) of *STMAA* 2017
[39] Sections 40(5) and 40(6) of *STMAA* 2017

institutionalizing the misuse of law enforcement in debt recovery, potentially leading to harassment, intimidation, and other forms of creditor overreach. The absence of judicial oversight in this process could transform secured lending into a mechanism for legalized coercion, effectively undermining the borrower's right to due process.

Furthermore, *STMAA* 2017[40] mandates that secured creditors intending to repossess collateral must provide a ten-day notice before initiating repossession. While this provision ostensibly seeks to balance the interests of creditors and borrowers, it inadvertently creates a loophole that may hinder the effective realization of security interests. Borrowers, aware of the impending repossession, could exploit this notice period to transfer the collateral outside the jurisdiction or dispose of it to unsuspecting third parties, particularly if the collateral is an asset that can be sold in the ordinary course of business. This potential for asset dissipation significantly weakens the creditor's ability to recover outstanding debts and could lead to substantial financial losses. The practical consequences of these enforcement provisions are particularly concerning given the nature of movable assets, which, unlike real property, typically depreciate over time. Delays caused by procedural inefficiencies or borrower evasiveness may result in a scenario where, by the time repossession is achieved, the collateral has lost significant value or become entirely worthless. In such cases, the secured creditor effectively becomes an unsecured creditor, forced to explore alternative means of debt recovery that may not guarantee full repayment.

To enhance the effectiveness of *STMAA* 2017's enforcement framework while safeguarding borrower rights, legislative reforms are necessary. The Act should introduce stronger judicial oversight mechanisms to prevent abuses arising from police involvement in debt recovery. Additionally, reconsidering the mandatory notice period and incorporating safeguards against fraudulent asset disposal would ensure that creditors can enforce security interests without undue delay. By addressing these structural deficiencies, *STMAA* 2017 can better fulfill its objective of promoting responsible lending while ensuring that the enforcement of security interests remains both efficient and equitable.

Enforcement of Judgment by Creditors

Judgment creditors may encounter significant obstacles when attempting to enforce judgments against debtors who have pledged most of their valuable movable assets as collateral for loans under *STMAA* 2017. The two primary methods for enforcing judgments, as outlined in the Sheriff and Civil Process Act, 72 are garnishee proceedings and writs of *fieri facias* (*fifa*). If a judgment creditor is unable to collect on a judgment through garnishee proceedings, they may resort to executing the judgment by attaching the debtor's movable or immovable property through a writ of *fifa*. However, a major challenge arises when a judgment debtor lacks immovable property or sufficient funds in any bank account to cover the judgment debt, possessing only movable assets already pledged as collateral. *STMAA* 2017[41] explicitly states that a perfected security interest takes precedence over the rights of an unsecured creditor who has obtained a judgment or an order of attachment. Consequently, judgment creditors may find themselves unable to recover outstanding debts from the debtor's movable assets, as these assets would have been encumbered by prior security interests in favor of secured creditors. This statutory prioritization effectively places judgment creditors at a disadvantage, limiting their ability to execute judgments against encumbered assets and potentially rendering judicial enforcement mechanisms ineffective in certain cases. Given these challenges, there is a need for legislative intervention to strike a fair balance between the rights of secured creditors and the enforceability of judgments. By reassessing the hierarchy of claims under *STMAA* 2017, the legal framework can ensure that judgment creditors are not unduly deprived of remedies while maintaining the integrity of secured transactions.

Non-Applicability of Stamp Duties Act

A significant legal issue arises from *STMAA* 2017[42], which stipulates that the provisions of the Stamp Duties Act (SDA) shall not apply to any secured transaction registered under *STMAA* 2017. This raises fundamental questions regarding the authority of *STMAA* 2017 to override the requirement for stamping under the SDA, particularly in civil proceedings. It appears that Section 54 of *STMAA* 2017 removes the obligation for stamping as a precondition for the registration of security agreements between parties. However, this exemption should not be misconstrued as eliminating the general requirement to stamp documents, especially given that unstamped instruments are typically inadmissible in enforcement proceedings. The practical implications of this provision remain uncertain, particularly concerning how the Federal Inland Revenue Service (FIRS) will treat security agreements registrable under *STMAA* 2017. Historically, documents exempted from taxation are stamped at a nominal fee of Five Hundred Naira (₦500.00). It remains to be seen whether FIRS will adopt this approach for *STMAA* 2017-registered security agreements or challenge the outright exemption from stamping. This ambiguity necessitates further clarification through legislative amendments or regulatory guidance to ensure consistency in the application of tax laws and the enforceability of security agreements.

Insurance Coverage for Security Agreement

The Security Interest in Movable Assets Act (*STMAA* 2017) imposes a mandatory requirement on parties entering into a security agreement to include provisions specifying details of an insurance cover. *STMAA* 2017[43] expressly mandates that such agreements must incorporate insurance coverage details, ensuring that the secured collateral is protected against potential loss or damage. While this provision ostensibly seeks to safeguard the interests of secured creditors, its practical implications raise significant concerns regarding accessibility and affordability of credit, particularly for individuals and micro, small, and medium enterprises (MSMEs). Insurance premiums, by their nature, are financial obligations that will likely be borne by

[40] Section 40(3) of *STMAA* 2017
[41] Section 34(1) of *STMAA* 2017
[42] Section 54 of *STMAA* 2017
[43] Section 6(1)(c) of *STMAA* 2017

borrowers. This additional cost burden has the potential to undermine the overarching objective articulated in *STMAA* 2017[44], which seeks to enhance access to credit for individuals and MSMEs. The introduction of an insurance prerequisite inadvertently increases the cost of obtaining secured credit, making it less accessible to the very demographic that *STMAA* 2017 aims to support. Thus, while the legislative intent behind this requirement is ostensibly protective, its practical effect could be counterproductive by deterring potential borrowers due to cost constraints. Furthermore, in scenarios where a secured creditor issues a ten-day notice of default in accordance with the provision of *STMAA* 2017[45], the effectiveness of their remedy in instances of borrower misconduct remains questionable. If, within this period, a borrower fraudulently transfers the collateral outside jurisdiction, disposes of it through sale, or deliberately destroys it, the secured creditor's primary recourse would be to seek compensation from the insurer. However, this approach introduces complexities, particularly the likelihood of prolonged litigation, which not only delays creditor recovery but also escalates transaction costs. The necessity of pursuing insurance claims, coupled with the risk of protracted legal disputes, could lead to increased insurance premium charges, making credit even more expensive for borrowers. This cascading effect where mandatory insurance results in higher premiums, which in turn elevate interest rates ultimately renders secured credit less affordable for individuals and MSMEs. Given that affordability is a crucial determinant of financial inclusion, this requirement may inadvertently negate *STMAA* 2017's fundamental objective of expanding credit accessibility in Nigeria. Consequently, a more balanced legislative approach may be necessary to reconcile the need for risk mitigation with the imperative of financial inclusivity.

4. Conclusion

The enactment of the Secured Transactions in Movable Assets Act (*STMAA* 2017) marked a significant step toward modernizing Nigeria's secured transactions regime and expanding access to credit, particularly for Micro, Small, and Medium Enterprises (MSMEs). By facilitating the use of movable assets as collateral, the Act aligns with global best practices in secured lending and financial inclusion. However, despite its commendable objectives, *STMAA* 2017 presents notable legal, procedural, and enforcement challenges that threaten to undermine its effectiveness. A critical analysis of the Act reveals that its dispute resolution framework lacks clarity, particularly regarding the interplay between arbitration, mediation, and litigation. The absence of a well-defined jurisdictional hierarchy could result in procedural conflicts, delays, and inconsistencies in the enforcement of security interests. Additionally, while *STMAA* 2017 seeks to protect creditors' rights, its enforcement mechanisms raise concerns about the role of law enforcement in repossession processes, the potential for abuse, and the economic risks posed by mandatory notice periods. These ambiguities create uncertainty for both creditors and borrowers, potentially deterring financial institutions from extending credit. Furthermore, the Act's prioritization of secured creditors over judgment creditors introduces legal inequities that could undermine judicial authority and fairness in debt recovery proceedings. Judgment creditors who have obtained legally binding court orders may find themselves disadvantaged by a statutory framework that prioritizes secured creditors, potentially eroding trust in the legal system. The ousting of the Stamp Duties Act from security transactions further raises questions about the enforceability of agreements and the potential fiscal implications for the government. Additionally, while the mandatory insurance requirement for secured transactions aims to mitigate risk, it imposes an additional financial burden on borrowers, particularly MSMEs, potentially discouraging them from leveraging *STMAA* 2017's benefits. Instead of promoting financial inclusion, this requirement may inadvertently create new barriers to credit access. To ensure *STMAA* 2017 achieves its intended objectives, comprehensive legislative and policy reforms are necessary. These should include: (i) refining the dispute resolution framework to clearly delineate the roles of arbitration, mediation, and litigation; (ii) strengthening judicial oversight in enforcement proceedings to prevent abuses of power; (iii) ensuring a more balanced prioritization of creditors' rights to protect both secured and judgment creditors; and (iv) revisiting the mandatory insurance requirement to make it more adaptable to the financial realities of MSMEs. In conclusion, while *STMAA* 2017 represents a commendable legislative initiative with significant potential to transform Nigeria's credit market, its long-term success depends on addressing the existing legal and procedural gaps. A more coherent, transparent, and equitable secured transactions regime will not only enhance credit accessibility but also foster investor confidence, economic stability, and sustainable financial growth in Nigeria.

[44] Section 1 of *STMAA* 2017
[45] Section 40 of *STMAA* 2017