DUTIES AND LIABILITIES OF COMPANY DIRECTORS UNDER THE NIGERIAN CORPORATE LAW*

Abstract

The role of company directors in Nigeria is pivotal to the governance and operational success of corporations. Directors are entrusted with powers and responsibilities that require them to act in the best interests of the company, shareholders, and stakeholders. This article examines the duties and liabilities of company directors under Nigerian law, exploring statutory provisions, judicial interpretations, and regulatory expectations. It highlights the challenges associated with directors' accountability, the consequences of breach of duties, and provides recommendations for enhancing corporate governance standards. The study aims to provide legal practitioners, corporate stakeholders, and students with a comprehensive understanding of the legal framework governing directors' conduct in Nigeria.

Keywords: Company Directors, Duties, Liabilities, Nigerian Corporate Law

1. Introduction

Directors occupy a central role in corporate governance. Their decisions significantly influence a company's strategic direction, financial health, and compliance with statutory obligations. In Nigeria, the Companies and Allied Matters Act 2020[1] provides the primary legal framework regulating the appointment, duties, and liabilities of directors. Directors are expected to exercise reasonable care, skill, and diligence while acting in the best interest of the company. However, breaches of these duties can lead to civil, criminal, or regulatory sanctions. Understanding directors' obligations is therefore critical to maintaining investor confidence, corporate transparency, and accountability. A critical examination of the duties of a director is necessary as the breach of these duties breeds liabilities and regulatory consequences.

2. Conceptual Clarifications

Director

A director is an individual appointed to manage the affairs of a company. They are persons duly appointed by a company to manage and direct the affairs of the company.[2] Directors may be executive or non-executive. A director is executive where such director is actively involved in the day-to-day activities of the company. They are ever present and participates in the daily running of the company's affairs. They are board members who are also employees right in the thick of daily management of the business of the company. They are the insiders of the company and the executors of the strategies reached at the board meetings. The managing director falls part of this category. The non-executive directors on the other hand are the outsiders as rightly described.[3] They are the corporate think-tanks of the company as the company thrives with their ideas. They don't execute, the direct. The shadow director best describes this category. In the camp of non-executive directors is a category of directors known as independent director. This type of director constitutes individuals who has no actual link with the company, no financial stake in the company and no ties with any

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[1] Companies and Allied Matters Act, 2020(Act No. 3 of 2020).

[2] Ibid s 269(1).

[3] Dan Byrne, 'Executive vs. non-executive directors: Understanding the key differences <https://www.thecorporategovernanceinstitute.com/insights/guides/executive-vs-non-executive-directors/?srsltid=AfmBOorj5B7GluHPddbJi-RQVrOAdCh3tB91oUlJvKuO3_plk8zj635j >Accessed 31st January 2026.

member of the company. Their primary business is with the board and at the board, they take decisions devoid of sentiments.[4]

Fiduciary Duties

These are duties that require directors to act honestly, loyally, and in good faith for the benefit of the company, avoiding conflicts of interest. A director is described as being in a fiduciary relationship with the company[5] and at such is expected to always act in good faith in all the affairs of the company. Good faith here denotes honesty, faithful performance of duties, observance of fair dealing standards, an absence of fraudulent intent and sincerity of intentions.[6]

Duty of Care and Skill

The duty of care and skills suggests that directors must act with the competence, diligence, and prudence expected of a reasonable person in similar circumstances. They are, in the course of carrying out their daily activities as a director exercise utmost care which is reasonably expected of any reasonable man. In addition, they owe the company utmost competence and this is realized by putting in the best of their skills to ensure that the company's goal is realized.

Liabilities

Liability is a legal consequence directors face for failing to discharge their duties properly, which may include financial restitution, fines, or imprisonment. It is a level of responsibility or culpability of a director for not doing what is expected of him as a director or doing what is not expected of him as a director.

3. Statutory Duties under the Companies and Allied Matters Act 2020

The Companies and Allied Matters Act 2020 is the foundational law that specifically regulates the matters and affairs of companies in Nigeria. It sets a standard and establishes the threshold for corporate governance in Nigeria. The Act through its veritable provisions has made provisions as it relates to the duties of a director of a company. These duties include:

Duty to act in good faith: Directors are mandated to act honestly and in the very best interest of the company. This duty has been adequately provided for in CAMA 2020.[7] The Act specifically stated that a director of a company stands in a fiduciary relationship towards the company and shall observe utmost good faith towards the company and in any transaction on its behalf. This implies directly that a director due to the fiduciary relationship he has with the company is expected to observe the fair dealing standards, deliver his duties in utmost honesty and should at all cost place the interest of the company at the top chart. He is expected to handle the business of the company without any reservation and deliver in all of his assignments with a very clear conscience and mind. He should not bring in his personal interest into the business in such a way that it hampers adequate delivery of his duties as a director of the company. The company should be his utmost priority. Furthermore, a director's fiduciary relationship with the company arises where he is acting as an agent of any Shareholder[8], or where although not an agent of any Shareholder, such Shareholder is or other person is dealing with the company's securities.[9] By the foregoing, it suggests that as long as the director is dealing with the securities of the company, whether or not he's acting as an agent of any Shareholder, he is in a fiduciary relationship with the company and owes the company a duty to act in good faith.

[4] Ibid
[5] CAMA 2020 s 305.
[6] Law Cornell <https://www.law.cornell.edu/wex/good_faith> Accessed 31st January 2026.
[7] CAMA 2020 s 305(1).
[8] Ibid s 305(2)(a).
[9] Ibid s 305(2)(b).

Duty to Promote the Business of the Company: Directors must always strive to ensure that the company's business is in a smooth and successful running[10]. They must do so by ascertaining the impact of the company's affairs on the environment and the society[11], making strategic decisions that advances the general well-being of the company, taking measures in accordance with the existing legal and policy-based frameworks to by-pass challenges that could hamper the growth and progress of the company. They are on a mandate that guarantees profit maximization for the company.[12] A director is duty bound to preserve the assets of the company, further the business of the company as provided by the law and ensure that the purpose for which the company is formed is graciously achieved.[13]

It is very imperative to note that the director has the responsibility of having regards to the company's operations on the environment and the community where it carries on its business. This strategic provision demands that the director while managing and directing the business of the company should incorporate the ESG[14] goals. They should be environmentally conscious, ensuring that the company does not adversely contribute to the environment by polluting the environment with unhealthy substance from its operations thereby going contrary with several laws existing on that and accruing criminal responsibility on the company. They should also pay attention to the society where the company carries on its business activities ensuring that the company discharges it's corporate social responsibilities. By so doing, the company is being put on a global standard making it worthy of attracting foreign investors. This clearly is a measure necessary for the promotion of the business of the company. A director is also under the obligation to ensure that while performing his duties as a director, he shall have regards to the wellness of the employees of the company.[15] This fulfills the governance aspect of the ESG Goal. They should ensure that the employees are treated in accordance with fair labour standards. They should make sure that the rights of the employees are not sacrificed on the altar of active service to the company. This will hamper the success and growth of the company if found out and will not promote the company in a good light.

Duty to Act in the Best Interest of The Company and within Authorized Powers: This is one of the very much important duties of a director in a company. A director owes it to a company for which he is appointed a director to always act in the very best interest of the company. He is expected to exercise his powers only for the specified purpose and not for any collateral purpose.[16] The powers of a director are usually specified in the article of association of the company. A director shall always seek recourse to that so as not to walk past the limits of his powers. He shall always apply his powers to the specifics and should not apply them to the collaterals. If he does so, he is in breach of his duties as a director. The court in the case of *Okeowo v Milgore*[17] relying on the case of *Automatic Self Clearing Co. v Cunningham*[18] held that it is the duty of the director of a company to exercise power vested in them for the benefit of the company and their fiduciary relationship is not for their individual advantage but for the company.

Duty to Avoid Conflict of Interest: Directors must not exploit corporate opportunities for personal gain. Their personal interest should not conflict with their duties as a director.[19] To avoid this, a director in the course of his duties shall not make any secret benefits or achieve other unnecessary benefits.[20] The reason for this is clear; so that the acceptance of the secret benefits does not blur their sense of responsibility to the

[10] Ibid s 305(3).
[11] Ibid.
[12] Aderonke Alex-Adedipe and Hillary Okorotie 'Corporate Governance: Duties and Responsibilities of Directors under Nigerian Law' < https://pavestoneslegal.com/corporate-governance-the-duties-and-responsibilities-of-directors-under-nigerian-law/> Accessed 1st February 2026.
[13] (n)10.
[14] ESG- Environmental, Social and governance.
[15] CAMA 2020 s 305(4).
[16] CAMA 2020 s 305(5).
[17](1979) LPELR-2441(SC).
[18] (1906) 2 CH 34.
[19] Ibid s 306(1).
[20] Ibid s 306(2).

company and make them prioritize their purse (accepted secret benefits) over their duties as a director. It is very important to note that if a director goes contrary to the provisions of the law and accept secret benefits, they are accountable to the company for those benefits.[21]

Duty not to Misuse Corporate Information: A director has a duty to always keep in confidence the information about the company made known to him by the virtue of his office. A director owes the company a duty of confidentiality. Every company has their trade secrets which distinguishes them and their services from that of other companies. A director has a duty to protect this information from the public or anyone who is not authorized to know about them. This duty is eternal and does not die off when they leave their office as a director or even as a member of the company.[22]

Duty to Exercise Reasonable Care, Skill, and Diligence: Directors must always make informed and prudent decisions. The director being the mind and body of a company is expected to apply utmost diligence in execution of their duties so as not not accrue unnecessary liabilities for the company. They are expected to exercise reasonable care in all of their dealings in the capacity of the company. By reasonable care, a director is obligated to apply the same level of a care a reasonable and prudent man in his shoes would have applied in similar circumstances. They shall put in the highest level of their skills into the affairs of the company and shall honestly, in good faith and in the best interest of the company exercise that degree of care, diligence and skill which a reasonably prudent director would exercise in comparable circumstance.[23]

Duty to Comply with Statutory Obligations: This is also a very important duty of a director. Every company is expected to fulfill certain statutory obligations. These obligations although imposed by existing laws are owed to several regulatory bodies established by those laws that requires them. These obligations include filing annual returns[24], maintaining accounting records[25], and ensuring regulatory compliance. It is the duty of the director to ensure that these returns and other statutory requirements are strictly adhered to. The court in the case of *Okeke v SEC & Ors*[26] has emphatically held that

> …The provisions of *Sections 331-333 of CAMA* impose a duty upon a company to keep proper and accurate records of accounts and the penalties for non-compliance therewith. Likewise, *Sections 334-337* impose a duty upon Directors of the Company to prepare annual accounts. *Sections 345-348* of the Act have equally imposed a duty on Directors to deliver financial statement, and the penalties for non-compliance therewith.

This is a clear indication of the obligation of a director to meet statutory requirements otherwise, sanctions would apply.

4. Duties of a Director under the Common Law Principles

Even before statutory codification, Nigerian courts have relied on English common law principles. These include:

Fiduciary Obligations: Directors must not act in self-interest at the expense of the company. They are in a fiduciary relationship with the company and should ensure that the assets of the company are adequately secured, protected and invested only in the affairs of the company. The best interest of the company shall always be their paramount concern. This is a recognized common law principle duly noted by the English court in the case of *Regal Hastings Ltd v. Gulliver*[27] where the court in their hallowed wisdom made a debut finding that directors are fiduciaries and are strictly forbidden from retaining benefits obtained through their

[21] Ibid s 306(3).
[22] Ibid s 306(5).
[23] CAMA 2020 s 308(1).
[24] Ibid s 417.
[25] Ibid s 374.
[26] (2013) LPELR-20355(CA)
[27] (1962) 2 AC 134.

office unless the company acting in general meeting gives a fully informed consent. The Court went further to observe that this equitable rule operates independent of fraud, bad faith or proof of company loss. Once a profit is made out of the fiduciary relationship with a company, accountability follows next.

Duty of Loyalty and Avoidance of Conflict: A director is expected to be totally loyal to the company. The duty of loyalty under the common law is a foundational fiduciary obligation that requires individuals in the position of trust like directors to be loyal to the company by acting in the best interest of the company. This duty is observed by a no- conflict and no- profit operation; a situation where such directors avoid conflict of interest and also does not benefit from his fiduciary relationship with the company.

5. Liabilities of Directors

Directors can be held liable under different circumstances:

Civil liability: A director who breaches any of his duties may be jointly or severally held liable together with anyone with whom he did the act with or even with the company. There are several civil implications and consequences that may arise if found liable. These consequences include:

Restitution: A defaulting director may be compelled to restore properties or profits misappropriated at the very expense of the company.
Damages: The director of found liable could be asked to pay damages for their acts of negligence or breach of duty. This can take a huge financial toll on such director.
Disqualification: By the hallowed provisions of CAMA 2020[28], a director is disqualified from occupying the office if found guilty of fraud.

Criminal liability: For offenses such as fraud, mismanagement, or filing false statements, the director could accrue criminal liabilities. CAMA 2020 made provisions in this regard as it provides that if a director knowingly carries on business with intent to defraud creditors, he is criminally liable and maybe sentenced to imprisonment or fine.[29] Also where a director deliberately falsifies or omits entries in the company's book, it may as well result to criminal prosecution.

Regulatory liability: Regulatory bodies like the Corporate Affairs Commission, Security and Exchange Commission and others may impose financial sanctions on directors who goes contrary with the dictates of the law on a particular subject matter. These financial sanctions are most times imposed in the erring director alongside the company.

6. Conclusion and Recommendations

Directors' duties and liabilities form the backbone of corporate governance in Nigeria. The combination of statutory provisions under CAMA 2020 and common law principles establishes a framework aimed at promoting accountability, transparency, and ethical management of companies. While the law imposes stringent obligations on directors, enforcement mechanisms and judicial oversight remain crucial to ensure compliance. Failure to adhere to these duties not only exposes directors to personal liability but also threatens corporate stability and investor confidence. The following measures are necessary:

Continuous Education and Training: Directors should undergo regular corporate governance and legal compliance training. This training will be capable of exposing them to these statutory duties. With that in mind, they can be able to deliver seamlessly in order to bypass sanctions and liabilities. Most often, those appointed directors are ignorant of the specific duties in the Act. They rely on the duties as it is contained in the articles of association. Some of them who has a glimpse of these legal duties oftentimes forgets the dynamism of law which leaves them far behind the law. By giving them a periodic training, they become

[28] CAMA 2020 s 280.
[29] CAMA 2020 s 672.

aware of the extant position of the law and adjust their actions to fit in. This will most likely reduce abuse of power by the director.

Strengthening Regulatory Oversight: The Corporate Affairs Commission should enhance monitoring and enforcement mechanisms. This approach shifts the paradigm from reliance solely on post-facto private litigation to establishing a proactive and deterrent public framework for accountability. Internally, this strengthening must begin within the company itself. Robust internal oversight requires empowered independent board committees, internal audit functions with direct reporting lines to the board, and protected whistleblower channels. These mechanisms serve as the first line of defense, fostering a culture of compliance and enabling early detection. However, when internal controls are overridden or neglected, external regulatory force becomes essential. The relevant securities or corporate regulator must be equipped with not just the mandate but also the tools for effective enforcement. This includes the power to conduct risk-based inspections, impose direct administrative penalties, and seek the disqualification of unfit directors. Such powers transform the regulator from a passive repository of filings into an active guardian of governance standards.

Clear Internal Policies: Companies should adopt robust codes of conduct and internal governance policies to guide directors' behavior. These policies are not mere administrative documents; they are the essential operational infrastructure that translates abstract legal duties into concrete, actionable rules, thereby minimizing ambiguity and setting unequivocal standards for conduct. To be effective, these policies must be comprehensive and targeted. A robust Code of Business Conduct explicitly defines duties of loyalty and care, while dedicated Conflict of Interest and Related-Party Transaction policies establish strict protocols for disclosure, recusal, and arm's-length approval. Crucially, a protected Whistleblower Policy creates a safe channel for reporting breaches, acting as an essential early-warning system. Together, these documents create an enforceable framework where a breach is no longer just a legal violation but a clear contravention of a specific, communicated corporate rule.

Legal Risk Management: Directors should engage legal counsel to ensure compliance with evolving statutory and regulatory frameworks. Effective legal risk management is, therefore, not a peripheral compliance function but a core strategic imperative that directly safeguards the organization's value and viability. It demands a proactive, integrated approach to identifying, assessing, and mitigating the legal consequences of business decisions before they crystallize into liability. This process begins with systematic governance. It requires embedding legal oversight into the strategic decision-making fabric, ensuring that all major initiatives, from mergers to new market entries, are vetted for legal exposure. Clear policies on conflicts, insider trading, and disclosure form the essential first line of defense, establishing standardized protocols that prevent breaches. Crucially, this framework must be reinforced by continuous monitoring, including rigorous due diligence of third-party relationships and secure, protected channels for internal reporting of potential misconduct.

Promotion of Transparency: Companies should implement systems that facilitate accountability, reporting, and stakeholder engagement. The promotion of transparency is the indispensable remedy for the governance failures revealed by a director's breach of duty. It operates as both a disinfectant and a deterrent, fundamentally reshaping the corporate environment to prevent concealment and foster accountability. By mandating the clear, timely, and accurate disclosure of material information from financial performance and related-party transactions to risk exposures and executive compensation; transparency strips away the shadows where misconduct thrives.