Illegal And Fraudulent Deductions From Accounts: --- Bankers Or Bandits?



oney is a promise. It binds dreams both to the tangible and intangible, yet in finance, -this covenant is often betrayed. The banking halls, once the sanctuaries of trust, thus become arenas of exploitation where poor, unsuspecting depositors are fleeced by systems as ravenous as they are opaque. Beneath the glitter of marble countertops and varnished boardrooms, subsists a rot so pervasive it calls into question the very foundations of Nigeria's financial edifice. It is against this backdrop that the Nigerian House of Representatives sought to enact a glimmer of accountability. In October 2024, lawmakers deliberated on a bill to amend the Banking and Other Financial Institutions Act, targeting the pervasive plague of fraudulent deductions from customers' accounts. But within banking boardrooms, this attempt at reform was welcomed with sneers.

A prominent banker quipped that the bill was "dead on arrival," while others in polished suits laughed knowingly. History lends weight to their cynicism—similar legislative huffs have resulted in no meaningful curb on the excesses of these financial institutions. Lawmakers have lamented the predatory practices of commercial banks in 2020, 2022, and now in 2024, in the tenor of armchair Trotskys with a hankering to mount the soapbox just to spout off and be seen. The bankers, in their private theatre, deride them knowing that the Nigerian state, so fond of its regulatory theatre, will eventually bow to moneyed interests.

This cynical certainty is not misplaced. The Nigerian state has often barked at corruption, only to succumb to the seductive whistle of compromise. Due to its impotence bankers engage in exploitative practices more brazenly – further burnishing a system designed to siphon wealth from the vulnerable to fete the powerful. The poor and the working class bear the brunt, trapped in a web of illegal deductions, exorbitant loan interest rates, and a lack of transparency. For them, survival is a daily negotiation, and the banks have mastered the art of weaponizing this desperation.

The litany of abuses begins with illegal charges. For years, Nigerian banks have perfected the art of surreptitiously deducting funds from customers' accounts under the guise of service fees. These deductions often go unnoticed, their cumulative effect devastating to the small depositors who rely on every naira to survive. When questioned, the banks offer convoluted justifications, or worse, silence. This malpractice feeds a cycle of distrust, yet most Nigerians, shackled by economic dependency, find themselves unable to sever ties with these institutions. Compounding this is the suffocating weight of highinterest loans. In 2024, as the Central Bank of Nigeria raised benchmark rates to combat soaring inflation, banks gleefully passed on the burden to borrowers. Interest rates on loans now climb as high as 35%, with hidden fees inflating the effective rates even further. Small business owners, farmers, and middle-class Nigerians seeking to sustain their enterprises or cover emergencies are caught in a financial stranglehold. These loans, far from being a lifeline, often become chains, dragging borrowers deeper into poverty while enriching executives with bonuses tied to bank profits.

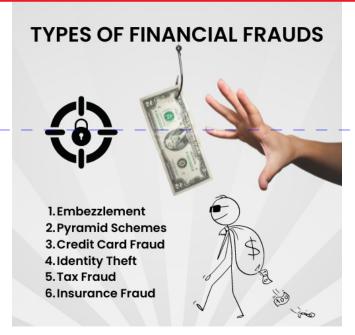
Beyond the predatory interest rates lies a darker underbelly: outright theft and embezzlement. The recent revelation of a former bank manager orchestrating a digital N40 billion fraud underscores the systemic vulnerabilities. For years, this individual exploited his position to siphon funds into personal accounts, his audacity matched only by the institution's negligence. It was only the persistence of an aggrieved customer that unraveled the scheme. Across the banking sector, insider borrowing has equally become an

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endemic problem. Executives grant themselves and their associates loans under favorable terms, often with no intention of repayment. These loans, euphemistically classified as "non-performing," are eventually written off, the losses absorbed by depositors or the public purse. The Nigerian Deposit Insurance Corporation (NDIC), designed to protect depositors, frequently steps in to bail out these institutions, effectively socializing the losses while privatizing the profits. Nowhere is the rot more glaring than in the intersection of banking and politics. A certain former governor of the Central Bank of Nigeria (CBN) serves as a cautionary tale of unchecked power. Allegations of "monumental fraud" and his alleged linkage to the acquisition of a sprawling estate of about 753 properties in Abuja exemplify the nexus between financial malfeasance and political impunity. These assets, reportedly funded through illicit forex transactions, reveal the ease with which public trust can be converted into private gain. While the Economic and Financial Crimes Commission touts the recovery of these properties as a landmark victory, it does little to alleviate the systemic corruption that allowed such accumulation in the first place.

The consequences of these malpractices are not abstract. They are borne by everyday Nigerians whose lives are entwined with a banking system that views them as prey. For the single mother trying to keep her children in school, the illegal deductions might mean a day without food. For the farmer seeking a loan to expand operations, the exorbitant interest rates could spell the end of a generational livelihood. For the entrepreneur, the opaque charges could be the difference between growth and bankruptcy. The ripple effects extend beyond individuals. Small and mediumsized enterprises, which form the backbone of the Nigerian economy, are stifled by a lack of affordable credit. Agricultural projects languish as funds intended for their support are siphoned off by corrupt officials and bank insiders. The resulting stagnation perpetuates a cycle of poverty, unemployment, and underdevelopment. The persistence of these issues is a testament to the failure of Nigeria's regulatory and judicial systems. The CBN, ostensibly the guardian of financial probity, has often been complicit, either through inaction or deliberate neglect. Regulatory bodies lack the teeth to enforce compliance, while a culture of political patronage ensures that influential offenders face no consequences.

Moreover, the structure of the Nigerian economy creates a near-total dependency on banks. For most citizens, alternatives are nonexistent. Digital



transactions, foreign transfers, and access to credit bind customers to these institutions, making the prospect of a boycott or systemic reform seem almost unattainable. In a nation where digital transactions and loans have become lifelines, the suggestion of a banking boycott is akin to asking a starving man to forsake food. To restore faith in the banking sector, Nigeria must embark on a comprehensive overhaul – a measure the incumbent CBN governor, Yemi Cardoso, isn't too timid to adopt perhaps. This begins with enforcing transparency in bank charges and interest rates. Regulatory bodies must adopt zero tolerance for illegal deductions and establish mechanisms for swift redress. Loan terms should be standardized to protect borrowers from exploitative practices, and interest rate spreads must be capped to reflect economic realities.

Equally important is addressing insider corruption. Bank executives and board members found guilty of embezzlement should face the full weight of the law, with personal assets seized to compensate victims. Political influences must be curtailed through legislative reforms that insulate financial institutions from external pressures. Public awareness campaigns can also empower citizens to hold banks accountable, fostering a culture of vigilance and advocacy. The Nigerian banking sector stands at a crossroads. It can continue down its current path, perpetuating cycles of exploitation and distrust, or it can choose reform, rebuilding itself as a bastion of transparency and equity. The choice, however, is not solely the banks to make. It requires collective action from regulators, lawmakers, and the public to demand a system that serves the people rather than preys upon them. Until then, the promise of money as a covenant of trust will remain, in Nigeria, a bitterly broken dream.