Rottenness in the Nigerian Banking System is Alarming

By McDonald Azuju

Nigerian banks take solace in disregarding regulations and the diminishing trust in the Central Bank of Nigeria Consumer Protection Desk under the supervision of Acting Director, Mr. Yahaya Ibrahim. The attention of Mr. Olayemi Cardoso, the Governor of the CBN is drawn to the alarming and persistent issues concerning the flagrant disregard of regulatory guidelines by Nigerian banks. Despite the CBN's established regulatory frameworks aimed at safeguarding consumers and ensuring the fair treatment of customers in the financial sector, certain banks (list provided below) have increasingly demonstrated non-compliance, thereby undermining the efforts of the Consumer Protection Desk (CPD). The situation has reached a critical point where consumer confidence in the protection mechanisms of the CBN is severely eroded. Top-level of habitual disobedient banks include: First Bank; UBA Ecobank Union Bank; GT Bank; Fidelity Bank; Access Bank; FCMB Observations by www.mp3dailynews.com.ng highlight specific areas where Nigerian banks have consistently flouted regulations and the subsequent negative impact on consumer trust. Banks have repeatedly ignored or circumvented regulatory standards outlined by the CBN, particularly those related to the resolution of consumer complaints, customer service, and fair treatment of customers. Key areas of concern include:

Failure to Adhere to Complaint Resolution Timelines: Many banks routinely exceed the stipulated timelines for resolving consumer complaints, leaving customers frustrated and disillusioned. Complaints most often go unresolved for months, contrary to CBN's guidelines. In addition, the CPD under the supervision of Yahaya Ibrahim has relaxed the timelines for the resolution of complaints, at the expense of vulnerable bank customers. Under his loose leadership, customer complaints covering all types, such as ATM, Other electronic, excessive charges, and service failure complaints have been neglected to the advantage of the licensed banks.

Lack of Transparency in Transaction Charges: Banks have been found to impose hidden fees and arbitrary charges, in violation of clear CBN directives on transparency. Customers often find themselves burdened with unexplained deductions, with little or no recourse. Where complaints are raised, such complaints are neither acknowledged nor attended to, by the CPD. No wonder, a lot of bank customers resorted to a cash-based transactions model.

Inadequate Disclosure and Misleading Practices: Some DMBs fail to provide adequate disclosure regarding the terms and conditions of banking products, leading to consumers' exploitation. These misleading marketing strategies have also exacerbated the problem, as consumers are enticed into agreements without fully understanding the costs and risks involved. In many instances, customers are made to sign off arbitrary agreements that negate the CBN regulations without the CPD's attention when reported. It therefore appears the CPD has been restructured to protect the licensed banks under Yahaya Ibrahim. A situation that has left the banking public helpless.

Variations to Agreements: A significant number of complaints related to unilateral variations of terms and agreements by banks have remained unresolved as the banks take advantage of the weak leadership at the CPD. The changes to financial agreements often executed without prior notice or approval of customers, erode trust in the banking system.

Diminishing Trust in the Consumer Protection Desk; The CBN's Consumer Protection Desk, once a beacon of hope for aggrieved customers, is now perceived as ineffective in enforcing accountability and sanity in the banking industry. This perception is strengthened by: **Unwillingness to Enforce Sanctions**: While the CBN has introduced several guidelines to protect consumers, the perceived absence of courage to enforce penalties for non-compliance by banks has weakened the credibility of the regulatory system. Banks are aware of this gap and have exploited it, confident that the consequences of non-compliance are minimal.

Slow and Nonresponse to Reported Complaints: The escalation process for unresolved complaints is often cumbersome and slow. Consumers are left with the impression that the CBN is either overwhelmed or unwilling to take decisive action against erring banks.

Perception of Bias: There is a growing belief that some banks enjoy undue leniency from the CPD, thereby compromising the impartiality of the CBN. This perception of favoritism has further eroded the trust that consumers once had in the system. The cumulative effect of these violations by banks and the perceived inaction or inadequacy of the CBN's CPD have resulted in a sharp decline in consumer confidence. Many customers have resorted to handling disputes through external means, such as legal action or social media campaigns, which further weaken the authority of the CBN in consumer protection matters. If left unaddressed, this erosion of trust may lead to long-term damage to Nigeria's financial stability, as consumer apathy and dissatisfaction with the banking sector grow. The integrity of the Nigerian banking system rests heavily on consumer trust and the belief that regulatory bodies like the CBN will act decisively to protect consumer interests. The growing disregard for regulations by banks, coupled with the weakening of the CPD by the Deputy Director in charge of the unit, threatens this trust. We urge the CBN to take immediate and bold action to restore confidence in the consumer protection structure and ensure that banks are held accountable for their misconduct. We trust that the CBN will act swiftly to address these concerns in the interest of protecting consumers and preserving the credibility of Nigeria's financial system.