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LETTER TO ALL BANKS

NEW OFFER LETTER CLAUSE FOR CREDIT FACILITIES

The Central Bank of Nigeria has been implementing regulatory measures to spur credit growth in the economy to accelerate economic expansion and boost employment creation.

These measures have started yielding positive results through sustained increase in credit to the private sector over the past three (3) months. The trend of industry financial soundness indicators (asset quality and capital adequacy) have also been positive over the review period.

The Bankers Committee at its 345th meeting held on August 26, 2019 considered additional measures to improve credit culture and enhance credit risk management in the system, in order to sustain the above positive trends.

Accordingly, the Committee resolved that banks shall have access and utilize the deposits of defaulting customers across the banking industry to regularize their non-performing facilities.

In light of the above, the CBN hereby issues the following implementation guidelines:

1. With effect from August 26, 2019, the terms and conditions in offer letters and loan agreements must among others, contain the following undertaking to be signed by prospective obligors:

“By signing this offer letter/loan agreement and by drawing on the loan, I covenant to repay the loan as and when due. In the event that I fail to repay the loan as agreed, and the loan becomes delinquent, the bank shall have the right to report the delinquent loan to the CBN through the Credit Risk management System (CRMS) or by any other means, and request the CBN exercise its regulatory power to direct all banks and other financial institutions under its regulatory purview to set-off my indebtedness from any money standing to my credit in any bank account and from any other financial assets they may be holding for my benefit.

I covenant and warrant that the bank shall have power to set-off my indebtedness under this loan agreement from all such monies and funds standing to my credit/benefit in any and all such accounts or from any other financial assets belonging to me and in the custody of any such bank.

I hereby waive any right of confidentiality whether arising under common law or statute or in any other manner whatsoever and irrevocably agree that I shall not argue to the contrary before any court of law, tribunal, administrative authority or any other body acting in any judicial or quasi-judicial capacity.”

2. Accordingly, all loan documentations from that date must contain the undertaking referred to in 1 above as well as the Bank Verification Number (BVN) of the obligor for individual loans and that of the directors of the company and its Tax Identification Number for corporate loans for ease of identification of other deposits of the individual or corporate borrower as the case may be.
3. Where personal guarantees are provided, the BVN of the guarantor in respect of individual or corporate loan should equally be provided.

4. Upon default on a credit obligation by a borrower, the bank that originated the credit shall request the CBN to invoke the utilization of the defaulting borrower(s) deposits in other banks in repayment of the obligation.

Please be guided accordingly.

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