

Strengthening the Regulatory and Institutional Framework Governing Insolvency Practice in Nigeria

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ABSTRACT

This article examines the current regulatory and institutional framework, highlights key deficiencies, and proposes strategic recommendations to strengthen Nigeria's insolvency system. The regulatory framework governing insolvency practice in Nigeria has witnessed notable progress with the enactment of the Companies and Allied Matters Act (CAMA) 2020 and the Insolvency Regulations 2022. These legislative advances have laid important groundwork for modernizing insolvency procedures and professionalizing practice. However, significant gaps and challenges persist, including fragmented laws, limited practitioner regulation, inadequate judicial capacity, and the absence of a cross-border insolvency regime. Effective reforms will enhance insolvency resolution, promote business rescue, protect stakeholders' interests, and support broader economic stability and growth.

Keywords: *Insolvency law, regulatory framework, business rescue, insolvency practice, institutional reform*

INTRODUCTION

Insolvency practice in Nigeria has undergone a significant transformation with the enactment of the Companies and Allied Matters Act (CAMA) 2020, which introduced modern provisions aimed at promoting business rescue and corporate rehabilitation. These reforms are designed to ease the conduct of business in Nigeria, particularly by supporting the growth of small and medium enterprises (SMEs), reflecting contemporary commercial realities, and enhancing investor confidence through improved transparency and governance¹²³. CAMA 2020 marks a departure from the historically liquidation-focused insolvency regime towards one that

¹²³ SIAO The Evolution of Insolvency law in Nigeria July 2025.

prioritizes timely identification of financial distress and facilitates mechanisms such as administration and company voluntary arrangements (CVA) to rescue viable businesses. This shift aligns Nigeria's insolvency framework closer to international best practices and regional benchmarks like South Africa¹²⁴. Complementing this, the Insolvency Regulations 2022 issued by the Corporate Affairs Commission establish clear compliance requirements and procedural rules for insolvency practitioners, enhancing professionalism, accountability, and consistency in insolvency administration.

Despite these advances, significant challenges and regulatory gaps remain, including fragmented legislation, inadequate practitioner regulation, judicial capacity constraints, and absence of a comprehensive cross-border insolvency framework. Addressing these deficiencies is critical to improving the efficiency and effectiveness of Nigeria's insolvency regime and fostering a business environment conducive to economic stability and growth¹²⁵.

This article examines the current regulatory and institutional framework governing insolvency practice in Nigeria, identifies key gaps and challenges, and proposes recommendations aimed at strengthening the system for better outcomes.

Research Questions

- 1) What are the key challenges and the gaps in the current regulatory framework governing insolvency practice in Nigeria?
- 2) And how can they be addressed to strengthen the framework and promote effective insolvency resolution?

This study focuses on the regulatory and institutional framework governing insolvency practice in Nigeria, with a particular emphasis on:

- The Companies and Allied Matters Act (CAMA) 2020 and the Insolvency Regulations 2022.
- The role of the Corporate Affairs Commission (CAC) and other regulatory agencies
- The challenges and gaps in the current framework, including inadequate regulation of practitioners, lack of comprehensive legislation, and cross-border insolvency issues¹²⁶.

¹²⁴ Okwudiri Nwosu Analysis of the legal Framework on Insolvency in Nigeria under CAMA 2020 and Company winding up rules 2001

¹²⁵ Ibid

¹²⁶ Amala Umeike: New frontiers in Nigeria Corporate Insolvency regime (stren & Blam Partners, Lagos 2024)

- Recommendations for strengthening the framework and promoting effective insolvency resolution

Significance of the Study

This study is significant because it will:

- Contribute to the development of a more effective and efficient insolvency regime in Nigeria: By identifying challenges and gaps in the current framework and proposing recommendations, this study will provide valuable insights for policymakers, regulatory agencies, and industry stakeholders.
- Enhance the protection of creditors' rights: A well-functioning insolvency regime is essential for protecting creditors' rights and promoting confidence in the business environment.
- Promote business rescue and rehabilitation: By examining the current framework and proposing recommendations, this study will contribute to the development of a more effective business rescue and rehabilitation framework in Nigeria.
- Inform policy and law reform: The findings and recommendations of this study will inform policy and law reform initiatives aimed at strengthening the regulatory and institutional framework governing insolvency practice in Nigeria.
- Support economic growth and development: A well-functioning insolvency regime is essential for promoting economic growth and development by facilitating the efficient allocation of resources and promoting a culture of entrepreneurship and innovation.

Literature Review

The literature on insolvency practice in Nigeria highlights the need for a robust regulatory and institutional framework to promote effective insolvency resolution. Studies have identified several challenges and gaps in the current framework, including¹²⁷:

- **Lack of comprehensive legislation:** The current laws are fragmented, leading to inconsistencies and overlaps¹²⁸
- **Inadequate regulation of practitioners:** Insolvency practitioners in Nigeria lack standardized qualifications and regulation¹²⁹

¹²⁷ Federal Government Approves Insolvency Regulation for Companies (New Nigeria Publication)

¹²⁸ Anaje Olumide Oke Akinkugbe: Revisiting the legal Regime of INSOLVENCY PRACTICE IN NIGERIA

- *Cross-border insolvency issues:* Nigeria's insolvency laws do not adequately address cross-border insolvency issues¹³⁰
- *Limited capacity and expertise:* Insolvency practitioners, judges, and other stakeholders may lack the necessary capacity and expertise to effectively navigate complex insolvency cases¹³¹

Researchers have proposed several recommendations to strengthen the framework, including:

- Enacting a single, comprehensive Insolvency Act: Consolidating disparate laws on corporate rescue and insolvency to provide clarity and consistency¹³².
- Establishing an Insolvency Services Commission: Creating a body corporate to administer, manage, and regulate corporate rescue and insolvency matters¹³³.
- Standardizing accreditation and regulation of practitioners: Developing clear guidelines for the accreditation and regulation of insolvency practitioners¹³⁴.

By examining the current framework, identifying challenges and gaps, and proposing recommendations, this study aims to contribute to the development of a more effective and efficient insolvency regime in Nigeria.

Historical Evolution of Insolvency Law in Nigeria

The insolvency legal framework in Nigeria has evolved gradually from archaic provisions toward a more modern and comprehensive system, though significant challenges remain in achieving international best practices¹³⁵.

Historically, insolvency in Nigeria was governed primarily by the Bankruptcy Act of 1979 (often referred to as the Bankruptcy Act), which focused largely on individual insolvency. The Act was largely outdated, reflecting a creditor-friendly regime that prioritized liquidation over business recovery or corporate rescue. The law lacked provisions to address corporate insolvency comprehensively or to offer effective rehabilitation mechanisms.

¹²⁹ Ibid

¹³⁰ Ibid

¹³¹ Halliday C E & Nmendike MN.: Corporate Rescue and Insolvency Law and Practice in Nigeria: Need for Reform Phd discostation Unijik. Edu.ng

¹³² Ibid

¹³³ Ogunmefun so & Co involency regulation in 2022 A Review of key Provisions.

¹³⁴ Anaje Olumide Oke Akinkugbe: Revisiting the legal Regime of INSOLVENCY PRACTICE IN NIGERIA

¹³⁵ Federal Government Approves Insolvency Regulation for Companies (New Nigeria Publication)

There were repeated calls from legal practitioners, insolvency experts, and industry stakeholders for reforms to introduce a more balanced, debtor-friendly, and business rescue-oriented system. In the late 2000s and early 2010s, advocacy intensified for a dedicated insolvency law distinct from company law, aimed at establishing mechanisms for corporate rescue and reorganization¹³⁶.

In response, the Corporate Affairs Commission (CAC) initiated efforts to reform insolvency regulations, culminating in the issuance of the Insolvency Regulations 2022, which sought to professionalize insolvency practice by setting standards for practitioner qualifications, conduct, and procedural rules. The Companies and Allied Matters Act (CAMA) 2020 incorporated significant insolvency provisions related to company voluntary arrangements, administration, and winding-up, thus bringing Nigeria closer to internationally recognized insolvency regimes¹³⁷.

Furthermore, stakeholder-driven initiatives such as the Business Recovery and Insolvency Practitioners Association of Nigeria (BRIPAN) emerged to promote training, advocacy, and professional development, further advancing insolvency practice standards.

Despite these legislative achievements, the country still lacks a dedicated, comprehensive Insolvency Act that consolidates personal and corporate insolvency legislation, business rescue mechanisms, and cross-border insolvency provisions. Notably, proposed reforms such as the Bankruptcy and Insolvency Bill, which aimed to repeal and replace outdated laws and introduce modern insolvency concepts, including business rescue and cross-border cooperation, have yet to be enacted into law¹³⁸.

Judicial decisions have also impacted the framework, sometimes limiting the effectiveness of insolvency provisions related to stays of proceedings and protection mechanisms during insolvency, further underscoring the need for holistic reform.

Nigeria's insolvency law continues its evolutionary path from a largely liquidation-focused and fragmented system towards a more inclusive, professionalized, and balanced framework, yet full modernization and alignment with global best practices remain works in progress.

¹³⁶ Bolanle Adebola, Kayode Olude and Sanford Mbac: Comprehending and Resolving the Challenges of the Nigeria insolvency law in practice, the performance improvement approach (2025) *Journal of Corporate law studies*, Nigeria Insolvency litigation (Gedias News Letter 2024)

¹³⁷ Business Facilitation (Micellamus Province act 2023).

¹³⁸ Ogunmefun S.O. & Co Insolvency Regulation 2022, A Review of key Provision.

Comparative Perspective and Current Realities

While Nigeria has made legislative strides in insolvency law—particularly with the enactment of CAMA 2020—the practical effectiveness of its insolvency framework still falls short when compared with other African nations and leading global jurisdictions. Despite the adoption of new laws, critical reforms such as the UNCITRAL Model Law on Cross-Border Insolvency remain unimplemented, leaving Nigeria ill-equipped to manage complex international insolvency cases. The insolvency resolution process continues to be protracted, recovery rates remain low, and the overall system is perceived as unreliable by stakeholders¹³⁹.

Moreover, institutional capacity challenges persist, including inadequate professional education and training of insolvency practitioners and judicial officers, which hampers effective implementation. Compared to regional leaders such as South Africa, Nigeria's insolvency regime is still evolving, though CAMA 2020 represents a significant advancement bringing it closer to comparable levels in SME rescue and creditor engagement frameworks.

While there is potential for Nigeria to match or exceed the insolvency performance of its African counterparts with concerted efforts in capacity building, professionalization, and judicial development, the current pace of progress suggests that such outcomes are unlikely in the near term. Accelerated reforms and focused institutional strengthening are imperative for Nigeria to realize this potential¹⁴⁰.

Current Regulatory Framework

The regulatory framework governing insolvency practice in Nigeria is founded primarily on statutory provisions and institutional guidelines designed to address corporate distress, promote business recovery, and ensure orderly winding-up processes. Key components include:¹⁴¹

- i. ***Companies and Allied Matters Act (CAMA) 2020:*** This Act serves as the cornerstone of corporate regulation in Nigeria. It provides comprehensive provisions regulating insolvency processes such as administration, company voluntary arrangements, and compulsory winding-up. CAMA 2020 establishes the legal foundation for creditor protection, corporate restructuring, and liquidation procedures, thereby facilitating both debtor rehabilitation and creditor recovery in insolvency situations¹⁴².

¹³⁹ SIAO: The Evolution of Insolvency law in Nigeria July 2025 <https://smong>

¹⁴⁰ Ibid

¹⁴¹ Okwudiri Nwosu, 'Analysis of the Legal Framework on Corporate Insolvency in Nigeria Under CAMA 2020 and Companies Winding Up Rules 2001' (Feb. 2023). Companies and Allied Matters Act 2020 (Nigeria).

¹⁴² Corporate and Allied Matters Act (CAMA) (2020)

- ii. ***Insolvency Regulations 2022***: Issued by the Corporate Affairs Commission (CAC), these regulations supplement CAMA 2020 by setting out procedural rules and standards for insolvency practice. They specify the qualifications, duties, and ethical conduct expected of insolvency practitioners, ensuring professionalism, transparency, and accountability in insolvency management. The regulations also outline the framework for insolvency investigations, reporting requirements, and timelines to streamline insolvency proceedings¹⁴³.
- iii. ***Business Recovery and Insolvency Practitioners Association of Nigeria (BRIPAN)***: Statutorily recognized under CAMA 2020, BRIPAN functions as the key professional body responsible for licensing, regulating, and disciplining insolvency practitioners in Nigeria. BRIPAN plays a critical role in maintaining industry standards through certification, continuing professional development, and enforcement of ethical codes. By fostering a professional culture among insolvency experts, BRIPAN supports confidence in insolvency regimes and enhances the effectiveness of corporate rescue and liquidation mechanisms.

Together, these legislative instruments and institutional frameworks establish a legal and professional infrastructure intended to promote efficiency and fairness in Nigeria's insolvency practice environment. However, challenges remain in enforcement, practitioner capacity, and systemic coordination, underscoring the necessity of further framework strengthening¹⁴⁴.

Challenges and Gaps in the Current Regulatory Framework

Despite existing legislative measures and institutional efforts, Nigeria's insolvency regulatory and institutional framework faces critical challenges that undermine its effectiveness. Addressing these gaps is essential to establishing a robust insolvency regime capable of fostering corporate recovery and protecting stakeholders' interests. Key challenges include:

1. Lack of Comprehensive Legislation

The current insolvency laws are characterized by fragmentation and inconsistency, scattered across multiple statutes and regulations. This overlap results in legal uncertainty and procedural inefficiencies. To promote clarity

¹⁴³ Federal Government Insolvency Regulations for Companies (Corporate Affairs Commission 2023)

¹⁴⁴ Anaje Olumide Oke Akinkugbe: Revisiting the legal Regime of Insolvency Practice in Nigeria

and harmonization, there is a pressing need to enact a unified, comprehensive Insolvency Act that consolidates all relevant provisions into a single legislative instrument, thereby streamlining insolvency procedures¹⁴⁵.

2. Inadequate Regulation of Practitioners

Presently, the insolvency profession in Nigeria lacks uniform qualification standards and effective regulatory oversight. The absence of a standardized framework for practitioner certification and conduct monitoring compromises professionalism and accountability. Establishing a rigorous regulatory system for licensing and continuous supervision of insolvency practitioners is imperative to uphold ethical standards and protect the interests of creditors and debtors¹⁴⁶.

3. Gaps in Accreditation Processes

The accreditation mechanism for insolvency practitioners requires clearer guidelines and uniform standards. Ambiguities in accreditation criteria can lead to inconsistent practitioner competencies and diminished trust in insolvency processes. Clear, transparent, and standardized accreditation procedures are necessary to certify that insolvency practitioners possess the requisite skills, knowledge, and integrity¹⁴⁷.

4. Cross-Border Insolvency Issues

Nigeria's insolvency framework inadequately addresses the complexities arising from cross-border insolvency cases, a challenge exacerbated by increasing globalization of businesses. Without statutory provisions or international protocols, such as the UNCITRAL Model Law on Cross-Border Insolvency, Nigeria faces difficulty in coordinating overseas insolvency proceedings and recognizing foreign judgments, which can hinder creditor recovery and asset protection in multinational insolvencies¹⁴⁸.

5. Limited Capacity and Expertise

There exists a notable deficiency in the capacity and technical expertise of insolvency practitioners, judiciary members, and other stakeholders involved

¹⁴⁵ Okwudiri Nwosu, 'Analysis of the Legal Framework on Corporate Insolvency in Nigeria Under CAMA 2020 and Companies Winding Up Rules 2001' (Feb. 2023). Companies and Allied Matters Act 2020 (Nigeria).

¹⁴⁶ Ogunmefun S.O. & Co Insolvency Regulation 2022, A Review of key Provision.

¹⁴⁷ *ibid*

¹⁴⁸ SPA Ajibade & Co. The Need for a Cross-Border Insolvency Legislation in Nigeria (Online Publication)

in insolvency cases. This gap impedes effective case management, especially in complex restructurings or large insolvencies. Continuous professional development, specialized training programs, and knowledge-sharing initiatives are needed to build competence and improve the quality of insolvency administration and adjudication¹⁴⁹.

6. Inadequate Public Awareness and Education

A general lack of public understanding of insolvency law and its economic benefits hampers its successful implementation. Awareness campaigns are scant, and businesses or creditors often do not appreciate the options available under insolvency regimes for debt recovery or corporate rescue. Enhancing public education through targeted outreach can foster greater acceptance and utilization of insolvency laws, thereby contributing to economic stability¹⁵⁰.

7. Inefficient Court Processes

Insolvency-related court proceedings frequently experience significant delays caused by procedural bottlenecks and limited judicial resources, leading to prolonged resolution times and increased costs for stakeholders. Streamlining court procedures, expanding specialized insolvency courts or judges, and embracing alternative dispute resolution methods could increase judicial efficiency and expedite insolvency outcomes¹⁵¹.

8. Limited Coordination and Collaboration

There is insufficient coordination among regulatory agencies, professional bodies such as BRIPAN, the judiciary, and industry players. This fragmentation results in inconsistent regulatory approaches, weak enforcement, and missed opportunities for synergy in insolvency administration. Enhanced cooperation and institutional collaboration frameworks are critical to ensuring cohesive policy implementation and a unified approach to insolvency governance¹⁵².

¹⁴⁹ Bolanle Adebola, Kayode Olude and Sanford Mbac: Comprehending and Resolving the Challenges of the Nigeria insolvency law in practice, the performance improvement approach (2025) Journal of Corporate law studies, Nigeria Insolvency litigation (Gedias News Letter 2024)

¹⁵⁰ Ibid

¹⁵¹ Halliday C. E. & Nmendike M. N. Corporate Rescue and Insolvency Law and Practice in Nigeria: Need for Reform Ph.D Dissertation. www.unijik.edu.ng

¹⁵² Anaje Olumide Oke Akinkugbe: Revisiting the legal Regime of INSOLVENCY PRACTICE IN NIGERIA

Addressing these fundamental challenges will significantly strengthen Nigeria's insolvency regulatory and institutional framework. Such reforms will not only enhance insolvency practice effectiveness but also contribute to improved creditor confidence, better corporate governance, and overall economic growth and stability.

Recommendations to Strengthen the Regulatory and Institutional Framework Governing Insolvency Practice in Nigeria.

To address the current challenges and enhance the effectiveness of insolvency practice in Nigeria, a multifaceted reform approach is necessary. The following key recommendations are proposed:

- 1. Enact a Single, Comprehensive Insolvency Act**

Consolidate existing fragmented laws related to corporate rescue, insolvency, and liquidation into a unified statute. This legislation should provide a clear, coherent, and comprehensive legal framework covering all insolvency aspects, including personal and corporate insolvency, thereby reducing legal ambiguities and overlaps.

- 2. Establish an Insolvency Services Commission**

Create an autonomous regulatory body with the mandate to administer and oversee corporate rescue and insolvency practices nationwide. This Commission should be vested with adequate statutory powers, financial resources, and administrative autonomy to license and regulate practitioners, enforce compliance, and maintain industry standards¹⁵³.

- 3. Standardize Accreditation and Regulation of Practitioners**

Develop and implement clear, stringent guidelines for qualifying, accrediting, and regulating insolvency practitioners to ensure a high level of professionalism. Establish a transparent system to monitor practitioner conduct and enforce adherence to ethical and procedural standards, reinforcing public confidence in insolvency processes.

- 4. Adopt a Cross-Border Insolvency Framework**

Enact legislation to incorporate internationally recognized frameworks, such as the UNCITRAL Model Law on Cross-Border Insolvency, to effectively address the complexities of transnational insolvency cases. This will

¹⁵³ The Need for a Cross-Border Insolvency legislation in Nigeria (on online publication) S.P.A. Ajibade & Co. Lagos (date unknown)

facilitate cooperation with foreign courts and administrators, ensuring consistent treatment of assets and creditors across jurisdictions¹⁵⁴.

5. Enhance Capacity Building and Training

Implement continuous professional development programs tailored for insolvency practitioners, judiciary members, and regulatory officials. These programs should focus on technical competence, emerging insolvency trends, and best practices to improve case management and judicial decision-making.

6. Promote Public Awareness and Education

Launch targeted public education campaigns to increase awareness of insolvency law's significance, the rights and responsibilities of debtors and creditors, and the benefits of insolvency procedures in economic stabilization. Enhanced understanding will encourage timely utilization of insolvency remedies and broader acceptance¹⁵⁵.

7. Foster Collaboration and Coordination Among Stakeholders

Facilitate structured cooperation among regulatory agencies, professional bodies such as BRIPAN, judiciary, and industry participants. Establish forums and coordination mechanisms to share knowledge, align enforcement policies, and develop unified strategies for insolvency regulation.

8. Review and Update Laws and Regulations Regularly

Institutionalize periodic review mechanisms for insolvency laws and regulations to ensure they stay responsive to evolving economic realities and international best practices. Engage stakeholders extensively in consultative processes prior to legislative or regulatory amendments to promote inclusivity and practicality¹⁵⁶.

CONCLUSION

Strengthening the regulatory and institutional framework governing insolvency practice in Nigeria is critical to promoting effective business rescue, rehabilitation,

¹⁵⁴ Ogunmefun S.O. & Co Insolvency Regulation 2022, A Review of key Provision.

¹⁵⁵ Amala Umeike: New frontiers in Nigeria Corporate Insolvency regime (stren & Blam Partners, Lagos 2024)

¹⁵⁶ Ibid

and financial stability. Despite meaningful reforms such as the Companies and Allied Matters Act (CAMA) 2020 and the Insolvency Regulations 2022, stakeholders continue to face challenges including fragmented laws, capacity constraints among practitioners and the judiciary, and the absence of a robust cross-border insolvency framework.

Recent voices from insolvency practitioners, judiciary members, and regulatory bodies underscore the urgency for deeper institutional capacity building, enhanced ethical standards, and streamlined judicial processes. There is broad consensus that a modernized insolvency regime will not only improve recovery rates and creditor confidence but also serve as a powerful economic stabilizer amid growing commercial and financial uncertainties.

By addressing identified gaps and implementing recommendations such as enacting a comprehensive Insolvency Act, establishing a dedicated insolvency regulatory commission, standardizing practitioner accreditation, and fostering collaboration among all key actors, Nigeria can build a more responsive and efficient insolvency system. Such progress will ultimately support the country's broader goals for economic growth, investment attraction, and sustainable enterprise development.

Continued stakeholder engagement, judicial training, and adoption of international best practices, including cross-border insolvency frameworks, remain essential to unlocking the full potential of Nigeria's insolvency regime in the face of dynamic economic challenges.

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