

Responsible Borrowing & Lending

Balancing Access and Consumer Protection in Nigeria Digital Economy





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Executive Summary:



Digitally delivered credit is quickly expanding in Nigeria financial space. This is driven by a strong customer demand, lower operating costs, accessibility, automated and remote lending business models. Digital credit is, despite its advantages from a financial inclusion perspectives, given the lowest access to formal credits by low – income consumers in Nigeria and the limitations of informal and semi-formal options. Yet the very attribute of digital credit, create consumer protection risks that are distinct from those of more traditional consumer and microenterprise credit models.

With the increase in adoption of digital lending opportunities in Nigeria comes with lots of consumers abuse of privacy issues, leading to several emotional trauma and a couple of reported suicide cases as a result of unethical loans recovery methods adopted by this modern day loan sharks.

The Consumertrics Advisory Series 1.0- a consumer Advocacy initiative of Consumertrics Limited, gathered Consumer protection stakeholders in Government, Financial service providers, Civil society, Consumers and the Academia, to discuss, debate, examine and explore the activities of these Digital Financial services providers activities and conceptualise ways to reverse their crude methods of consumer relationship and lay the necessary foundation that will give succour to consumers while accelerating the country's consumer access to microloans which can, or is, beneficial as it facilitates investment in working capital, job creation and ultimately financial inclusion.

A couple of months before the event, it was reported that the Federal Competition and Consumer Protection Commission went to raid the offices of a number of unregistered Digital Loan Service

IT WAS REPORTED THAT THE FEDERAL COMPETITION AND CONSUMER PROTECTION COMMISSION WENT TO RAID THE OFFICES OF A NUMBER OF UNREGISTERED DIGITAL LOAN SERVICE PROVIDERS FOLLOWING SEVERAL PETITION RECEIVED BY THE COMMISSION FROM DISTRESS CONSUMERS, AND LOTS OF LOANING APPS WERE REMOVED FROM THE GOOGLE PLAY APP STORE



providers following several petition received by the commission from distress consumers, and lots of loaning apps were removed from the Google App store and heavy fines were imposed on the owners of these unregistered organisations, but due to the enormous credit gap in the economy, most of the affected organisations have mutated into new platforms to continue their business of tormenting undiscerning consumers who received their urgency framing message broadcasts.

The Consumertrics Advisory Series 1.0 on Responsible Borrowing and lending therefore presented the best opportunity to galvanise stakeholders in the Nigeria consumer space towards the sense of urgency on the National and subnational levels of ensuring that the activities of these loan sharks are brought to the minimum, while upholding the protection of consumers' fundamental human rights in responsible digital borrowing and lending transactions.

The Participants agreed that the theme of the Consumertrics Advisory Series 1.0 "Responsible Borrowing and lending –Balancing Access and consumer Protection in Nigeria Digital Economy" gave the opportunity to review the unethical development in the digital financial services sector, infringements on data privacy and fundamental rights of customers in Nigeria and ongoing actions to protecting these customers, by repositioning the illegal activities of this loan Sharks and to make recommendations for responsible digital lending services going forward. These recommendations would ensure the healthy sustenance of Digital financial services.

The one-day event had discussions structured into 3 plenary sessions with one general theme and two subthemes around lenders and borrowers perspectives. To enrich the deliberation, invitation was given to a couple of members of the public to share their true life experiences with some of the loan sharks. The Centre for Consumer Concern – a foremost national-level centre who had represented and won consumer compensations through court judgements for aggrieved customers were also at the event to lend their voice to the debate.

Following extensive deliberations on the theme and sub themes, participants agreed that the multifarious challenges faced by Nigeria's unethical digital financial service providers otherwise known as "loan Sharks" required a more deliberate and sustained compliance and enforcement regime.



To address risks and problems associated with digital credit for consumer protection from other institutional lenders, the following six areas have been identified as key considerations:

- Unethical repayment and collection issues
- Marketing approach to promote responsible borrowing
- Disclosure of loan terms and conditions
- Appropriate credit product packages/design to meet the needs of specific consumer segment
- Ethical credit reporting and information sharing
- Disclosure of data handling practices and consumer consent to data collection and use i.e. digital data trails"

THE CASE FOR DIGITAL CREDIT POLICY AND REGULATION SHOULD ALSO FOCUS ON OTHER FINANCIAL SERVICE PROVIDERS; SPECIFICALLY ON THE NEED TO MODIFY THEIR CONSUMER FACING COMMUNICATION AND CREDIT PRODUCT OFFERING

Stakeholders were unequivocal in their call for the urgency to act in a collaborative way to protect the fundamental human right of the consumer while leveraging mass education on the rights and duties of care in well-designed and enforced consumer protection rules, based on emerging best practices.

Specifically, rules which are able to do the following:

- Create a level playing field across the market through common standards for suitable product design and responsible business conduct for all digital lenders, whether regulated or unregulated.
- Enable consumers to understand and leverage their data and borrowing history, which in turn can help drive consumer choice and ensure healthy competition.



Stakeholders at the event agreed on these set of recommendations that emphasised the need for responsible borrowing and lending best practices, given that there is need to ensure trust and transparency in the sector while protecting borrowers against data breach and fraud. The case for digital credit policy and regulation should also focus on Other financial service providers; specifically on the need to modify their consumer facing communication and credit product offering, which is the foundation for standards of responsible lending that could begin ensuring minimum consumer protections for the entire digital credit sector.

Digital lenders should be encouraged and incentivized to document and promote good practices that help to balance provider and consumer interests and healthy competition in the market. Progress in these areas also require a collective action, including industry-regulator consultations, formal industry standards, and policy or regulatory measures.

The following were Specific regulatory implications from the contributions made by panelist and stakeholders during the plenary sessions:

Repayment and collections

The Joint Task Force 'JTF' led by the FCCPC should go beyond monitoring the other financial service providers by reviewing the standard messaging document/script and call center protocols digital lenders use to communicate with delinquent borrowers to ensure clear and responsible communication of penalty charges and collections practices. They must also consider and monitor how digital lenders determine penalty charges, the cost of these charges to consumers, how these charges are communicated to consumers, and lenders' policy for writing off delinquent payments which may have been insured.

Disclosure

Transparency is essential to developing a healthy and competitive retail credit market. Our demonstrations with lenders point to better disclosure practices that can be adopted at low cost. At the same time, regulation is likely to be required to ensure that all providers implement adequate and consistent disclosure practices across the market.



Marketing

Lenders' use of push marketing practices to provide consumers with individual digital credit offers on their mobile handsets raise privacy and consumer protection concerns. In addition, the way loan offers are framed may encourage borrowing with no clear purpose or intentionality. Regulators should consult with MNOs, FSPs, and alternative data credit scoring firms to better understand their policies for using consumer data and contact information when marketing digital credit products. Rules limiting or prohibiting push marketing should be considered to address any such issues.

Credit reporting and information sharing

Policy makers should, at a minimum, address gaps in coverage of and compliance with credit reporting regimes across the various types of digital lenders in the market. They may also want to work with credit registers and lenders to explore the inclusion of new and valuable customer data (e.g., mobile money and payments data) in credit reporting systems. Finally, policy makers may want to consider whether the consequences of delinquency and default are disproportionate for very small loans, especially when so many consumers are new to the product and to the formal financial system. Policy makers could consider a range of options, such as ensuring that existing rules for sharing both negative and positive credit information are enforced, enacting new rules on reporting requirements for a specific subset of credit products, using moral suasion for noncompliant lenders, disclosing consequences of non-payment more clearly to consumers, and undertaking financial capability and consumer awareness efforts.

Given the diverse range of issues identified, the emerging digital credit regulators and lenders should work together to explore further good practices in each of these areas. These good practices could then be adopted by providers through collective and or collaborative actions, such as industry codes of conduct or regulation. Authorities can also adopt an encouraging stance toward ongoing consumer research and testing by firms to further strengthen responsible lending and borrowing



Opening & Welcome Address

The maiden Consumertrics Advisory event General introduction and recognition of Guest present in the well decorated and lighted ambience of the Opal Hall inside the Tech Zone Hub venue to provide the advisory support and feasible answers to support vulnerable Nigerian consumers of digital lending services and secure the future economic importance of bridging credit access gap, this set the stage for the discussions amongst participants from Government agencies, policy makers, Social Enterprises organisations, media and general public physical and virtual participants drawn from varying walks of life to explore the theme and sub themes in responsible borrowing and lending challenges and issues and proffered practicable recommendations for protecting consumers against the current deplorable recovery antics' of digital lenders in the sector.

In his welcome and opening remarks, Mr Muiyiwa Ayojimi, the Chief Executive Officer of Consumertrics, the convener of the Advisory Series 1.0 welcomed participants attending physical, virtually and especially Mr. Babatunde Irukera- EVC/CEO, Federal Competition and Consumer Protection Commission. (Ablly represented by Mr. Marvin Nadah, Prof. Umar Garba Dambatta EVC/CEO Nigerian Communications Commission- (Ablly represented by Mr. Clement Omife, The Deputy Director, Consumer Affairs bureau), Mr. Femi



THE ADVISORY SERIES IS THE 1ST OF A QUARTERLY SERIES AS IT SEEKS TO ADDRESS BURNING ISSUES THAT AFFECTS THE WELLBEING OF THE NIGERIA CONSUMERS ON ONE HAND AND PROVIDERS OF GOODS AND SERVICES ON THE OTHER HAND

Daniel, the Regional Privacy Counsel (Middle East, Eastern Europe & Africa) MASTERCARD, The CEO of Credit Registry, Dr. Jameelah Sharrieff-Ayedun, Mr. Afolabi Solebo, General Manager- Lagos State Consumer Protection Agency, Mr. Wole Ajimisinmi, Executive Director, Wema Bank Plc and Mr. Ridwan Oloyede- Co-Founder Tech Hive amongst others. The excited CEO also acknowledged the entire Consumertrics team who worked tirelessly in the process of staging the event as well as the numerous behind the scenes hardworking, dedicated partners and supporters for the important roles they have played without which it would have been difficult to organise or pulled the event.



NIGERIA'S CREDIT MARKET HAS A HIGH BARRIER TO ENTRY CAUSED BY BANKS, WITH THE RISE IN INNOVATIVE FINTECH COMPANIES LOOKING TO PLAY IN THE LENDING SPACE

Mr Ayojimi stated that the Advisory series is the 1st of a quarterly series as it seeks to address burning issues that affects the wellbeing of the Nigeria consumers on one hand and providers of goods and services on the other hand in a manner that fosters a healthy and mutually beneficial relationship. He introduces his organization CONSUMERTRICS as the leading Go-To-Hub firm with the mission to protect consumers and helping organizations achieve consumer/customer satisfaction with high-impact solutions using research analytics, training and advocacy. He also reinforce Consumertrics core strengths in Consumer Governance and ratings which will be deployed to evaluate the ethical behavior of businesses against the rights of consumer in market spaces in Nigeria and across Africa.

Speaking further, Mr. Ayojimi highlighted the structured format of the event to include keynote speech from the EVC of FCCPC, brief presentations from the subject matter experts as Lead Speakers and followed by robust conversations and interactions on the theme: Responsible Borrowing and Lending – Balancing Access and Consumer Protection in Nigeria Digital economy and the Three (3) panel sessions to draw best practice from our distinguished speakers and panellists on the sub-themes – Balancing Access, Ensuring Trust and Transparency in Lending and the Importance of Protecting borrowers against data breach and fraud.

He also shared some insights on the digital lending space without pre-empting our speakers and panellists noting that several interested parties often tout Nigeria as a massive market, with limited available data, which he believes paint a less flattering picture of Nigeria's total addressable market (TAM) in economic realities. While agreeing that "Indeed the market is huge" but, One way of growing a business is through loans. Credit increases the number of participants in the economy, and it fosters economic growth in any country

Nigeria's consumer lending is expected to rise by 21.4 percent to N1. 74 trillion in 2021, from N1. 42 trillion in 2020, according to a recent report by Euromonitor International, a London-based market research company as the business of lending in Nigeria has evolved from the traditional system to a more flexible and digitally enabled system for a faster and more convenient process. This evolution he has attracted extensive participation in the lending sector spurring the growth of the Nigeria Domestic Credit by 16.2% YoY as at December 2021 said Ayojimi.

THE MAIDEN ADVISORY SERIES EVENT WILL INSPIRE INNOVATIVE IDEAS AND DISCUSSIONS AROUND THE WAYS WE CAN IMPROVE THE BORROWER AND LENDER'S SPACE

He also confirmed that Nigeria's credit market has a high barrier to entry caused by Banks, with the rise in innovative fintech companies looking to play in the lending space; he observed an uphill task ahead that spans finance, technology, and data. Its on record that Payday lenders are stealing the limelight in Nigeria's consumer credit space. In 2020, Carbon and Fairmoney, two of Nigeria's biggest lending providers, disbursed N62.4 billion worth of loans and with consideration to other huge players like Branch or Aella credit offering he suggested the loans disbursed digitally could be hitting over N200 billion.

He also reported that Consumertrics informal survey show that the salaried worker takes an average of N25,000 in loans 6 times a year. If 50% of Nigeria's 64.4 million workforce take a loan of N23,000 six times a year, that will amount to N4.4 trillion as the estimated credit gaps in the consumers financial market and it must be governed responsibly to grow.



In concluding his opening welcome remarks, Mr Ayojimi reassures participants that the maiden Advisory series event will inspire innovative ideas and discussions around the ways we can improve the borrower and lender's space as clearly, improvements are needed in the digital lending and borrower's space. He stated that the report of the conversation will form part of the Responsible Financial Consumer Protection submissions to be collated by his team of rapporteurs for engagement with the relevant government authorities to strengthen the reliability and sustainability of the digital lending and borrowing space. He then urged both physical and virtual participant to make actionable submission toward the conversation.



Keynote Presentation

In Keynote Presentation, The EVC/ CEO of FCCPC, Mr Babatunde Irukera ably represented by Mr Mavin Nada – Head Investigation and Enforcement Unit of FCCPC.

The keynote Presentation was given by the Executive Vice Chairman /Chief Executive Officer, of the Federal Competition and Consumer Protection Commission (FCCPC) Mr Babatunde Irukera, who was represented by the Head Of the Investigation and Enforcement Unit, FCCPC . Mr Malvin Nadah his Opening remarks commended the organizer for the invitation extended to the commission to participate in the inaugural initiatives of the Consumertrics Advisory Series, as the Commission considered the initiative as rare honour and privilege for him to represent the CEO of his Commission and to share what the government through FCCPC is doing and its perception of the emergence of this sectors, its issues, challenges and what effort have been made and interventions realizing what the importance and potentials are in the sector towards the development of our Nation. he also appreciates all other government agencies present, his colleagues and representatives from the private sector present for lending their voices to the conversation that will ensue at the event.

Mr Nadah noted that he will not attempt to create an understanding of digital borrowing and lending but rather will focus on the platform and perspective of the mandate



of the commission which is tasked with protecting consumers and ensuring there is the fair market practice in our economy so the objective of addressing the issue of balancing access to credit and consumer protection can be addressed. He reaffirmed that the advent of borrowing and lending is not new as long as we've had commerce, trade and personal buying and selling or economic activities there will have to be borrowing and lending the issue.

IN NIGERIA THE DEVELOPMENT IN DIGITAL LENDING LEADING TO THE BIG BANG IN 2020 WAS AN AFTERMATH OF THE COVID 19 PANDEMIC

He observed that the discussion today is, in essence, the difference jump that has been achieved in the transformation of this aspect of lending and borrowing because it has been embedded in technology and which is what we called digital lending which has been around the world before the development in Nigeria and noted that in Nigeria the development in digital lending leading to the big bang in 2020 was an aftermath of the Covid 19 pandemic when the personal need of people to meet their daily needs was



THE HIGH UNEMPLOYMENT RATE WAS ALSO A PANACEA AS YOUTH SEEKING ANY FORM OF EMPLOYMENT IN NIGERIA WERE RECRUITED AS LOAN SHARKS AND AGENTS FOR LOAN RECOVERY

affected by the restriction due to lockdown, there was no movement, no market but need continue to be and as a result, there was the need for personal finance trade and business to continue because the need has to be met one way or the other and with the advent of Technology enhancing borrowing and lending brought to our doorstep and fingertips.

This ensured that there was an uptake because there was more access. one challenge would be that the traditional standards that we have had for lending and borrowing as a result of the pressure that we now face and equally because of the needs and access that now, has bypassed the result of the desperation for meeting needs, we now have high loan rates charged by lenders, the compound interest charged by the lender before fees, unethical loan recovery method, short-term nature of loans and unrealistic tenure of loans, refusal to grant loan extensions or restructuring of unpaid loan amount by the lender, using the same unfair recovery tactics for total and partial default by lenders as exposed by Mr Nadah

Explaining further, He noted that the high unemployment rate was also a panacea as youth seeking any form of employment in Nigeria were recruited as loan sharks and agents for loan recovery ensuring the desperation of unemployed persons and need for a loan was high, also comes the

issues with consumer's unwillingness and inability to pay loans and collection of multiple loans from different platforms by consumers collection, and in some cases, there were outright frauds by consumers.

He also observed that some of the violations as a result of these challenges came about are the breeches of Data privacy laws, there was also gross violation in certain Sections of the FCCPA law for instance section 17 of the FCCPA law – which speak to eliminating anti-competitive agreement, misleading agreement, unfair deceptive or inconceivable marketing or trading business practices rules was violated, right to fair dealing or prohibition of the use of physical force cohesion, undue influence or pressure, harassment. unfair tactics or any other similar conduct against any other person in connection to any business transaction and concluded that all these were violated.

Quoting further he said, Prohibition of unfair, unreasonable and unjust contract terms and conditions, prohibited transaction agreements we violated. He noted that Some fintech companies conducted their business without valid licenses and regulatory approval some



IN ADDITION, THE JTF LED BY THE FCCPC COMMISSIONED A DEDICATED PORTAL FOR RECEIVING COMPLAINTS AND INFORMATION HARNESSSED TO AID IN THE INVESTIGATION AND IDENTIFY THOSE PERSONS ABUSED AND VIOLATED

without licenses by CBN as required by law etc at the emergence of this sector so also was the emergence of these challenges. The FCCPC realized that there is the lack or absence of a comprehensive regulatory framework leading to the violation and abuse of consumers, the FCCP also realizes that there was in existence relevant regulation which was domiciled with different agencies of government for example Data Privacy law is with NITDA, and now with NDPB, also Labour law which he quoted as states that the exposure for loans of a government worker should not be more than a 1/3 of staff monthly take home, however, were bypass and as a result, more consumers violation and abuses occurred.

As a result the commission sort and succeeded in pulling together relevant Government agencies into an intergovernmental Joint Task Force (JTF) to come together as collaborators to address the above-perceived challenges, these agencies were the Independent Corrupt Practices Commission (ICPC) Economic Financial Crime Commission (EFCC), Nigeria Communication Commission (NCC) Human Right Commission (NHRC), Nigeria Data Protection Bureau (NDPB) and that their activities were going to be a two-prong approach for investigation and intelligence gathering on the operation of the loan sharks and associated fintech coupled with enforcement raid on their activities the

objective was to deter urgent action and disrupt their operations taking note of their amorphous nature they are taking because of the intent to deceive and or abuse consumers, the JTF also begins to address the issues of a comprehensive regulatory framework in that space.

In addition, the JTF led by the FCCPC commissioned a dedicated portal for receiving complaints and information harnesssed to aid in the investigation and identify those persons abused and violated

With this process in place the JTF we're able to identify and locate the operation of these companies despite their amorphous way of operation, we were also able to determine their nature of the operation, and their continuous use of many technologies to avoid being detected, which facilitated the JTF's ability to issue orders for these apps to be brought down from Google apps Play store, and also freezes the bank account of many of the loan sharks operating illegally.

Through this action, we were able to build a database and can say that there was a reduction in the reported violation by 80% from when the process began.

Mr Nadah confirmed that Lending companies are now required to begin the process of registration and some have begun to comply by voluntarily coming into the framework the commission develop for cooperation



LENDING COMPANIES ARE NOW REQUIRED TO BEGIN THE PROCESS OF REGISTRATION AND SOME HAVE BEGUN TO COMPLY BY VOLUNTARILY COMING INTO THE FRAMEWORK THE COMMISSION DEVELOP

and assistance the aim is to get these stakeholders to bring in their contribution with a measure of transparency in their operation and jointly institute the standard that they will comply with and indeed give the sector the necessary support it deserved as a major sector in the development of the economy and the Nation.

The JTF had put together limited and interim rules whereby any player or fintech that will seek to operate in the space will need to comply with.

On the issues of Balancing access to credit and consumer protection, our answer is regulation, compliance and enforcement, in balancing our position backed by law the onus on the fintech company to inform and educate the consumer in making the decision should continually be upheld in the position of the commission said Mr Nadah

The Head of Investigation and Enforcement also posited fundamentally that the elimination of circumstances and the opportunity that promotes exploitation in any form and any platform, any innovation and any offer in any space should be upheld. He noted that we can't talk about regulation without enforcing compliance, regulation in itself does not achieve the broader objective of law and governance, as we cannot also say as mentioned earlier

that regulations before in that space were absent is why the step taken by Government was to come together and leverage relevant regulation in these various agencies and begins to bring to account the actions of these digital lending company and the required cleanup of the space is being carried out.

Mr Nadah affirmed that the process of the comprehensive framework of the space is ongoing with limited rules and interim rules that they will have to comply with. "we have given certain rules for compliance stakeholders in the space that facilitate the operations of the to and comply with will ensure we have move miles from where we were we have seen charges as a result of the innervations.

He is optimistic that the ensuing regulation will take care of the irresponsibility of the consumer because it will allow the consumers to be enlightened and educated so they will be in a position to make an informed decision and also take us back to the traditional lending and borrowing that has worked but have been bypass by these fintech company who took advantage of certain circumstances and spaces.

In his closing statement, Mr Nadah also looked at the issues of proper redress mechanisms in place to take care of the circumstances that consumers will fall into, as we can't totally eradicate wrongdoing, injury to



THE ENSUING REGULATION WILL TAKE CARE OF THE IRRESPONSIBILITY OF THE CONSUMER BECAUSE IT WILL ALLOW THE CONSUMERS TO BE ENLIGHTENED AND EDUCATED SO THEY WILL BE IN A POSITION TO MAKE AN INFORMED DECISION

consumer condition is in place such that there is somewhere a system that takes care of violations when they occur and essential for FCCPC as the foremost consumer agency to have a functional redress mechanism that is accessible, available and reliable that allows for responsiveness in the most efficient manner to consumer complaint and provide redress with this already exist for us.

This he said is in furtherance to the complaint of the order issued to the loan sharks who are required that they plug into the automated platforms where they will be accessible from the side of the complainants, customers, and

consumers and ensure there is supervision in the process of the redress supervised by the FCCPC and JTF this we believe will further strengthen confidence in the consumers, create transparency where there was none before, and also allow as next step for member and agency to continue intervention taking note of nature of the space as it evolves and making the necessary adjustment that ensure our intervention brings the required objective of ensuring this emerging sector to fulfil its role and potentials in line with moving the development across the world technology and otherwise the level and standard as a nation we seek to attain.



Gallery





Plenary Sessions

THE RISE IN DIGITAL LENDING HAS BEEN RAPID, AS MORE AND MORE PEOPLE HAVE STARTED TO EMBRACE THE CONVENIENCE OF ONLINE TRANSACTIONS WITH AN ESTIMATION OF MORE THAN 300 MONEY LENDING MOBILE APPS IN THE NIGERIAN DIGITAL SPACE

Background Information

Digital lending is on the rise in Nigeria, and it's helping many people access credit for the first time. It's also helping to increase financial inclusion.

In 2019 alone, there were more than 55 million mobile money transactions—and that number is growing in leaps even more as digital lending becomes more popular. It is estimated that the annual borrowing volumes is in the range of 4–5 trillion Naira confirming its huge significance.

The rise in digital lending has been rapid, as more and more people have started to embrace the convenience of online transactions with an estimation of more than 300 Money Lending Mobile Apps in the Nigerian digital space. As a result, we are seeing many more opportunities for customers to access credit without having to go through the traditional brick-and-mortar banks. The future of digital lending in Nigeria is bright. It's exciting, promising, and full of opportunities for you to build a more prosperous business.

Despite the huge potential, it is however imperative to advocate for the need to improve borrower-lender relationship, particularly in the digital space. There is the need for effective regulation and supervision of the loan sharks operating in the country by the relevant authorities and stakeholders like the Central Bank of Nigeria (CBN), Nigeria Data Privacy Bureau, Federal Competition and Consumer Protection Commission (FCCPC) in collaboration with the NCC to protect the privacy of consumers.

The availability of the enormous Loan Sharks across the Nigerian digital space calls for a structure that focuses on balancing credit access with consumer protection.

'Responsible Borrowing and Lending: Balancing Access to Credit and Consumer Protection in Nigeria Digital Economy' is therefore a timely discussion that is needed to further best practices needed to be developed and enshrined within the borrower-lender space.



Plenary Session 1:

Responsible Borrowing and Lending

Panellists:

Mr. Marvin Nadah, *Head Investigation and Enforcement Unit, Federal Competition and Consumer Protection Commission*

Mr. Clem Omife, *Deputy Director, Consumer Affairs, Nigeria Communication Commission*

Mr. Clem Baiye, *Former National Commissioner, Nigeria Communication Commission*

Mr. Ridwan Oloyede, *Co Founder and Researcher Tech Hive Advisory*

Moderated:

Mrs. Yemisi Dada – *TV Presenter and Lead Consultant Whitestrings Media*

Issues

A private research conducted by tech hives Advisory on 30 mobile lending apps that operates in Nigeria revealed that there are Poor consumer protection framework, they uses manipulative designs and very Poor product architecture ,embedding software development kits that can process location data, evasive tracker which share with third parties for gains.

Lack or absence of a comprehensive regulatory framework leading to the violation and abuse of consumers. There is the need to understudy the regulatory framework of Kenya

Lack of transparency on the part of the illegal operative of the Digital financial service making them take on an amorphous nature because of the intent to deceive and or abuse consumers and conformity with the laws of Nigeria.

Weak oversight monitoring from subnational especially Lagos state, Rivers state, Kano state and Federal Capital Territory (FCT) that issue lending licenses with poor technical capacity.

Unsolicited Short Messaging services (SMS),emails, robocalls with deceptive information



No	Recommendations	Action Plan	Timeline	Expected Outcomes	Stakeholder
1	Nigerian Mobile Money Lenders must all subscribe to the interim regulatory framework under the supervision of CBN as a sector specific regulator	The federal and sub national Government and other stakeholders should adopt a common regulatory perspective with conditions and requirement compared to conventional banking system requirement for the banking system under CBN supervision.	Immediate and Continuous	Collaborative solutions to identified licencing issues.	JTF CAC , CBN, FCCPC and ALL STATE GOVERNMENT LENDERS LICENCING DEPARTMENT.
2	Need for the insistence of the NCC to ensure that the telecommunications and internet infrastructure is continually upgraded, expanded, and made robust to enhance the Digital Lending Space. The NCC role to protect consumers from unsolicited calls and SMS, should the blocked and operators sanctioned	NCC should create and co-create with other public sector and private sector programmes for digital space telecommunication development. NCC to partner with other stakeholders for mentorship opportunities for digital space development.	Immediate and Continuous	Improved technological capacity among different digital money lenders. Thus, resulting in the enhancing of the digital space technology.	FMCDG, NCC, FCCPC, private sector etc.
3	Need for FCCPC to provide a mobile money lender sector specific comprehensive regulatory framework that will guide, supervise and sanitise the operations of the Mobile Money Lenders digital space.	The Federal Government of Nigeria (FGN) through the CBN and FCCPC to co- ordinate the establishment of an effective framework to wield Nigeria's digital lending space thereby creating an enabling environment between the lenders and the borrowers taking learnings from jurisdiction like Kenya	Immediate and Continuous	Positive image for Nigerian digital lending space. Exponential job creation across Nigerian digital lending due to its transparency. Reduction in massive irregularities and unprofessionalism across the digital space	FGN, CBN, FCCPC, NCC, LSCPA, State and Local Governments.



No	Recommendations	Action Plan	Timeline	Expected Outcomes	Stakeholder
4	Need for the government to encourage the establishment of the Digital Lenders Association to strengthen regulatory framework	The FCCPC should co- ordinate the establishment of a collaborative framework for the formation of Digital Lenders Association that ensures the implementation of Self regulations among the lenders.	Immediate	Prompt orderliness among the lenders Close identification among the lenders Rapid enforcement of regulations among members. Exponential growth of digital lenders in Nigeria leading to increased contribution to Nigeria's GDP and massive job creation/ talent development/ value chain optimisation.	FGN, Central Bank of Nigeria (CBN), FCCPC, LSCPA, NGOs, etc.
5	The government through the various stakeholders are expected to play their oversight role diligently to ensure both the lenders and borrowers are ultimately protected.	The FMCDC/its parastatals and State Governments should co- ordinate the establishment of a framework to review and monitor digital lender borrower space and their policies and plans, to ensure that they: are achieving expected results; represent good value for money; and follow applicable policies, laws, regulations, and ethical standards	Immediate	Exponential growth of the system because of trust from all stakeholders, thus driving new revenue and employment streams.	Federal Ministry of Communication and Digital Economy (FMCDC), CBN, Lagos State Consumer Protection Agency (LSCPA), NCCPC, NCC, NGOs etc.
6	There is need for risk transferring mechanism like insurance in the digital lending space.	The FCCPC should co- ordinate the establishment of a collaborative framework and awareness among the digital lenders to undertake insurance policies for themselves and their borrowers'	Immediate and Continuous	Rapid trust and exponential growth in the system.	FCCPC, LSCPA, Insurance firms, National Insurance Commission (NICOM), CBN etc.
7	Capacity development for the entire ecosystem on customer management, ethical loan recovery process, and compliance, data privacy, consumer education		Immediate and continuous	Better lending culture and transparency in the ecosystem	



Plenary Session 2:

Ensuring Trust and Transparency in Lending

A WORLD BANK REPORT REVEALED THAT 40% OF OUR GDP ARE ACCOUNTED FOR BY MEDIUM SMALL AND MICRO ENTERPRISES (MSME)

Panellists:

Mr. Olawale Eleto, *Head of Credit & Business Analysis, Union Bank of Nigeria Plc*

,Mr. Adolphus Aletor, *Managing Director Rigo Microfinance Bank*

Mr. Afolabi Solebo, *General Manager, Lagos State Consumer protection Agency*

Moderated:

Mr. Olufemi Oguntokun – *Legal Practitioner and On Air Personality*

From historic development Lending and borrowing are legitimate and desirous activity in the society without which there will be no means of production or financial system. There are well over 300 Other Financial Institutions (OFI) operating in the Nigeria Digital space.

A World Bank report revealed that 40% of our GDP are accounted for by Medium Small and Micro Enterprises (MSME), however only 22% of the over 4 Million MSME's in Nigeria have access to any form of Credit or financial services with about 5% of them are adequately funded.

A Pwc report stated that there is over 617 Billion Naira Financing gap yearly in the Country this was also corroborated by another Central Bank of Nigeria (CBN) report that noted that there will be over 3 Trillion Naira to meet the financing gap in Nigeria assuming all the MSME were gifted the sum of 250,000 Naira each.

The above statistics established the fact that there are enormous financing gap to be filled in the Nigeria economy which cannot be provided by the Deposit Money Bank (DMB) and the Micro Finance Bank (MFB) under the stringent regulatory credit risk acceptance criteria supervised by the Central Bank of Nigeria (CBN).

There is timeliness to financial needs, Inevitably Other Financial institutions (OFI) leveraging digital platform made possible by increased internet penetration and smartphones are closing the funding gaps by providing lending services to many consumers in need with little or no requirement other than their state licensing to provide lending services which are highly priced on a short term basis.

Issues and Challenges:

Nigerian labour laws stated that your total monthly repayment on any loan should not be more



than 30% of the net monthly income or net cash flow. This provision is grossly abused by most OFI who often do not give consideration to this provision of the law.

Most of the OFI tends to dimension the lending risk accepted by transferring the risk back as a premium pricing to the borrower so that can guarantee returns for investor looking for high returns in short terms.

Giving credit to customers whom you cannot verify their assets or income/cash flow other than algorithm determined behavioural pattern is a recipe for default or Non-repayment.

Recommendations

Proposed Actions

Effective Regulations and Enforcement

The regulatory purview must take advantage of the observed challenges in the sector to develop and improve the processes with a policy system which evolves flexibly and dynamically to protect the consumers. All Other financial institutions (OFI) involved in lending registered by state government must adopt a comprehensive consumer protection requirement similar to those provided by Central Bank of Nigeria for DMB and MFB consumers. Any party that infringes on the rights of either consumer or service provider should be prosecuted and blacklisted as a deterrent to others. The regulators must also build capacity to enforced the rules and

Consumers Financial Education and Enlightenment.

Consumer must be educated on how to conduct due diligence and market review of various offers provided by OFI so they can discern appropriate affordability threshold. Also consumers must read and understand the terms and condition of every transaction in line with his fundamental rights as a consumer and its obligation which must be transparent



Insurance provisions

Consumers should be encouraged to take insurance against loss of job and other risk that can be transferred to insurance organization that may prevent them from defaulting or not pay back loan.

Government support

Consumer who know that they do not have asset or income should not borrow money but should leverage gifts, grant and other government conditional cash transfer project or corporate social support.

Incentives

Services provider in the credit space should be incentivized for offerings that is consumer friendly and valuable.



No	Recommendations	Action Plan	Timeline	Expected Outcomes	Stakeholder
1	Need for the creation of more public awareness on financial lending/ borrowing education the various offers, terms and conditions offered by the players in the digital lending space.	Relevant Federal Government Agencies to collaborate to create awareness and enlightenment on Loans and Grants in the digital space.	Immediate and Continuous	National Enlightenment and awareness on Digital Lending/ Borrowing Reduction in the number of loan defaults and in the negative mental situation that can affect consumers Exponential financing of the digital borrowing/lending space.	FMIC, NERDC, UBEC, CBN, FCCPC, LSCPA, FME, NOA.
2	There is need to undertake a strict regulation enforcement in the digital lending/ borrowing space.	Relevant Federal Government Agencies to collaborate in Updating/ formulating relevant legislations to strengthen digital lending/borrowing. E.g A Money Lenders Act	Immediate and Continuous	New/updated legislation strengthening Digital Lending/Borrowing protection (copyright, trademarks, patent, digital platform etc.) Effective monitoring and enforcement of sanctions for Lending/ Borrowing violations. Exponential inflow of foreign investment into the Nigeria's Digital Space Market because of assurance of IPR protection.	FMIC, CBN, FCCPC, FMCDC, Federal Ministry of Finance, Budget and National Planning (FMFBNP), FMOJ, LSCPA, NCC, (Trademarks department), NOTAP, NBA, etc.
3	There is need for positive character modification by all stakeholders in the digital lending/ borrowing space.	Government to co-ordinate the curation and delivery of a nationwide character modification campaign for the Nigerian lender/borrower.	Immediate and Continuous	Will improve the image of Nigerian consumers as responsible citizens. It will improve Nigeria's external image as a country of upright, honest, and transparent citizens especially the lending/ borrowing space that attracts a huge employee population.	National Orientation Agency (NOA), Federal Ministry of Information and Culture (FMIC), SA to the President on Social Investment, NBC, press (print, electronic/digital) religious organisations, State and Local Government, traditional rulers, women groups, youth groups, development partners etc.



No	Recommendations	Action Plan	Timeline	Expected Outcomes	Stakeholder
4	There is need to drive incentives to a performing and upright Lenders in the digital lending space.	Diversion of digital traffic to digital money lenders that have fulfilled and enshrined an excellent operational culture across the digital lending value chain	Immediate and Continuous.	Improvement in the employability of employees in the digital lending sector. Exponential financing in the digital lending sector.	NCC, FCCPC



Plenary Session 3:

Importance of Protecting Borrowers against Data Breach and Fraud

ONE OF THE FUNDAMENTAL CHALLENGES WE ARE EXPERIENCING IN DIGITAL LENDING SPACES IS AN AFTERMATH OF THE COVID 19 PANDEMIC WHICH BROUGHT FINANCIAL PRESSURE RESULTING IN GLOBAL MOVEMENT OF FUNDS

Panellists:

Mr. Femi Daniel, *Regional Privacy Council (Eastern Europe, Middle East & Africa) for Mastercard*

Mr. Wale Adekola, *Director, Centre for Consumer Concern (NGO)*

Dr. Jameelah Sharrieff-Ayedun, *Managing Director, CreditRegistry*

Mrs. Vera Osuji, *Senior Head Marketing and Sales, CreditRegistry*

Moderated:

Mrs Yemisi Dada, *TV Presenter and Lead Consultant Whitestrings Media*

The appetite for Credit in Nigeria is still in its infancy growing year on year (YoY) by over 3000%. Private sector credit estimated at 1 Trillion Naira in 2014 is now worth 40 Trillion Naira today with only 10% of the estimated market size having access to credit. One of the fundamental challenges we are experiencing in Digital lending spaces is an aftermath of the Covid 19 pandemic which brought financial pressure resulting in global movement of funds from some financial havens like China to jurisdiction with little or limited restriction of law like Nigeria. With the help of Digital apps these funds were given to customers without the need for collateral.

However such transactions were secured by collateralization of the subject's mobile data information (datafication of private information saved on the customer phone such as Name, Access to contact, Social media mapping information, access to photos and video content using advance screen record readers embedded in the app). This collateralised data information are stored on servers outside of Nigeria where they are used for all forms of income generation and other vices that could lead to suicides and national security challenges and gross violation of data privacy law of Nigeria.

In order to prevent over indebtedness to unsustainable interest rate regime we have to use the opportunity available in credit registry reporting to protect consumer which endeared trust between responsible lenders and consumers'.

Issues



Most of the Digital lending platform have eroded the duty of care that any Financial institutions must adopt in making responsible lending decision essence of borrowing is to have a responsible lender to guide the borrower

Most of the apps took advantage of the fact that you can obtain registration through the state government (especially Lagos State) and leveraging technology to operate nationwide.

Since credit is a big industry in most country, consumers gi Our National Security is also implicated with this scheme

Credit scoring and reporting through regulated and registered Credit Burea on need to know basis remain the best for of determining trust in a financial transaction and prevent the current shenanigans on data privacy breach by loan sharks

No	Recommendations	Action Plan	Timeline	Expected Outcomes	Stakeholder
1	Consumers/Borrowers should be encouraged to follow up on their credit scores/ratings and be abreast with variables that sums it up from the Credit Bureau outlets.	Government to curate and deliver a public awareness campaign and mentoring on credit scores/ratings and its variables in the digital lending sector Public education on the importance of Credit Bureau Services	Immediate and Continuous	More informed consumers and effective engagements in the digital space lending/borrowing. Digital space value chain optimisation through funding and investment. Will drive more innovation in digital lending patterns	NOA, FMIC, CBN, FCCPC, LASCOPA NCC and all State and Local Government, development partners.



No	Recommendations	Action Plan	Timeline	Expected Outcomes	Stakeholder
2	There is need to develop a standard template privacy notice agreement to protect the consumers' data space to avoid being breached.	highlight a country specific and industry typed standard privacy template and terms and condition agreement template among the relevant stakeholders in the digital lending space	Immediate and Continuous	Understanding and Trusted engagements among the various stakeholders is assured.	NOA, FMIC, FME, NCC, FMCDC and its parastatals, FCCPC, LSCOPA, State and Local Government, development partners
3	There is the need for judicial pronouncement on cases that involved data subject whose data privacy was breached as a deterrent to other the stake space.	Encourage the prosecution of digital financial service provider found breaching data privacy regulation thereby avoiding all forms of data breach and fraudulent activities	Immediate and Continuous	Effective monitoring and enforcement of sanctions for Data Breach and Fraudulent transactions' violations.	FMIC, CBN, FCCPC, LASCOPA, FMCDC, FMFBNP, FMOJ, LSCOPA, NCC, (Trademarks department), NBA,
4	Digital Lenders should be mandated to share credit data with Credit Bureaus	The proposed association of Nigeria digital lenders in formation should execute a service level agreement with Credit Bureau Association	Immediate and Continuous	This would help in profiling of borrowers and reduce the risks associated with KYC and assess debt status of loan applicants	FCCPC, LASCOPA Credit Registry Association Digital lenders, states consumers protection Agency
5	Unclear and or Inaccessible Terms & Conditions	Standard terms and Condition template must be subscribed to by all licensed lending platform provider	Immediate and Continuous	Collaboration with online gateway and providers as well as NITDA on enforcement	
6	Insufficient procedures for obtaining informed consent on data collection and sharing	All digital lending platform must create an options to protect the rights of data Subject	Immediate and Continuous	Collaboration with online gateway and providers as well as NITDA on enforcement	NITDA



No	Recommendations	Action Plan	Timeline	Expected Outcomes	Stakeholder
7	Excessive Marketing of digital lending products. Marketing shouldn't be used to advocate solving debt through more borrowing Informed consumers.	Marketing concepts and offerings should be screened for appropriateness with clear cut parameters. Guides against unfair, deceptive adverts.	Immediate and Continuous	An APCON and FCCPC Committee should approve all adverts before it is aired on any media platform. All marketing and advertising of financial products and services should be accurate and truthful and consistent with relevant regulations. There should be a specific marketing code for financial products enforceable with sufficient penalties to deter abuse.	APCON FCCPC, LASCOPA NCC
8	Insufficient Customer Support Procedures	Borrowers require ongoing support post loan disbursement, all licenced service provider must provide consumer complaint email and contact	Immediate and Continuous		FCCPC/LASCOPA
	Pre-conditional compliances prior to registration of online APPs.	A mandatory Code of Consumer Governance should be established and a certification of compliance must be seen by Google /Related plat exposure to the public	Immediate and Continuous	Working Partnership to be established with Online platforms/ gateways	NITDA, FCCPC, LASCOPA



Closing

The hallmark of responsible lending and borrowing is summed up into these facts: consumer disclosure should be simple, easy to understand and comparable; abusive business practices by financial service providers should be prohibited; consumers should have an easy, inexpensive and speedy method of resolving disputes with financial institutions; and financial education should be available to consumers so that they can understand financial services and products to make informed decisions.

After the end of the third plenary robust and productive discussions the proceedings of the Inaugural One day Consumertrics Advisory series 1.0 ended on an optimistic note as participants emphasised the need to create an enabling environment that will protect consumers of evolving Digital Financial Services Providers sector in a responsible manner, Mr. Dotun Adekanmbi, Chairman, Editorial Board of Consumertrics in his closing remarks acknowledged that the proceeding of the event was a time well spent.

Mr. Adekanmbi emphasised that the participants have a significant take home from the conversation at the event and reiterated the fact that there is an enormous credit finance gap, regulation and responsibility in the sector are intertwined but not mutually exclusive.

He promised that Consumertrics will continue to organise this Advisory Series going forward. He also confirmed that all the conversation and discussions shared will be distilled into a detailed report on the day proceedings which will be produced and moving forward all the outcomes of the event will enable Consumertrics to make policy intervention and continuous Advisory services which will be shared with all the appropriate stakeholders and Regulators to encourage the delivery of best practices in the protection of Financial Intermediation sector through ongoing collaborative effort in the ecosystem for unity of purpose.

Mr. Adekanmbi concluded by thanking all the Presenter, Panellists and Moderators for their professional support while promising that the next Advisory series event will be back the second time and it will be twice as nice!



Abbreviation

CAC - Corporate Affairs Commission CBN- Central Bank of Nigeria

FCCPC - Federal Competition and Consumer Protection Commission NCC- Nigerian Communications Commission

NOA - National Orientation Agency

FMIC - Federal Ministry of Information and Culture FME- Federal Ministry of Education

FMCDCE - Federal Ministry of Communication and Digital Economy FMFBNP- Federal Ministry of Finance, Budget and National Planning FMOJ- Federal Ministry of Justice

LSCPA - Lagos State Consumer Protection Agency

NERDC - Nigerian Educational Research and Development Council UBEC- Universal Basic Education Commission

NOTAP - National Office for Technology Acquisition and Promotion NBA- Nigeria Bar Association

NICOM - National Insurance Commission



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