



CENTRAL BANK OF NIGERIA

CONSUMER PROTECTION FRAMEWORK

GUIDELINES

ON

DISCLOSURE AND TRANSPARENCY

Public

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1. INTRODUCTION

Pursuant to the powers conferred on the Central Bank of Nigeria (CBN) by Sections 2 (d) and 33 (1) (b) of the CBN Act, 2007 (as amended) and Section 57 (2) of the Banks and Other Financial Institutions Act [BOFIA] of 2007, as amended, the CBN hereby issues this Guidelines on Disclosure and Transparency, herein referred to as “the Guidelines” to give effect to the Disclosure and Transparency Principle contained in the Consumer Protection Framework (CPF) for institutions regulated by the CBN.

The Guidelines provide minimum Disclosure and Transparency requirements for Financial Institutions under the regulatory purview of the CBN to ensure they provide consumers with all material and relevant information regarding their business relationship in a clear and transparent manner.

2. OBJECTIVE

The objective of the Guidelines is to protect consumers against the provision of inadequate, misleading or failure to disclose material and relevant information and generally guard against lack of transparency by Financial Institutions in their dealings with consumers. The Guidelines therefore sets out the minimum standards expected from Financial Institutions on consumer protection disclosure and transparency.

3. SCOPE

The Guidelines shall apply to all transactions by financial institutions licensed and regulated by the Central Bank of Nigeria and their agents, subsidiaries and associates. These include Commercial Banks, Merchant Banks, Specialized Banks, Micro-finance Banks (MFBs), Development Finance Institutions (DFIs), Finance Companies (FCs), Bureaux-de-Change (BDCs), Primary Mortgage Banks (PMBs), Credit Bureaux, Mobile Money Operators,

Payment Service Banks, Switching Companies, Payment Solution Service Providers, Payment Terminal Service Providers, Non-bank Acquirer, Super Agents and Mobile Money Operators.

Financial Institutions shall ensure that the provisions of the Guidelines form part of any consumer related transaction, product or service agreement they may enter into with any other institutions which are otherwise not regulated by CBN.

4. GENERAL PROVISIONS

To promote transparency and enhance disclosure, Financial Institutions shall comply with the following general provisions.

- 4.1.1. Contracts, offer letters, statements of account, notices and other documents (hereinafter referred to as the “**document**”) provided or made available to consumers shall:
 - 4.1.1.1 Be written in clear, legible and simple English language and in a minimum font size of 10.
 - 4.1.1.2 State the name, contact details of the Financial Institution and the consumer.
 - 4.1.1.3 Contain a statement that the Financial Institution is regulated by the Central Bank of Nigeria.
 - 4.1.1.4 The overall impression of the document must not be misleading or deceptive.
 - 4.1.1.5 Provide a copy of the document to the consumer in a durable medium for future reference.

- 4.1.2. Put procedures in place to ensure that an oral explanation of the document is provided to the consumer in a language that he or she understands:
 - 4.1.2.1 If requested by the consumer; or
 - 4.1.2.2 If it is reasonably obvious that the consumer is illiterate or blind or, for any other reason, cannot understand the document.
- 4.1.3. Conspicuously display in their banking halls and publish on their websites and internet banking platforms, accurate and up to date information on all their products. Such information shall include:
 - 4.1.3.1 Prime and maximum lending rates;
 - 4.1.3.2 Deposit rates; and
 - 4.1.3.3 Foreign exchange rates of currencies.
- 4.1.4. Disclose to the consumer in writing, all Terms and Conditions of a transaction agreement
- 4.1.5. Ensure that the disclaimer “Terms and Conditions Apply” or any phrase conveying a similar meaning shall only be used if the terms and conditions have been disclosed in the contract document or in other medium accessible by the customer. The financial institution shall at all times, draw the consumer’s attention to such disclosure.
- 4.1.6. Clearly explain technical terms used in documents to the consumer to aid understanding.
- 4.1.7. Agree with consumers on the communication channel(s) to be used for all correspondences and include the channel(s) in all contract documents.

- 4.1.8. Use the agreed communication channel(s) in all correspondences with the consumer.
- 4.1.9. Ensure that their websites and other information dissemination channels are functional and regularly updated with the current features of products and services offered.
- 4.1.10. Comply with the rates, charges, fees or prices published or disclosed at their engagement points. .
- 4.1.11. Inform consumers of applicable and indicative foreign exchange rates through customer engagement points and advise consumers to always check the rates before consummating foreign exchange transactions.
- 4.1.12. Bear all costs associated with disclosures to customers required by the Guidelines except for deposits and withdrawals by or on behalf of the customer.

4.2. ADVERTISEMENT

Financial Institutions shall comply with the following disclosure requirements on all advertisements and promotional materials:

- 4.2.1 The content of advertisements shall be factual and unambiguous, expressed in clear and simple language and shall not be offensive, misleading, deceptive, injurious, or exaggerate the benefits of the products or services being advertised.
- 4.2.2 The overall impression of advertisements shall not emphasize benefits of a product or service while de-emphasizing its associated risks or important disclosure information.

- 4.2.3 Financial institutions shall disclose their contact details in any advertisement or promotional material and where the advertisement is in prints, it shall be in a minimum font size of 10.
- 4.2.4 Details of the cost of a product or services, including all fees and other charges shall be clearly disclosed.
- 4.2.5 All interest rates in advertisements shall be disclosed on an annual basis and not for a shorter period.
- 4.2.6 Where an advertisement refers to, or is linked to other value adding benefits, the nature and value of such benefits shall be fully disclosed.
- 4.2.7 Advertisements shall not make references to unaudited financial statements.
- 4.2.8 Financial Institutions shall not mention names of competitors or make unverifiable comparisons in their advertisements or promotional materials.
- 4.2.9 Unsolicited advertisements through emails, text messages, voice calls and other channels sent by or on behalf of a Financial Institution shall be at no cost to the consumer and shall contain an opt-out provision for future advertisements.
- 4.2.10 Financial Institutions shall not advertise any product or service without the prior approval of Consumer Protection Department of the CBN.

4.3. PRE-CONTRACTUAL DISCLOSURES

Financial institutions shall comply with the following requirements prior to the execution of any contract with consumers:

- 4.3.1 Disclose to consumers all terms and conditions of a product or service on offer, as well as the features, inherent risks, benefits, fees and other associated charges.
- 4.3.2 Disclose in contract documents, the possibility of variations in rate of interest or foreign exchange due to changes in market conditions.
- 4.3.3 Disclose to consumers all available similar or competing products and services for the purpose of comparison and making informed choices.
- 4.3.4 Provide a Key Fact Statements (KFS) in a format attached as Annexure A1 stating a summary of key information on loans to consumers.
- 4.3.5 Allow consumers a minimum of two (2) working days to review draft contract documents before execution.
- 4.3.6 A Financial Institution shall give a consumer a cooling-off period of three (3) working days immediately following the signing of a transaction agreement within which the consumer may cancel the transaction without having to pay any penalty or charges.
- 4.3.7 Where the cooling-off option is exercised after a loan draw-down for credit contract, the bank is entitled to recover amount drawn, applicable interest and a fee of 0.25% of the amount drawn. In case of a fixed deposit contract, the customer is entitled to payment of applicable interest.

4.4. CONTRACTUAL DISCLOSURES

Financial Institutions shall:

- 4.4.1 Notify consumers of any transaction on their account immediately it is made. At a minimum, the notification shall include the amount, date and the account balance.
- 4.4.2 Ensure that transaction narrations in account statements and transaction notifications are clear; stating the nature of the transaction, date, payer or payee, transaction channel and location.
- 4.4.3 Ensure that, at a minimum, any proposed and final contract prominently contains the following information:
- i. Key features and risks of the financial product or service;
 - ii. Tenor of the contract (if any);
 - iii. The nature, amount and method of calculation of any interest, fee or charge and when it is payable;
 - iv. The applicable **Annual Percentage Rate** to be calculated using the formula stated in Annexure B1 and B2;
 - v. Details of any changes that may be made to the contract terms, and how the consumer will be informed of such changes;
 - vi. Information on how to lodge a complaint to the financial institution and how to escalate complaint to the CBN where necessary.
- 4.4.4 Provide consumer with monthly statements of account for all products and account types, including loan accounts, special accounts and other associated accounts at no cost to the consumer.
- 4.4.5 Provide account balances to consumers on request.

4.4.6 Give prior notice of variation in interest rates to customers. At a minimum, the notice shall state:

- i. The reason for the variation;
- ii. The commencement date;
- iii. The revised repayment schedule (where necessary); and
- iv. The alternatives available such as concession, restructuring, re-negotiation, opt-out or termination of the contract.

4.4.7 Ensure that any variation in interest or any other rate shall only be implemented after five (5) working days of the notice.

4.4.8 Upon the request of a consumer, provide a copy of the document(s) previously provided to the consumer under this Guidelines.

4.4.9 **SPECIFIC PRODUCTS DISCLOSURE**

Financial Institutions shall ensure that they comply with the following additional disclosure requirements for specific product types in any proposed contract, letter of offer or final contract:

- i. **For credit facilities:**
 - a) Name and contact details of borrower;
 - b) type of credit, purpose of credit;
 - c) collateral pledged and its estimated value;
 - d) the amount of credit or applicable credit limit;
 - e) conditions precedent to drawdown;
 - f) debt recovery process;
 - g) moratorium (where applicable);
 - h) insurance requirements (where applicable);
 - i) details of lending fees;
 - j) variable rate information (where applicable)

- k) repayment schedule for instalment loans;
- l) early liquidation terms;
- m) total cost of the credit;
- n) applicable rate of interest or fee relating to late payment or default;

ii. For deposit products:

- a) minimum balance requirement and other limit on account balances or transactions where applicable;
- b) monthly maintenance fee, any applicable tenor for a term deposit and any penalty for terminating a term deposit early;
- c) savings withdrawal options; and
- d) any reason(s) and timeline within which the account could become inactive or dormant.

iii. For products or instruments used as store of value such as e-wallet accounts and cards:

- a) minimum balance and any other limit on account balances and transactions (if applicable);
- b) types of payments for which the instrument may not be used;
- c) applicable agent networks;
- d) expiration date which may be applicable to the payment instrument;
- e) processes and procedure to report mistaken and fraudulent transactions.

4.5. DISCLOSURE ON DEFAULT

4.5.1 On the due date of the loan repayment, the consumer shall be notified within 3 days, through the agreed medium that a default charge would be applied on the account after 7 days from the date the obligation becomes due.

5. COMPLIANCE

Financial Institutions shall have in place a policy approved by the Board of Directors which documents the processes, procedures and systems designed to ensure compliance with the provisions of the Guidelines.

6. SANCTIONS

Failure to comply with the provisions of the Guidelines shall attract regulatory sanctions provided for by the CBN Act, the BOFIA, other laws and regulations.

7. AMENDMENT

This Guidelines may be amended by the CBN, as the need arises.

Public

8. GLOSSARY OF TERMS

TERM	DEFINITION AS USED IN THE GUIDELINES
Advertisement	Information disseminated to the public through displays, exhibitions, publications and notices etc.
Annual Percentage Rate (APR)	Annual rate charged for borrowing expressed as a percentage that constitutes the interest rate charged and annualized fees/charges for the tenor of the facility.
Associated accounts	All accounts held by a bank in the name of a customer.
Conditions precedent to draw down	Requirements a borrower must fulfil before utilizing availed facility.
Consumer	A person or an entity that uses, has used or a potential user of financial products or services of a Financial Institution.
Customer engagement points	Places or locations where interactions between a consumer and the Financial Institution take place.
Grace Period	A period after payment is due and remains unpaid without the imposition of penalty.
Default rate	Rate financial institutions charge customers for failing to make payments on loans and advances as at when due. It is charged in addition to the agreed interest rate(s).
Unsolicited Advertisements	Information disseminated for commercial purposes to consumers without their consent.

CONSUMER PROTECTION DEPARTMENT

APRIL, 2019

Key Facts Statement – (Fixed Term Loan)

THIS IS NOT AN OFFER OF CREDIT OR A CONTRACT– This Key Facts Statement (KFS) summarizes key features of the loan product a consumer is interested in and can be used for comparison purposes between different lenders.

DISCLOSURE DATE: Include date at which information is correct. This is the date at which the information is correct. Note that the final loan features may differ because of your personal financial position or due to a change in the information provided, including interest rates and fees and charges.

THE LOAN	OVERALL COST TO CONSUMER
Loan amount: N _____	Total amount you will N pay back
Tenor: _____ months / years (delete whichever is not applicable)	This means a consumer N for every N the will pay back borrowed
Nominal interest rate: _____% Variable/Fixed (delete whichever is not applicable)	Annual Percentage Rate _____% This reflects the total cost of the credit on a yearly basis expressed as percentage, using the information at the disclosure date. It is a useful tool for comparison with similar loans
Collateral: YES / NO (delete whichever is not applicable)	

Specific information about the product

Amount received **N**
(Amount you receive after paying all upfront fees)

Interest rate _____%

Variable interest rates may change

Total interest charges **N**
Total interest you will pay

Amount may increase for variable interest rates

Total other charges **N**

Total charges you will pay throughout the duration of the product.

Total cost of the product **N**

This includes all interest charges and all other charges for the tenor of the credit facility.

Repayments

Repayment amount (see attached repayment schedule) **N** per week/ month for tenor of loan
Amount a consumer will need to repay on due date, including all costs

Date of first repayment ____/____/____

Date on which other repayments are due

in each week / month
for tenor of loan after the first
repayment period

Total number of repayments

The amount required to be paid (for each repayment and total) does not include fees which are dependent on events that may not occur (for example, late payment fees)

Credit provider's fees and charges		Third party fees and charges	
Management/ Restructuring fee	₦	Insurance fee	₦
Other fees	₦ Describe type and amount of each such charge separately	Credit report fee	₦
		Stamp duty	₦
		Registration fee	₦
		Fee for registration of collaterals (if applicable)	
		Other third party fees	₦ Describe type and amount of each such charge separately

Penalties and Additional Requirements

- **Late Payment:** If a payment is more than 7 days late from the due date, you will be charged 1% flat per month on the overdue amount.
- **Early Liquidation of the Loan:** You may be charged a fee if you pay off the loan before maturity, the amount of which will depend on the terms of your contract.
- **Cooling Off Period:** You may cancel the loan agreement within 3 days after signing. However, where you have drawn down, you shall refund the amount drawn, applicable interest and a fee of 0.25% of the amount drawn.
- **Variations:** The interest rate, and fees and charges, disclosed here may change, including during your contract. You should receive notice of any change after your contract is entered into.

Have a complaint or a query?

Do not hesitate to reach out to your lender

Telephone

Address:

Email:

If you are not satisfied with the resolution of your complaint, you can escalate the complaint to the Consumer Protection Department of the Central Bank of Nigeria by writing to the Director, Consumer Protection Department, CBN, Abuja or send an email to: cpd@cbn.gov.ng.

FORMULA FOR CALCULATING ANNUAL PERCENTAGE RATE (APR) FOR INSTALMENT LOANS OF ONE YEAR AND ABOVE

$$APR = \frac{2nc}{P(N+1)}$$

Where:

n = Number of payment periods in 1 year

c = Total cost of the loan made up of total interest payments and **all** other fees charges (including third parties charges such as insurance etc)

P = Principal or net amount borrowed

N = Total number of payments to pay off the loan

ANNEXTURE B 2

FORMULA FOR CALCULATING ANNUAL PERCENTAGE RATE (APR)

For overdrafts and other short term loans below 1 year:

$$APR = \frac{C}{L} \times \frac{365}{t}$$

Where:

C = Total cost of the loan made up of total interest charge and **all** other fees charges (including third parties charges such as insurance etc.)

L = Loan amount

t= Tenor in days

Assumptions:

For overdraft facility, the limit is assumed to be taken as a whole on day 1.

You are kindly requested to send your comments or observations by 13th August, 2019 to:

1. iyahaya@cbn.gov.ng
2. llgbadamosi@cbn.gov.ng
3. doakoma@cbn.gov.ng

Thank you.