Corporate Governance Failures and Their Influence on Liquidation Outcomes and Business Rescue in Nigeria

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DOI: https://doi.org/10.47772/IJRISS.2026.101000558

Received: 26 October 2026; Accepted: 31 October 2026; Published: 10 November 2026

ABSTRACT

Corporate governance determines whether a company in difficulty can be saved and, if it cannot, how much of its value survives the process of winding up. The Nigerian literature examines the first of those propositions closely and the second hardly at all. This article addresses the second. It asks how the failure of corporate governance affects the two formal responses to corporate distress, liquidation and business rescue, within a framework now comprising the Companies and Allied Matters Act 2020, the Nigerian Code of Corporate Governance 2018, the Insolvency Regulations 2022 and the Investments and Securities Act 2025. The study is doctrinal. It analyses the primary instruments alongside the scholarly and professional literature, and it examines five documented Nigerian episodes selected because each has a traceable resolution outcome: the Cadbury Nigeria accounting irregularities of 2006, the Central Bank intervention in five banks in 2009, the revocation of three banking licences in 2011, the resolution of Skye Bank in 2018, and the guided liquidation of Nigerian Telecommunications Limited between 2012 and 2015. Two findings emerge. The first is that the route by which a distressed Nigerian company is resolved, rather than the severity of its governance failure, determines how loss is distributed: in the banking cases depositors were protected in full and shareholders were extinguished, whereas in the single case resolved by liquidation a creditor class remained unpaid for years. The second, and the article's principal contribution, is that none of the five episodes was resolved under general corporate insolvency law at all. Nigeria's most consequential governance-driven failures have been handled under banking resolution and privatisation regimes possessing the institutional capacity that the general regime lacks. The article distinguishes throughout between what the Nigerian evidence establishes and the causal mechanisms it merely supports, and concludes that reform must be directed at regulatory capacity, practitioner accreditation, judicial specialisation and the publication of insolvency data rather than at further legislative drafting.

Keywords: corporate governance, corporate failure, insolvency, liquidation, business rescue, CAMA 2020, Investments and Securities Act 2025

INTRODUCTION

Background to the Problem

Companies are the principal vehicles through which modern economies organise production, employment and investment, and the law that governs them is accordingly of more than private concern. The arrangement by which directors, shareholders, managers and creditors hold and check one another's power determines whether a company is run in the interest of those who own it, those who finance it and those who depend on it, or in the interest of whoever happens to control it. That arrangement is what is meant by corporate governance, and it is the condition on which transparency, accountability and the responsible exercise of corporate power depend.[1]

[1] R Oyiwona, 'Comparative Analysis of Corporate Governance Framework in Nigeria and Other Selected Jurisdictions' (2023) 357 <https://www.researchgate.net/publication/375091147_COMPARATIVE_ANALYSIS_OF_CORPORATE_GOVERNANCE_FRAMEWORK_IN_NIGERIA_AND_OTHER_SELECTED_JURISDICTIONS> accessed 1 November 2026.

Its importance is not confined to any one sector: manufacturing, banking, insurance and trade all rest on the same assumption, that those entrusted with corporate assets will account for them.[2]

Where that assumption fails the consequences are not confined to shareholders. A company whose board does not supervise, whose accounts are not reliable and whose insiders treat its assets as their own will ordinarily reach financial distress sooner than a comparable company that is well governed. It will also reach that point in a condition which makes a good outcome far less likely. The second consequence is the less studied of the two. A substantial Nigerian literature now addresses the causes of governance failure, but comparatively little of it asks what governance failure does to the formal responses to distress once distress has arrived.[3]

The question has acquired practical urgency because Nigeria has, within a short period, acquired a substantial body of governance and insolvency regulation. The Companies and Allied Matters Act 2020 restated directors' duties, strengthened disclosure and introduced rescue procedures the Act of 1990 did not contain. The Nigerian Code of Corporate Governance 2018 established a principles-based regime across sectors. The Insolvency Regulations 2022 supplied the procedural detail the Act of 2020 had left to subsidiary legislation, including an accreditation regime for insolvency practitioners. The Investments and Securities Act 2025 replaced the Act of 2007 and conferred on the Securities and Exchange Commission direct powers over the composition and conduct of boards.[4] On paper the position is considerably better than it was a decade ago.

Research Questions and Objectives

The article addresses three questions. First, how should corporate governance failure be distinguished from the financial conditions with which the Nigerian literature routinely conflates it, namely corporate failure, insolvency and bankruptcy? Second, what does the documented Nigerian record establish about the influence of governance failure on liquidation outcomes and on the prospects of business rescue, and what does it leave unresolved? Third, what institutional reforms would alter those outcomes, and which bodies are in a position to effect them?

The corresponding objectives are to clarify the conceptual framework, to assess the adequacy of the present legal and regulatory framework, to analyse the Nigerian evidence with proper attention to the limits of what it will bear, and to formulate recommendations specific enough to be acted upon.

Contribution of the Study

The existing literature divides into two bodies of work that do not meet. The first establishes, largely through quantitative studies conducted outside Nigeria, that weak governance raises the probability of corporate distress.[5] The second, largely Nigerian and largely doctrinal, examines the rescue and liquidation procedures introduced by CAMA 2020 and finds them underused.[6] Neither body of work asks the question that connects them: what governance failure does to an insolvency proceeding once that proceeding has begun.[7]

This article makes three contributions. It supplies a conceptual distinction between governance failure and the financial conditions it produces, which the Nigerian literature has not drawn with precision, and it corrects the frequent treatment of bankruptcy as a stage in corporate insolvency, a characterisation Nigerian law does not support. It assembles the documented Nigerian record of governance-driven corporate failure and traces each episode to its resolution outcome, rather than, as is usual, treating the governance scandal as the end of the story.

[2] 'Examining the Impact of Corporate Governance on Investors and Investee Companies: Evidence from Yemen' (2023) 11(1) *Economies* 13 <https://www.mdpi.com/2227-7099/11/1/13> accessed 1 November 2026.
[3] PK Ozili, 'Corporate Governance Research in Nigeria: A Review' (2021) 1 *SN Business & Economics* 1.
[4] Companies and Allied Matters Act 2020; Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance* (FRC 2018); Investments and Securities Act 2025; Insolvency Regulations 2022 (Nigeria).
[5] Y Shaba and S Idris, 'Corporate Governance in Nigeria: Evolution, Regulatory Frameworks and Challenges' (2024) 24(10) *Asian Journal of Economics, Business and Accounting* 356.
[6] S Ali, N Hussain and J Iqbal, 'Corporate Governance and the Insolvency Risk of Financial Institutions' (2021) *North American Journal of Economics and Finance* 9, 13, 19.
[7] K Aina and O Omotoye, 'Administration or Receivership: Making the Right Choice towards Corporate Rescue' (2022) 12 *University of Ibadan Law Journal* 1.

That exercise yields the article's central finding, which is that Nigeria's most significant governance failures have been resolved outside general corporate insolvency law altogether, under banking resolution and privatisation regimes with the institutional capacity the general regime lacks. And it states explicitly, which the literature in this field generally does not, where the Nigerian evidence ends and inference begins.

RESEARCH METHODOLOGY

The study is doctrinal. It proceeds by the systematic identification, analysis and interpretation of legal rules and of the scholarly and professional commentary upon them, which is the appropriate method where the object is to establish what the law provides, how its provisions interact, and whether the institutional arrangements supporting them are adequate. No empirical fieldwork was conducted and no original quantitative data were generated.

Primary sources. The primary legal materials are the Companies and Allied Matters Act 2020, the Nigerian Code of Corporate Governance 2018 and the Financial Reporting Council of Nigeria's guidance upon it, the Insolvency Regulations 2022, the Investments and Securities Act 2025, the Financial Reporting Council of Nigeria Act 2011 as amended in 2023, and the Bankruptcy Act 1979. These were selected because together they constitute the whole of the general framework governing corporate governance, liquidation and rescue in Nigeria. Each provision relied upon has been read in its statutory context rather than taken from secondary description, a step taken because several section numbers in circulation in the Nigerian literature are carried over from the repealed Act of 1990.

Secondary sources. Scholarly literature was identified by searching for Nigerian corporate governance and insolvency scholarship published since 2016, the year in which the principal study of regulatory multiplicity appeared, supplemented by comparative empirical work on the relationship between governance quality and insolvency risk.[8] Professional and regulatory commentary was used where it addresses instruments too recent to have attracted scholarly treatment, which is the position of the Insolvency Regulations 2022 and the Investments and Securities Act 2025. Where a secondary source and a primary instrument conflict, the primary instrument has been preferred and the discrepancy noted.

Case selection. The episodes examined in Part 7 were selected against three criteria. Each had to involve governance failure identified as such by a regulator, a court or an independent investigation, rather than merely alleged. Each had to have reached a documented resolution, so that an outcome could be traced. And the resolution route and its consequences for identifiable stakeholder classes had to be a matter of public record. Application of those criteria produced five episodes: Cadbury Nigeria Plc, the Central Bank intervention of 2009, the licence revocations of 2011, Skye Bank in 2018 and Nigerian Telecommunications Limited. Cases frequently cited in the Nigerian literature were excluded where no resolution outcome could be verified, and one case repeated across that literature was excluded because the underlying factual claim could not be substantiated.

Analytical framework. Each episode was analysed by identifying the governance deficiency recorded by the relevant authority, the legal route through which the failure was resolved, and the distribution of loss among depositors, creditors, employees and shareholders. The findings were then tested against the mechanisms proposed in the comparative literature, and a distinction maintained throughout between propositions the Nigerian record establishes and propositions it is merely consistent with.

Limitations. The principal limitation is evidential. Nigeria publishes no statistical series on the number, duration or cost of liquidations and administrations, or on rates of creditor recovery, and the Corporate Affairs Commission does not report the insolvency filings it receives in any form from which outcomes could be measured.[9] It follows that no firm-level test of the relationship between governance quality and recovery rates is presently possible in Nigeria, and that the causal mechanisms set out in Part 7.3 are advanced as inferences supported by comparative evidence rather than as findings established on Nigerian data. A second limitation is that two of the instruments examined, the Insolvency Regulations 2022 and the Investments and Securities Act

[8] Ozili (n 5).
[9] Corporate Affairs Commission, *Annual Report 2023* (CAC 2024).

2025, are too recent for their practical operation to be assessed.[10] The analysis of each is accordingly confined to what the instrument provides and to the institutional conditions its effectiveness presupposes.

Conceptual Clarification

Corporate Governance

There is no settled definition of corporate governance. Garzón Castrillón has observed that the concept resists capture, in the sense that no formulation yet offered accounts for all the elements a governance system in fact comprises while remaining precise enough to be useful.[11] The definition most often treated as standard is that of the Organisation for Economic Co-operation and Development, which describes corporate governance as involving a set of relationships between a company's management, its board, its shareholders and other stakeholders, and as providing the structure through which the objectives of the company are set and the means of attaining them and of monitoring performance are determined.[12] On a narrower view, corporate governance is simply the body of rules, procedures and practices through which a company is run and through which those in authority within it are held to account.[13]

Whichever formulation is preferred, the functions attributed to corporate governance are consistent across the literature. Ovia and Adedipe identify three: governance secures openness in operations, financial reporting and decision-making;[14] it sustains the confidence of shareholders, investors, customers and the public, and so protects corporate reputation;[15] and it promotes compliance with law and with ethical standards, reducing exposure to penalties, litigation and reputational damage.[16] Tamvada adds a fourth, arguing that governance cultivates an ethical culture within the company, so that the company does not merely obey the law but contributes something to the society in which it operates.[17] On that account governance is not only a constraint on misconduct but a source of corporate legitimacy.[18] Manginte reaches a similar conclusion by a different route, treating transparency, accountability, compliance, effective decision-making, the protection of shareholder interests and risk mitigation as the mechanisms through which a company builds reputation and sustains growth.[19]

Disclosure occupies a central place in each account. Inwang argues that adequate disclosure and transparency are the foundation of any governance framework, because they supply stakeholders with the information without which they cannot assess whether their investment is being managed to advantage.[20] The point anticipates much of the argument developed below. Oversight is impossible without information, and governance failure is very often, at bottom, a failure of information.[21]

Corporate Failure, Insolvency and Bankruptcy Distinguished

The Nigerian literature on corporate governance uses corporate failure, insolvency and bankruptcy as though they were interchangeable. They are not, and in Nigerian law one of them does not apply to companies at all.

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[10] Insolvency Regulations 2022 (Nigeria), made by the Corporate Affairs Commission under the Companies and Allied Matters Act 2020.

[11] MA Garzón Castrillón, 'The Concept of Corporate Governance' (2021) <https://www.redalyc.org/journal/3579/357966632010/357966632010.pdf> accessed 1 November 2026.

[12] Organisation for Economic Co-operation and Development, *G20/OECD Principles of Corporate Governance 2023* (OECD 2023).

[13] J Chen, 'Corporate Governance: Definition, Principles, Models and Examples' (Investopedia, 2025) <https://www.investopedia.com/terms/c/corporategovernance.asp> accessed 1 November 2026.

[14] D Ovia and A Adedipe, 'The Importance of Corporate Governance' (2024) <https://www.doa-law.com/the-importance-of-corporate-governance/> accessed 1 November 2026.

[15] Ibid.

[16] Ibid.

[17] M Tamvada, 'Corporate Social Responsibility and Accountability: A New Theoretical Foundation for Regulating CSR' (2020) 5 *International Journal of Corporate Social Responsibility* 2.

[18] Ibid.

[19] S Manginte, 'Fortifying Transparency: Enhancing Corporate Governance through Robust Internal Control Mechanisms' (2024) 2 *Advances in Management and Financial Reporting* 72.

[20] PE Inwang, 'Empirical Analysis of the Effect of Non-Mandatory Corporate Governance Disclosure on Transparency and Shareholder Wealth' (2024) *Journal of Accounting and Financial Management* 373, 376.

[21] Ibid.

The distinctions matter to the argument that follows, because each term describes a different condition and each attracts different legal consequences.

Corporate failure is a commercial rather than a legal description. As Otubelu and others define it, it denotes a company performing so poorly that liquidation has become its probable or actual destination.[22] It is measured by sustained inability to earn an adequate return on capital employed, and a company may fail in this sense over a long period while continuing to meet its obligations as they fall due, because an inadequate return and an inability to pay are distinct things.[23]

Insolvency is a legal condition with a statutory test. Under section 572 of the Companies and Allied Matters Act 2020 a company is deemed unable to pay its debts in three alternative circumstances: where a creditor to whom a sum is then due has served a written demand at the company's registered or head office and the company has for three weeks neglected to pay, secure or compound the debt to the creditor's reasonable satisfaction; where execution or other process issued on a judgment in favour of a creditor is returned unsatisfied in whole or in part; and where the court is satisfied that the company is unable to pay its debts, taking into account its contingent and prospective liabilities.[24]

The third limb requires careful handling, because it is frequently misdescribed in the Nigerian literature as a balance-sheet test. It is not. Section 572(c) directs the court to be satisfied of an inability to pay, taking contingent and prospective liabilities into account; it does not direct a comparison of the value of the company's assets against the amount of its liabilities, and it does not make a deficiency of assets a ground of itself.[25] The contrast with English law is instructive. Section 123 of the Insolvency Act 1986 contains a cash-flow test in subsection (1)(e) and a separate and freestanding balance-sheet test in subsection (2), under which a company is deemed unable to pay its debts if the value of its assets is less than the amount of its liabilities, taking into account contingent and prospective liabilities.[26] Nigerian law has no equivalent provision. A Nigerian company whose liabilities exceed its assets but which continues to meet its obligations as they fall due is not, without more, unable to pay its debts within section 572, although its condition will plainly be relevant to the court's assessment under paragraph (c). The practical consequence is that balance-sheet deterioration in Nigeria does not of itself open the door to a winding-up petition, which tends to delay the point at which a distressed company is brought within a formal procedure.

Bankruptcy, in Nigerian law, is not a corporate concept. It is a status attaching to natural persons and to firms under the Bankruptcy Act 1979, and a company cannot be adjudged bankrupt: an insolvent company is wound up.[27] The comparative and economic literature uses the word more loosely, often to describe the condition in which liabilities exceed the fair value of assets so that net worth is negative, and Nigerian writers have adopted that usage from sources describing the United States Bankruptcy Code.[28] The usage is unobjectionable in an economic discussion provided it is not transposed into a legal one. Balance-sheet deficiency is a financial state; bankruptcy in Nigeria is a legal status; and the two are neither interchangeable with each other nor with insolvency under section 572. This article uses balance-sheet deficiency to describe the financial condition and reserves bankruptcy for the statutory personal status.

[22] E Otubelu, IC Onodugo, M Ezeamama and F Akubuilo, 'Corporate Failures in Nigeria's Dynamic Environment: Evidence and Insights' (2021) *International Journal of Multidisciplinary Research and Development* 5.
[23] I Akpotue, 'Failures and Weaknesses of Corporate Governance in Safeguarding against Excessive Risk Taking during the 2008 Financial Crisis' (2022) <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4386502> accessed 1 November 2026.
[24] Companies and Allied Matters Act 2020, s 572.
[25] Ibid s 572(c).
[26] Insolvency Act 1986 (United Kingdom), s 123(2).
[27] Bankruptcy Act 1979 (Nigeria).
[28] J Gibson, 'Insolvency: What It Is and Potential Causes' (Investopedia, 2025) <https://www.investopedia.com/terms/i/insolvency.asp> accessed 1 November 2026; NetSuite, 'Insolvency: What It Is and Potential Causes' (NetSuite) <https://www.netsuite.com/portal/resource/articles/financial-management/insolvency.shtml> accessed 1 November 2026.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue X October 2026

Corporate Governance Failure

Corporate governance failure is distinct from all three of the foregoing, and it is the concept the Nigerian literature defines least satisfactorily. It is best understood not as a financial condition at all but as a breakdown in the mechanisms by which a company is directed and held to account: a board that does not supervise management, an audit function that does not test what management reports, disclosure that does not reveal the company's position, and internal controls that do not prevent those in control from preferring their own interests to those of the company.

So understood, governance failure is causally prior to the financial conditions described above and analytically separate from them. It does not consist in an inability to pay; it consists in the conditions which make that inability more likely, which conceal it for longer once it arises, and which make it harder to remedy when it is discovered.[29] The third of those effects is the subject of this article, and it is the one that the definition adopted here is designed to isolate. A company may be badly governed and solvent, as the Cadbury episode examined in Part 7 demonstrates; it may be well governed and insolvent, as a company overtaken by market collapse may be. The relationship between the two is probabilistic rather than necessary, and the analysis that follows treats it as such.

LITERATURE REVIEW

The scholarship bearing on this subject divides into three bodies of work, considered in turn below, followed by a statement of what they leave unresolved.

Governance Quality and the Risk of Failure

That governance quality affects the likelihood of corporate failure is now well supported. Ali, Hussain and Iqbal, examining financial institutions, find weaker governance structures associated with materially higher insolvency risk, attributing the association to reduced monitoring effectiveness where boards lack independence.[30] Balagobei and Keerthana reach a comparable conclusion from listed companies in Sri Lanka, reporting that board independence and audit committee effectiveness are negatively associated with financial distress.[31] The mechanisms identified are consistent across this literature: board independence, a functioning audit process, transparent reporting and meaningful stakeholder engagement each reduce the probability that losses accumulate undetected.

Two qualifications are necessary before this work is applied to Nigeria, and the Nigerian literature does not generally make them. The first is that these are studies of listed companies in jurisdictions with reliable disclosure, where governance variables can be measured from published filings. Their findings cannot simply be assumed to hold where the disclosure on which measurement depends is itself unreliable, which is the condition the same literature attributes to Nigeria.[32] The second is that these studies establish association with the *onset* of distress. They say nothing about what governance failure does after distress has begun, which is the question this article addresses, and transposing their conclusions to that question would be an error of inference rather than an application of their findings.

The Causes of Governance Failure in Nigeria

Four causes recur in the Nigerian literature. The first is corruption operating through corporate insiders. Bello and Zango argue that corruption within an already unfavourable business environment is the principal obstacle to sound governance practice, locating the problem in self-interested controlling shareholders and in controlling

[29] Otubelu and others (n 24) 5.
[30] Ali, Hussain and Iqbal (n 8) 9.
[31] S Balagobei and G Keerthana, 'Corporate Governance Practices and Financial Distress: Empirical Evidence from Listed Companies in Sri Lanka' (2023) *Kelaniya Journal of Management* 76.
[32] Ozili (n 5).

shareholders who also sit as directors, so that the supervised and the supervisors are the same persons.[33] The structural point deserves more weight than it is usually given: where ownership is concentrated and the controlling owner sits on the board, the independence the governance codes assume is absent by construction rather than by neglect, and a code which responds by requiring independent directors addresses the symptom rather than the ownership structure that produces it.[34]

The second is regulatory multiplicity. Oluwarotimi and Adebayo find that the number of governance codes applicable in Nigeria, and the inconsistencies between them, reduce compliance among public companies, because companies faced with conflicting instructions follow the regulator with the heaviest sanction and disregard the rest.[35] Compliance accordingly tracks the severity of the penalty rather than the merit of the rule.[36] Osemeke and Adegbite reach the same conclusion and add that the codes are not only multiple but differently interpreted by the managers, lawyers and courts who apply them, so that even a single code may not produce uniform practice.[37] Their proposed remedy, a combined code, has been partially adopted since they wrote, a development examined in Part 6.2 and one the subsequent Nigerian literature has largely overlooked.[38]

The third is weak enforcement. Ozili argues that Nigeria's difficulty is not an absence of regulatory institutions but their inability to use the powers they have, whether because those powers are limited or because the institutions lack capacity to exercise them.[39] Shaba and Idris observe that compliance tends to break down where a politically influential person sits on the board, and that executives who contravene the law may rely on political connection or on their relationship with the regulator to avoid consequence.[40] The two accounts converge: Nigeria possesses both the legal framework and the institutions, and what is missing is enforcement.

The fourth is the absence of a sanction regime within the governance codes themselves. Oyiwona notes that the Code of Corporate Governance establishes no procedure for dealing with corporate misconduct or breaches of governance norms, so that a company in breach faces no defined consequence under the Code itself.[41] Nwogbo and Ighodalo place this in a wider frame, treating institutionalised corruption, political patronage and the reluctance of public institutions to supervise compliance as the conditions within which the framework must operate.[42]

Governance, Rescue and Insolvency under CAMA 2020

A separate literature addresses the reforms. The Nigerian Code of Corporate Governance 2018 was intended to bring Nigerian practice into line with international standards.[43] Its reception has been mixed. The Code proceeds on an apply-and-explain basis, which commentators argue weakens the normative force of its provisions, and its application to companies of widely differing size and sector was not clearly worked out on its face.[44] John-Oti's study of the internal audit function found that many companies continue to struggle to operate internal audit as

[33] BB Bello and TN Zango, 'Organisational Failure and Turnaround: An Empirical Analysis of the Defunct Nigerian Telecommunications Limited (NITEL)' (2022) *Ife Social Sciences Review* 27.
[34] Ibid.
[35] A Oluwarotimi and O Adebayo, 'The Efficacy of Mandatory Corporate Governance Regulation in an Emerging Economy: Recent Corporate Governance Reforms in Nigeria, Using Empirical Evidence' (2021) <https://publications.aston.ac.uk/id/eprint/43263/1/ADENIYI_AKINTOLA_OLUWAROTIMI_OLUMIDE_ADEBAYO_2021.pdf> accessed 1 November 2026.
[36] Ibid.
[37] L Osemeke and E Adegbite, 'Regulatory Multiplicity and Conflict: Towards a Combined Code on Corporate Governance in Nigeria' (2016) *Journal of Business Ethics* 431.
[38] Ibid.
[39] Ozili (n 5).
[40] Shaba and Idris (n 7) 356.
[41] Oyiwona (n 3).
[42] D Nwogbo and A Ighodalo, 'Governance and Corruption in Nigeria' (2021) *Journal of Good Governance and Sustainable Development in Africa* 81.
[43] M Amujo-Akomolafe, 'Legal Framework for Corporate Governance in Nigeria: An Appraisal of the 2018 Code of Corporate Governance' (2018) 2 *APBLJ* 41.
[44] 'Review of the 2018 Nigerian Code of Corporate Governance' (Mondaq, 9 May 2022) <https://www.mondaq.com/nigeria/corporate-governance/784178/review-of-the-2018-nigerian-code-on-corporate-governance> accessed 1 November 2026.

a genuine control, notwithstanding the Code's requirements as to charter approval, reporting lines and appointment procedures.[45]

On the insolvency side, Ikekwuibe and Anushiem treat the formal introduction of administration and company voluntary arrangements as a significant change in the Nigerian framework.[46] Aina and Omotoye identify a structural difficulty in how the reform was effected: because receivership was retained alongside administration, a secured creditor may elect for receivership, which is directed at realisation, in preference to administration, which is directed at rescue, so that the rescue objective may be defeated by the creditor's choice of procedure.[47] Shaba and Idris conclude that implementation remains inadequate and call for specialised courts, a standalone moratorium and licensed insolvency practitioners.[48] Omoregie reaches a similar conclusion for distressed oil companies.[49]

A critical observation is warranted here, because it bears on the reliability of the Nigerian literature as a guide to the current law. The call for practitioner licensing, which is repeated in work published as recently as 2024, was answered in substance by the Insolvency Regulations 2022, which establish an accreditation regime operating alongside the authorisation requirements in the Act.[50] The persistence of the criticism after the instrument answering it had been made indicates that a portion of the Nigerian commentary in this field is written from earlier secondary sources rather than from the current instruments. The point is not merely bibliographic. It means that assessments of the adequacy of Nigerian insolvency law published since 2022 should be treated with caution unless they engage with the Regulations, and the present article accordingly returns to the primary instruments in Part 6.

The Research Gap

What the literature has not established is the relationship at the centre of this article. The studies in Part 4.1 establish that weak governance raises the probability of distress. The studies in Part 4.3 establish that the Nigerian rescue procedures are underused. Neither connects the two by asking what governance failure does to an insolvency once it has begun. Commentary on asset stripping, transfers at an undervalue and opaque accounting before the onset of insolvency gestures at the connection without establishing it.[51]

Three specific gaps follow. There is no firm-level Nigerian evidence linking identified governance deficiencies to measurable insolvency outcomes. There is no longitudinal assessment of how the CAMA 2020 rescue procedures have performed in terms of duration, creditor recovery or success rate, and the absence of any published statistical series makes such an assessment presently impossible. And there is no work tracing Nigerian governance failures through to the route by which they were resolved and the distribution of loss that resulted.[52] This article cannot close the first two gaps, which require data that does not exist. It addresses the third, which is tractable on the public record, and it treats the absence of the data needed for the first two as itself a finding.

Principles of Corporate Governance

Corporate governance rests on the related principles of responsibility, accountability, transparency and fairness. None operates independently of the others, since an obligation that is not transparent cannot be enforced and an obligation carrying no accountability is not in practice an obligation at all. The most influential statement of these principles is that of the Organisation for Economic Co-operation and Development. The Principles were

[45] SG John-Oti, 'Evaluating Internal Audit Effectiveness under the Nigerian Code of Corporate Governance (NCCG 2018)' (2024) 3 *International Research Journal of Economics and Management Studies* 224.
[46] CD Ikekwuibe and MI Anushiem, 'Corporate Rescue Mechanisms in Nigeria: A Comparative Approach' (2024) 5 *IJOLACLE* 115.
[47] Aina and Omotoye (n 9).
[48] Shaba and Idris (n 7).
[49] OK Omoregie, 'Business Rescue and Insolvency Regulation and Practice in Nigeria: The Imperatives of Globalisation' (2019) 7(3) *Archives of Business Research* 87.
[50] Insolvency Regulations 2022 (n 12).
[51] IM John, C Ofurum and S Egbe, 'Corporate Governance Mechanisms and Asset Depreciation Value of Quoted Manufacturing Companies in Nigeria' (2024) 26 *American Journal of Research in Humanities and Social Sciences* 81.
[52] Templars, 'Surviving a Fall: Administration of Companies as a Rescue Strategy' (Templars, 3 October 2023) <https://www.templars-law.com/app/uploads/2023/10/SURVIVING-A-FALL.pdf> accessed 1 November 2026.

first issued in 1999 and revised in 2004 and 2015, and the Nigerian literature continues to cite the 2004 text. That text has been superseded. The Council of the OECD revised the Principles on 8 June 2023 and the G20 endorsed the revised instrument on 9 and 10 September 2023, which is now the current international standard and the version against which a modern governance framework falls to be assessed.[53]

The 2023 Principles are arranged in six chapters: ensuring the basis for an effective corporate governance framework; the rights and equitable treatment of shareholders and key ownership functions; institutional investors, stock markets and other intermediaries; disclosure and transparency; the responsibilities of the board; and sustainability and resilience.[54] Two features of that arrangement matter for present purposes, and neither is reflected in the Nigerian commentary.

The first is structural. The 2004 text treated the rights of shareholders and their equitable treatment as separate chapters and gave the role of stakeholders a chapter of its own. The 2023 text consolidates the shareholder chapters, adds a chapter addressing institutional investors, stock markets and intermediaries, and relocates stakeholder concerns into the new chapter on sustainability and resilience.[55] The addition of the intermediaries chapter reflects a judgment that governance is exercised not only within the company but through the chain of institutions that hold and trade its securities, which is of direct relevance to a jurisdiction whose capital market regulator has just acquired enlarged powers.

The second is substantive. The chapter on sustainability and resilience requires that governance frameworks support companies in managing sustainability risks and in disclosing material sustainability information, and it treats the interests of stakeholders, including employees and creditors, as integral to that exercise rather than as a separate consideration.[56] Nigerian law is closer to this position than is generally recognised. Section 305(3) of CAMA 2020 requires a director, in acting in what he believes to be the best interests of the company, to have regard to the impact of the company's operations on the environment in the community where it carries on business, and section 305(4) requires him to have regard to the interests of the company's employees in general as well as to the interests of its members.[57] These are statutory duties, not code provisions, and they are enforceable by the company. Nigerian company law therefore already contains a stakeholder-regarding formulation of directors' duties that aligns with the 2023 Principles, which is an answer of sorts to the criticism that Nigerian governance standards lag international practice. The deficiency lies not in the content of the duty but in the absence of any mechanism by which compliance with it is monitored or breach of it penalised, which is the theme of the Part that follows.

The Legal and Regulatory Framework

The Companies and Allied Matters Act 2020

CAMA 2020 is the principal statute governing the formation and management of companies, the rights of shareholders, the duties of directors, insolvency and business rescue. It repealed and replaced the Act of 1990 and introduced single-member companies, electronic meetings and, for the first time, dedicated corporate rescue procedures.

The Act addresses governance principally through directors' duties, and the relevant provisions should be cited with precision because several section numbers in circulation in the Nigerian literature are carried over from the repealed Act. Section 305 is headed 'Duties of directors'. Subsection (1) places a director in a fiduciary relationship towards the company and requires him to observe the utmost good faith in any transaction with it or on its behalf.[58] Subsection (3) contains both the best-interests duty and the standard of care: the director must act at all times in what he believes to be the best interests of the company as a whole so as to preserve its assets,

[53] Organisation for Economic Co-operation and Development, *G20/OECD Principles of Corporate Governance 2023* (n 14); Recommendation of the Council on Principles of Corporate Governance, OECD/LEGAL/0413, as revised on 8 June 2023 and endorsed by the G20 on 9 and 10 September 2023.
[54] Ibid, chs I–VI.
[55] Ibid, ch III.
[56] Ibid, ch VI.
[57] Companies and Allied Matters Act 2020, s 305(3) and (4).
[58] Companies and Allied Matters Act 2020, s 305(1).

further its business and promote the purposes for which it was formed, and must do so in the manner a faithful, diligent, careful and ordinarily skilful director would act in the circumstances.[59] The statutory formula is that of the faithful, diligent, careful and ordinarily skilful director, and it should be quoted as such rather than rendered as the reasonably prudent director of the common law. Subsection (5) requires powers to be used for their proper and not a collateral purpose, subsection (8) prevents the duties being excluded by the articles, by resolution or by contract, and subsection (9) makes them enforceable by the company.[60]

Section 309 provides that directors are trustees of the company's money, properties and powers, which is the provision on which liability for misapplication of corporate assets rests, and which in the Act of 1990 was section 283.[61] Section 401(1) requires every company to appoint an auditor at each annual general meeting to audit its financial statements, supplying the external check on what management reports.[62] Section 346 permits an applicant to seek the leave of the court to bring a derivative action in the name of the company, giving minority shareholders a route to redress where the board will not act.[63] Sections 119 and 120 require disclosure of persons with significant control and of substantial shareholdings in public companies, addressing the concealment of beneficial ownership behind nominee structures.[64]

The Act also supplies the rescue and liquidation machinery. Administration, under sections 443 to 549, places an independent administrator in control, and section 444(2) directs him to pursue, in order of priority, the rescue of the company as a going concern, failing which a better result for creditors as a whole than would be achieved on a winding up, and failing that the realisation of property for distribution to secured or preferential creditors.[65] The company voluntary arrangement, under sections 434 to 442, allows a compromise to be proposed to creditors and, if approved, to bind those who opposed it.[66] The Act confers on the Corporate Affairs Commission the function of administering it, including the registration, regulation and winding up of companies and the investigation of a company's affairs where the public interest requires.[67]

The weakness lies in enforcement rather than in the provisions. The Commission possesses extensive statutory authority but has not demonstrated capacity to supervise compliance across the corporate population it registers.[68] Breaches of governance obligations frequently attract no consequence, which erodes the deterrent effect the duties are intended to have.[69] The point is material to this article's subject: the rescue procedures operate on whatever company is delivered to them, and their prospects of success are largely determined by the quality of governance prevailing before the crisis arose.

The Nigerian Code of Corporate Governance 2018 and its Scope

The Nigerian Code of Corporate Governance was issued in 2018 by the Financial Reporting Council of Nigeria under the Financial Reporting Council of Nigeria Act 2011.[70] It comprises twenty-eight principles arranged in seven parts and operates on an apply-and-explain basis, under which a company must either apply a principle or explain why it has not.

The scope of the Code is frequently stated loosely in the Nigerian literature, which describes it as applying to public companies, private companies and not-for-profit entities. The Council's own guidance is more precise and should be preferred. In June 2020 the Council issued guidelines on reporting compliance with the Code

[59] Ibid s 305(3).
[60] Ibid s 305(5), (8) and (9).
[61] Ibid s 309.
[62] Ibid s 401(1).
[63] Ibid s 346.
[64] Ibid ss 119 and 120.
[65] Ibid ss 443–549, in particular s 444(2).
[66] Ibid ss 434–442.
[67] Ibid ss 7 and 8.
[68] Corporate Affairs Commission, *Annual Report 2023* (n 11).
[69] J Aruomoaghe, 'Corporate Governance and Corporate Failure Likelihood in Nigeria' (2024) *AJMR* 129 <https://ajmr.com.ng/index.php/ajmr/article/view/26/22> accessed 1 November 2026.
[70] Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance* (FRC 2018), issued under the Financial Reporting Council of Nigeria Act 2011.

which establish four matters.[71] The Code is to be the only national code of corporate governance in Nigeria and existing sectoral codes are to be withdrawn, with sector-specific guidelines to follow after engagement with sectoral regulators. The reporting obligation extends to public companies whether listed or not, to private companies that are holding companies of public companies or of regulated entities, to concessioned and privatised companies, and to regulated private companies required to file returns with a regulator other than the Federal Inland Revenue Service and the Corporate Affairs Commission. Companies within scope must report in their annual reports on how they have applied the Code. And the obligation applies to financial years ending after 1 January 2020.[72]

Two consequences follow, and both correct criticisms that continue to be repeated in the literature. The criticism that the Code specifies no commencement date was met by the guidance, which fixed one. The criticism that the Code provides no mechanism for resolving conflict between national and sectoral codes was met in principle by the Council's statement that the Code is the only national code and that sectoral codes are to be withdrawn, although the withdrawal has not been completed and the problem of multiplicity accordingly persists in practice rather than in principle. The scope of the Code has since been widened further by the Financial Reporting Council of Nigeria (Amendment) Act 2023, which enlarged the definition of public interest entities to include non-listed entities regulated by bodies such as the Central Bank of Nigeria and the Securities and Exchange Commission, holding companies of public or regulated entities, concession and privatised entities in which government retains an interest, entities holding public works contracts of one billion naira or more annually, government licensees, and all entities with annual turnover of thirty billion naira or more.[73]

Several principles bear directly on this article. Principle 1 charges the board with promoting a culture of ethics and responsible corporate citizenship and with ensuring that management acts in the interests of stakeholders. Principle 25 requires policies and mechanisms to monitor insider dealing, related party transactions and conflicts of interest. Principle 24 promotes ethical and professional standards of business conduct, Principle 26 addresses sustainability, and Principles 18 and 20 require internal and external audit so that stakeholders may rely on the company's financial statements.[74]

Criticisms of the Code nonetheless remain, and the surviving ones are more serious than those answered above. The Code draws no distinction between public companies, private companies and not-for-profit entities, although these differ materially in structure and in capacity to implement what it requires.[75] It is silent on whether the chairman of the board may also serve on a board committee. It does not prohibit auditors from providing non-audit services to the companies they audit, which is among the more significant omissions given the centrality of audit independence to the governance failures examined in Part 7.[76] It sets no minimum attendance requirement for directors. And it permits the board to determine the remuneration of non-executive directors subject to shareholder approval, which allows a body composed in part of non-executive directors to participate in fixing its own remuneration. Taken with the absence of any sanction within the Code itself, these omissions explain why compliance has been described as formal rather than substantive.[77] The deeper difficulty is structural: an apply-and-explain code enforced through sectoral regulators cannot bind the great majority of Nigerian companies, which are private, unregulated and outside the reporting obligation altogether.[78]

[71] Financial Reporting Council of Nigeria, *Guidelines on Reporting on Compliance with the Nigerian Code of Corporate Governance 2018* (FRC, June 2020). See 'FRC Issues Guidelines on Code of Corporate Governance Compliance' (Nairametrics, 23 June 2020) <https://nairametrics.com/2020/06/23/frc-issues-guidelines-on-code-of-corporate-governance-compliance/> accessed 1 November 2026.

[72] Ibid.

[73] Financial Reporting Council of Nigeria (Amendment) Act 2023. See 'Update on Public Interest Entities under the Financial Reporting Council of Nigeria Act 2023' (ALN, 23 January 2024) <https://aln.africa/insight/update-on-public-interest-entities-under-financial-reporting-council-of-nigeria-act-2023/> accessed 1 November 2026.

[74] Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance* (n 72), principles 1, 18, 20, 24, 25 and 26.

[75] Amujo-Akomolafe (n 45) 41.

[76] 'Review of the 2018 Nigerian Code of Corporate Governance' (n 46).

[77] John-Oti (n 47) 224.

[78] PK Ozili, 'The 2018 Revised Nigerian Code of Corporate Governance: An Academic Response and Lessons for Africa' (2023) MPRA Paper No 118795 <https://mpra.ub.uni-muenchen.de/118795/> accessed 1 November 2026.

The Investments and Securities Act 2025 and the Securities and Exchange Commission

The statutory basis of capital market regulation in Nigeria changed in 2025. The Investments and Securities Act 2025, assented to on 29 March 2025, repealed and replaced the Investments and Securities Act No 29 of 2007, which the Nigerian corporate governance literature continues to cite as the governing instrument.[79] The Commission's functions and powers are now set out in sections 3 and 4 of the Act of 2025.[80]

The change is of direct significance to corporate governance, and not merely of citation. Section 4 confers on the Commission a series of powers exercisable over the governance of regulated entities: to intervene in the management and control of a capital market operator which it considers is failing or has failed to act in the interests of investors; to appoint independent directors to the board of such an entity; to place a director on probation; to give directions to a regulated body; and to reject the appointment of a person it considers unfit to hold office.[81] These are instruments of direct governance intervention, and the Act of 2007 did not confer them in this form. For listed and regulated entities, therefore, Nigeria now possesses a regulator empowered to act on a board before failure occurs, rather than merely to sanction after it.

The Act also effects wider changes bearing on the subject of this article. It classifies exchanges as composite or non-composite, mandates legal entity identifiers for market participants so that exposures can be traced across the market, expressly brings virtual and digital assets and investment contracts within the definition of securities, and prohibits Ponzi and pyramid schemes with enlarged powers of asset freezing and forfeiture.[82] Of particular relevance here, it exempts transactions settled through recognised financial market infrastructure from the general operation of insolvency law, which creates a carve-out from CAMA 2020 for such transactions and is the first express Nigerian statutory recognition that systemic stability may require insolvency rules to yield.[83] The Commission had already, by circular in 2020, directed all public companies to adopt the Nigerian Code of Corporate Governance 2018 and required corporate governance reporting in annual returns.[84]

Two limitations should be recorded. The Commission's reach extends only to the regulated capital market, which represents a small fraction of companies registered under CAMA 2020, so that the enlarged powers do not touch the great majority of Nigerian companies. And the Act is too recent for its operation to be assessed; whether the Commission uses the powers in section 4 is a question that can only be answered by observation over time, and the Nigerian record of conferring powers that are not then exercised counsels against assuming that enactment will be followed by use.

The Insolvency Regulations 2022

The Insolvency Regulations 2022, made by the Corporate Affairs Commission under CAMA 2020, supply much of the procedural detail the Act left unprovided and are largely absent from the existing commentary.[85] They set out the procedure for company voluntary arrangements, harmonise filing timelines and penalties across insolvency applications, permit statutory meetings to be held virtually, and provide for a creditors' committee to monitor the conduct of an administrator.[86]

Their most consequential provision concerns insolvency practitioners. The Regulations establish an accreditation regime under which practitioners drawn from specified professional bodies, including the Business Recovery

[79] Investments and Securities Act 2025 (Nigeria), repealing the Investments and Securities Act No 29 of 2007.
[80] Ibid ss 3 and 4.
[81] Ibid s 4.
[82] Ibid ss 27, 123 and 357.
[83] 'Review of the Investment and Securities Act of 2025' (Legal 500) <https://www.legal500.com/intelligence/nigeria/corporate-commercial-law/review-of-the-investment-and-securities-act-of-2025> accessed 1 November 2026; 'President Tinubu Signs the Investment and Securities Act 2025 into Law' (Stren & Blan Partners, 29 March 2025) <https://strenandblan.com/president-tinubu-signs-the-investment-and-securities-act-2025-into-law/> accessed 1 November 2026.
[84] Securities and Exchange Commission (Nigeria), Corporate Governance Circular No 02/2020.
[85] Insolvency Regulations 2022 (n 12).
[86] Forvis Mazars, 'Emerging Trends in Insolvency Matters: A Review of the Insolvency Regulations 2022' <https://www.forvismazars.com/ng/en/insights/local-publications/local-insights/a-review-of-the-insolvency-regulations-2022> accessed 1 November 2026.

and Insolvency Practitioners Association of Nigeria, the Nigerian Bar Association, the Institute of Chartered Accountants of Nigeria, the Association of National Accountants of Nigeria and the Institute of Chartered Secretaries and Administrators of Nigeria, must obtain renewable credentials, operating alongside the authorisation requirements in sections 705 to 709 of the Act.[87] The regime answers, at least formally, the recurrent criticism that Nigeria has no licensing arrangement for insolvency practitioners. It also illustrates this article's central theme, because the existence of an accreditation regime on paper has not produced a published register of accredited practitioners, a visible disciplinary record, or any means by which a creditor asked to accept a particular administrator may verify that person's standing. A credential that cannot be checked by the person relying on it does not perform the function for which credentials exist.

The Regulatory Institutions

Three institutions share responsibility for corporate governance in Nigeria, and the division between them is itself a source of the regulatory multiplicity discussed in Part 4.2.

The Corporate Affairs Commission is established by CAMA 2020 and charged by section 7 with administering the Act. Its functions include regulating and supervising the formation, incorporation, management and winding up of companies, maintaining company registries in each state of the Federation, conducting investigations into a company's affairs where the interests of the public or of shareholders require it, and performing such other acts as are necessary to give effect to the Act.[88] It maintains the statutory registry and receives the filings the Act requires. A considerable proportion of companies nonetheless do not file annual returns or make the governance disclosures required, and the Commission has not demonstrated the monitoring capacity that would alter that position.[89]

The Securities and Exchange Commission is the apex regulator of the capital market under the Investments and Securities Act 2025, with the enlarged governance powers described in Part 6.3.[90] Its mandate is confined to the entities within its jurisdiction.

The Financial Reporting Council of Nigeria, established under the Financial Reporting Council of Nigeria Act 2011 and operating under an expanded mandate following the amendment of 2023, is responsible for standards of financial reporting and corporate governance and is the issuing authority for the Code.[91] Its role is frequently omitted from accounts of the Nigerian framework, which is an oversight, since it is the body with the clearest institutional mandate over governance as such, as distinct from registration or market regulation. Its effectiveness is constrained by its dependence on sectoral regulators to monitor and enforce a Code it issues but does not administer.

The consequence of this tripartite division is that no single institution is accountable for whether corporate governance in Nigeria is in fact observed. Responsibility for the governance of a private company that is not a public interest entity, not listed and not otherwise regulated rests, in practice, nowhere: the Commission registers it but does not supervise its governance, the Securities and Exchange Commission has no jurisdiction over it, and the Code's reporting obligation does not reach it. That gap, rather than any deficiency in the standards themselves, is the structural weakness of the Nigerian framework, and it explains why the courts have been identified as the forum in which governance failures are most likely to be addressed, although judicial intervention necessarily operates after the event and only where a party with standing and resources brings proceedings.[92]

[87] Companies and Allied Matters Act 2020, ss 705–709.
[88] Companies and Allied Matters Act 2020, s 7.
[89] Corporate Affairs Commission, *Annual Report 2023* (n 11).
[90] Investments and Securities Act 2025 (n 81).
[91] Financial Reporting Council of Nigeria Act 2011; Financial Reporting Council of Nigeria (Amendment) Act 2023 (n 75).
[92] SE Olarinde, IU Jacob and VE Aganbi, 'An Analysis of Judicial Intervention and Enforcement as Panacea to Corporate Misgovernance in Nigeria' (2021) *RIGEO* 3332.

Corporate Governance Failure and Liquidation Outcomes

This Part examines what the Nigerian record establishes. Part 7.1 sets out five documented episodes, in each case identifying the governance deficiency recorded by the relevant authority, the route by which the failure was resolved, and the distribution of loss that followed. Part 7.2 states what the episodes establish and what they do not. Part 7.3 sets out the causal mechanisms proposed in the comparative literature and identifies the evidential status of each.

Five Documented Episodes

Cadbury Nigeria Plc (2006): governance failure without insolvency

Between the early 2000s and 2006 the financial statements of Cadbury Nigeria Plc overstated the company's position by more than thirteen billion naira. The irregularities came to light following a whistleblower report and were confirmed by internal audit. The managing director and the finance director were removed, the company was sanctioned by the regulators, and the Nigerian Stock Exchange barred the officers concerned from managing quoted companies.[93] The governance deficiency was specific and is instructive: the board had relied on management's reports without independent verification, which is the failure of oversight the governance literature predicts.[94]

The episode is included here precisely because it produced no insolvency. The company was neither wound up nor placed in any rescue procedure. It was recapitalised and restructured under the support of its majority foreign shareholder, and it continued to trade. The analytical significance of that outcome is often missed. A governance failure of this magnitude did not progress to insolvency because a solvent and reputationally exposed parent absorbed the loss. Cadbury is therefore not evidence that governance failure causes insolvency; it is evidence that whether governance failure produces insolvency depends on circumstances external to the governance failure itself. It functions in this analysis as a counterfactual, and it is the reason the relationship between governance failure and insolvency is treated in Part 3.3 as probabilistic rather than necessary.

The Central Bank intervention of 2009

On 14 August 2009 the Central Bank of Nigeria, following a special examination, intervened in Afribank Plc, Intercontinental Bank Plc, Union Bank of Nigeria Plc, Oceanic International Bank Plc and Finbank Plc, removing the managing directors and executive directors of all five with immediate effect. The examination attributed the condition of the banks to poor corporate governance practices, lax credit administration processes and the absence of, or non-adherence to, the banks' own credit risk management practices. The non-performing loans of the five stood at approximately 1,143 billion naira, some 40.81 per cent of their combined loan portfolio of 2.8 trillion naira, with heavy concentration in margin lending to the capital market and in oil and gas. All five were undercapitalised and one was technically insolvent. The Central Bank injected approximately 400 billion naira as Tier 2 capital.[95] The governance deficiency was therefore identified by the regulator, quantified, and attributed to specific failures of board supervision over credit risk.[96]

The resolution route was not corporate insolvency law. None of the five was wound up under CAMA, and none entered administration or any analogue of it. Oceanic International Bank was acquired by Ecobank Transnational Incorporated, its shareholders receiving one share in the acquirer for every 5.16 shares held, and the Oceanic shares were delisted; Intercontinental Bank was acquired by Access Bank on comparable terms.[97] Depositors were unaffected. Shareholders suffered near-total dilution of value but were not wholly extinguished, their

[93] Corporate Governance Society of Nigeria, '5 Corporate Governance Mistakes and What We Can Learn from Them' <https://corpgovnigeria.org/5-corporate-governance-mistakes-and-what-we-can-learn-from-them/> accessed 1 November 2026.
[94] 'NSE Bars Bunmi Oni, Akadiri from Managing Quoted Firms' (Proshare) <https://proshare.co/articles/nse-bars-bunmi-oni-akadiri-from-managing-quoted-firms> accessed 1 November 2026.
[95] SL Sanusi, 'Developments in the Banking System in Nigeria' (Address by the Governor of the Central Bank of Nigeria, Lagos, 14 August 2009) <https://www.bis.org/review/r090922b.pdf> accessed 1 November 2026.
[96] Ibid.
[97] 'Ecobank Completes Oceanic Bank's Takeover' (Proshare, 13 February 2012) <https://proshare.co/articles/ecobank-completes-oceanic-banks-takeover> accessed 1 November 2026.

holdings being converted at ratios reflecting the destruction of equity value that the governance failure had produced.

The licence revocations of 2011

Where recapitalisation or acquisition could not be arranged, the outcome was different. On 5 August 2011 the licences of Afribank Nigeria Plc, Bank PHB Plc and Spring Bank Plc were revoked and three bridge banks were established to assume their assets and liabilities: Mainstreet Bank Limited, Keystone Bank Limited and Enterprise Bank Limited respectively. The Nigeria Deposit Insurance Corporation stated that no depositor lost any funds in the process, the liabilities of the failed banks having been transferred to the bridge institutions, which the Asset Management Corporation of Nigeria was then to capitalise pending sale to investors.[98]

The distributional consequence is the point. Depositors were protected in full and ordinary creditors were carried across to the bridge institutions, while the shareholders of the three banks were extinguished entirely, receiving nothing and retaining no interest in the successor entities.[99] That outcome was produced by a deliberate regulatory choice about where loss should fall, taken under banking resolution powers. It is not the outcome that general insolvency law would have produced, under which depositors would have ranked as unsecured creditors and would have shared rateably in whatever the estate realised.

Skye Bank and Polaris Bank (2018)

The pattern was repeated in 2018. The Central Bank revoked the licence of Skye Bank Plc, the bank having required urgent recapitalisation which its shareholders had been unable to provide, and having in the Bank's words been unable to continue on indefinite liquidity support. A bridge bank, Polaris Bank Limited, was established in consultation with the Nigeria Deposit Insurance Corporation to assume the assets and liabilities, with the Asset Management Corporation capitalising it and charged with finding investors to buy out its stake. Customers became customers of Polaris and their deposits remained safe.[100] Shareholders, having failed to recapitalise, lost their investment.[101]

Nigerian Telecommunications Limited (2012 to 2015)

NITEL is the only one of the five episodes resolved by liquidation, and it is accordingly the only one from which anything can be said about liquidation outcomes directly. Its decline over many years has been attributed to sustained governance and turnaround failure. In February 2012 the National Council on Privatisation approved the disposal of NITEL and its mobile subsidiary MTEL through guided liquidation. The Bureau of Public Enterprises received expressions of interest from seventeen parties and shortlisted two. On 3 December 2014 the NATCOM Consortium was named preferred bidder at 252.5 million United States dollars, and payment was completed in April 2015, the purchaser acquiring the licences and spectrum, the fixed network, the fibre backbone, the international gateway earth stations, the CDMA and GSM networks and the SAT-3 submarine cable interest.[102]

The outcome for creditors is the significant feature. The enterprise carried a pension liability of some 43 billion naira, and in May 2020, more than five years after the sale was completed, approximately 8,000 retirees and pensioners were still complaining of unpaid housing funds and eighty-three months of accrued pension arrears, notwithstanding that provision had been made in the federal budget.[103] A creditor class consisting of former

[98] Nigeria Deposit Insurance Corporation, Press Release on the Establishment of Bridge Banks (NDIC, 5 August 2011) <https://www.cbn.gov.ng/Out/2011/pressrelease/gvd/NDIC%20PRESS%20RELEASE.pdf> accessed 1 November 2026.
[99] Ibid.
[100] Central Bank of Nigeria, Press Release on the Revocation of the Licence of Skye Bank Plc and the Establishment of Polaris Bank Limited (CBN, September 2018) <https://www.cbn.gov.ng/Out/2018/CCD/Skye%20Bank-Press%20Release%20(Final%20Version).pdf> accessed 1 November 2026.
[101] Ibid.
[102] 'The Long Road from NITEL to NTEL and the Dashed Hopes' (Nairametrics, 19 December 2020) <https://nairametrics.com/2020/12/19/the-long-road-from-nitel-to-ntel-and-the-dashed-hopes> accessed 1 November 2026; Bello and Zango (n 35) 27.
[103] Ibid.

employees therefore remained substantially unpaid for over five years after the realisation of the assets. This is the clearest documented instance in the Nigerian record of a liquidation in which the proceeds of realisation did not reach a class of creditors within any reasonable period.

A comparative figure assists in placing these outcomes. The Asset Management Corporation of Nigeria, which acquired the non-performing loans generated by the banking crisis, paid approximately 1.8 trillion naira for more than 12,000 loans and had recovered 57 per cent of them by May 2015.[104] That recovery rate was achieved by a statutory corporation with enforcement powers, dedicated funding and a specialist mandate. It is a reasonable upper bound against which recoveries in ordinary liquidations conducted by individual practitioners without those advantages may be judged.

What the Episodes Establish and What They Do Not

Three propositions are established on this record. First, governance failure preceded financial distress in each of the four episodes that reached distress, and in each the deficiency was identified as such contemporaneously by a regulator or an investigation rather than inferred afterwards. The association between governance failure and distress is therefore documented in Nigeria and not merely imported from comparative studies.

Second, the route by which a distressed company is resolved, rather than the severity of its governance failure, determines how loss is distributed. The banking cases and NITEL involved comparable governance deficiencies but produced opposite distributional outcomes: in the banks, depositors and ordinary creditors were protected in full and shareholders bore the entire loss; in NITEL, realisation produced 252.5 million dollars while a creditor class went unpaid for years. The difference is attributable to the resolution regime, not to the companies.

Third, and this is the article's principal finding, none of the five episodes was resolved under general corporate insolvency law. Four were resolved under banking resolution powers exercised by the Central Bank, the Nigeria Deposit Insurance Corporation and the Asset Management Corporation, and one under the privatisation framework administered by the National Council on Privatisation and the Bureau of Public Enterprises. Nigeria's most consequential governance-driven corporate failures have been handled by special regimes possessing precisely the attributes the general regime lacks: a designated institution with resolution authority, funding, specialist staff and the power to act before a company's value has dissipated. That finding reframes the debate about CAMA 2020. The question is not only why the rescue procedures introduced in 2020 are underused, but why the cases in which they would have mattered most never reached them.[105]

Three propositions are not established, and the limits should be stated plainly. The episodes do not establish a quantified relationship between governance quality and creditor recovery, because no Nigerian recovery data exists against which such a relationship could be tested. They do not establish that the outcomes would have been worse under CAMA, since no counterfactual is available. And they are a sample of large and publicly salient failures, which are precisely the cases most likely to attract a special regime; nothing in them supports inference about the ordinary private company that is wound up without regulatory attention, which is the modal Nigerian insolvency and about which the public record is silent.

Proposed Causal Mechanisms and their Evidential Status

The comparative literature proposes four mechanisms by which pre-insolvency governance failure degrades liquidation outcomes. Each is set out below with its evidential status in the Nigerian context identified, because the distinction between a mechanism that is established and one that is merely plausible has not generally been drawn in this field.[106]

Asset depletion before commencement. Where a crisis is foreseeable and governance is weak, directors or controlling shareholders may transfer assets to connected entities before formal proceedings begin, and a

[104] 'AMCON Recovers 57% of Bad Debts Bought in Crisis' (BusinessDay, 26 May 2015) <https://archive.businessday.ng/insurance/article/amcon-recovers-57-of-bad-debts-bought-in-crisis/> accessed 1 November 2026.
[105] Companies and Allied Matters Act 2020; Insolvency Regulations 2022 (n 12).
[106] Ali, Hussain and Iqbal (n 8); Balagobei and Keerthana (n 33).

liquidator must then seek to unwind those transfers through a process that is legally complex, slow and funded from the very estate it is intended to augment.[107] In Nigeria this mechanism is supported but not established: insider and related-party lending was identified by the Central Bank as a feature of the 2009 failures, and prosecutions have followed the disposal of NITEL property, but no study quantifies the reduction in recoveries attributable to such transfers.

Destruction of reliable records. Incomplete or inaccurate books, the ordinary product of weak financial controls and of an audit function that does not test what management reports, oblige a liquidator to commission forensic accounting simply to establish the company's position, at the estate's expense.[108] The mechanism is well established in the comparative literature and is consistent with the Cadbury and 2009 episodes, in which misstatement and inadequate credit records were documented. Its effect on Nigerian recovery rates is not measured.

Limitation of the office-holder. Where insolvency practitioners are not effectively regulated, or where the courts lack experience of governance abuse, a liquidator may be unwilling or unable to pursue directors or to trace assets.[109] In Nigeria this remains a hypothesis. It is supported by the structural facts established in Part 6.4, namely that the accreditation regime produces no published register and no visible disciplinary record, but no Nigerian study examines the conduct of office-holders directly.

Delay. Liquidations involving governance abuse require extended investigation and frequently contested litigation, and the longer the process the greater the administrative and legal expenditure charged against the estate.[110] This mechanism has the strongest Nigerian support of the four. The NITEL pension arrears, running to eighty-three months five years after realisation, are a documented instance of delay operating to the detriment of a creditor class, although the record does not isolate how much of that delay is attributable to governance failure as distinct from the complexity of a state-owned enterprise disposal.

The honest summary is therefore that the direction of the relationship is well supported and its magnitude is unknown in Nigeria. The statutory framework is not indifferent to these mechanisms: CAMA 2020 and the Insolvency Regulations 2022 together provide moratoria, administrator powers and defined procedural routes capable of limiting the damage.[111] Their effectiveness is constrained by limited practitioner capacity, by the unresolved relationship between administration and receivership which allows a secured creditor to elect for realisation over rescue, and by weak enforcement of governance obligations before distress arises.[112] The criticism to be made is not that governance deficiencies exist, since they exist everywhere, but that Nigerian institutions do not yet possess the capacity to prevent or reverse the harm those deficiencies produce, and that the absence of published data makes it impossible to say by how much.

Corporate Governance Failure and Business Rescue

Rescue is the response to distress that seeks to preserve the company rather than dismantle it. It is a corrective measure applied while the company is still in difficulty, by which it reaches agreement with its creditors to restructure its obligations and operations, and it is described variously as an arrangement, a restructuring or a reorganisation.[113] Its distinguishing characteristic is that the corporate entity and its business survive and ownership remains intact. Its function is to hold the position stable while a solution is negotiated, replacing the

[107] International Monetary Fund, *Orderly and Effective Insolvency Procedures* (IMF 2022) 32.
[108] A Rehman and F Hashim, 'A Conceptual Framework: Forensic Accounting and Corporate Governance Maturity' (2020) 5(30) *International Journal of Accounting, Finance and Business* 52.
[109] Insolvency Service, 'Annual Review of Insolvency Practitioner Regulation 2023' <https://www.gov.uk/government/publications/insolvency-practitioner-regulation-process-review-2023/annual-review-of-insolvency-practitioner-regulation-2023> accessed 1 November 2026.
[110] John, Ofurum and Egbe (n 53) 81.
[111] Aina and Omotoye (n 9).
[112] Ozili (n 80).
[113] 'Business Rescue in Nigeria: A Step in the Right Direction' (2021) <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3832465> accessed 1 November 2026.

race among creditors to seize the debtor's assets with a collective process.[114] CAMA 2020 provides two such procedures, administration and the company voluntary arrangement.[115]

Rescue depends on conditions that good governance supplies and that governance failure destroys: early detection of distress, reliable information, accountable decision-making and the capacity to negotiate credibly with creditors.[116] The relationship between governance and rescue is therefore constitutive rather than incidental. The same deficiencies that bring a company to the point of distress also remove the conditions on which its rescue would depend, which is why reform of insolvency procedure alone cannot compensate for governance failure.

The Nigerian record of rescue under CAMA 2020 is thin but no longer empty, and it bears on the argument. The first company voluntary arrangement under the Act was proposed by Tourist Company of Nigeria Plc, the owner of the Federal Palace Hotel in Lagos, whose turnover had fallen from about 7.7 billion naira in 2019 to about 1.3 billion naira in 2020 and which owed creditors in excess of 27 billion naira. The directors proposed that interest cease to accrue from March 2020, and the nominees reported the proposal viable and fair to creditors with a reasonable prospect of approval.[117] Two features of the episode are instructive. The proposal addressed a liquidity failure in a business whose operations remained capable of generating revenue, which is precisely what the procedure contemplates. But the nominees sought court orders to convene meetings of members and creditors, following the procedure applicable to a scheme of arrangement although a company voluntary arrangement is designed to operate with minimal court involvement, and the company had no moratorium behind which to negotiate.[118] Nigeria's first use of its principal light-touch rescue procedure was therefore conducted partly by analogy with the procedure it was intended to replace. There has since been a first court-ordered administration, but the documented instances remain few enough to be counted.[119]

Four mechanisms connect governance failure to the failure of rescue. The first is delay in recognition. Where a board lacks independence, or where insiders benefit from opacity, difficulty is concealed rather than disclosed and the company trades on while its position deteriorates. Rescue is most effective when invoked early, because the value it exists to preserve is that of a business still capable of trading; a company entering administration only when its position is irretrievable presents the administrator with the third of the objectives in section 444(2) rather than the first, so that a procedure designed to rescue operates in substance as a method of realisation.

The second is the absence of reliable financial information. A rescue proposal must rest on accounts creditors will believe, since they are being asked to accept less, or to wait longer, on the strength of a projection. Where accounts are incomplete or manipulated, the forensic work and due diligence required before any proposal can be made add materially to cost and duration and may deter funders and purchasers altogether.[120]

The third is the conduct of insiders. Those who have dealt with corporate assets in their own interest have a continuing incentive to resist a procedure that would subject their conduct to independent scrutiny. Administration displaces the directors, and it is the directors who must ordinarily initiate it. Governance failure thus produces a structural reluctance to use the procedure best suited to address its consequences, which is a more precise explanation of underuse than the general appeals to awareness and culture found in the literature.

[114] Ibid.
[115] Companies and Allied Matters Act 2020, ss 443–549 (administration) and ss 434–442 (company voluntary arrangements).
[116] Balagobei and Keerthana (n 33) 76.
[117] K Udofia, 'A Preliminary Appraisal of Nigeria's First-Ever Company Voluntary Arrangement' *ThisDay* (Lagos, 11 January 2022) <https://www.thisdaylive.com/2022/01/11/a-preliminary-appraisal-of-nigerias-first-ever-company-voluntary-arrangement/> accessed 1 November 2026.
[118] Ibid.
[119] Oluwaleye Adedoyin Grace, 'The Rescue Culture under CAMA 2020: Has Nigeria Truly Moved beyond Liquidation?' *Opinion Nigeria* (4 September 2026) <https://www.opinionnigeria.com/the-reacue-culture-under-cama-2020-has-nigeria-truly-moved-beyond-liquidation-by-oluwaleye-adedoyin-grace/> accessed 1 November 2026.
[120] SC Ebeku and JC Ebubedike, 'Corporate Rescue and Restructuring in Nigeria: A Critical Analysis of the Provisions and Procedures under the Companies and Allied Matters Act 2020' (2025) 9(1) *African Journal of Law and Human Rights* 20.

The fourth is the loss of trust. Rescue is a negotiated outcome requiring creditors, employees, suppliers and prospective investors to accept both the integrity of the process and the reliability of those conducting it.[121] Where governance has failed, that acceptance is withheld, and the new money or forbearance on which a plan depends is not forthcoming.[122] Creditor scepticism in such circumstances is a rational response to an untrustworthy counterparty rather than obstruction, and it will not be dispelled by procedural reform.

It follows that statutory provision for rescue is necessary but not sufficient. Information asymmetry, insider resistance, creditor opportunism and weak enforcement will defeat the statutory procedures unless supported by credible governance, which is to say by accountable boards, financial reporting that can be relied upon, and independent scrutiny of both.[123] The argument should not be overstated: the Nigerian rescue record is too small to support quantified claims about success rates, and the account given here identifies mechanisms consistent with that record rather than conclusions compelled by it.

RECOMMENDATIONS

The recommendations below are directed at the institutions in a position to implement them. Each identifies the responsible body, the action required, the instrument through which it may be taken, and the improvement in liquidation or rescue outcomes it is expected to produce. They are ordered by the ratio of expected effect to institutional cost, and none except the fourth requires primary legislation.

Publish insolvency outcome data

Responsible institution: the Corporate Affairs Commission. *Action:* compile and publish an annual series recording the number of administrations, company voluntary arrangements and liquidations commenced and concluded, their average duration, the costs charged against insolvent estates, and the rates of distribution to each creditor class. *Instrument:* an administrative reporting requirement imposed on office-holders under the Insolvency Regulations 2022, which already require filings from which most of this information could be extracted. *Expected improvement:* the regime's performance becomes measurable, the effectiveness of the 2020 and 2022 reforms can be evaluated against evidence, and the research gap identified in Part 4.4 is closed. This is the least costly of the recommendations and the one on which the evaluation of all the others depends.

Operationalise the practitioner accreditation regime

Responsible institution: the Corporate Affairs Commission. *Action:* publish and maintain a register of accredited insolvency practitioners searchable by name, issue and publish the criteria governing accreditation and its renewal, stratify accreditation by the complexity of appointment a practitioner may accept, and publish disciplinary determinations. *Instrument:* the accreditation provisions of the Insolvency Regulations 2022 together with sections 705 to 709 of CAMA 2020, which confer the necessary authority without amendment.[124] *Expected improvement:* a creditor asked to accept an appointment can verify the appointee's standing before consenting, which addresses directly the creditor scepticism identified in Part 8 as a principal obstacle to rescue, and the prospect of published discipline supplies the deterrent presently absent.

Complete the consolidation of governance codes

Responsible institution: the Financial Reporting Council of Nigeria, acting with the sectoral regulators. *Action:* complete the withdrawal of sectoral codes announced in the 2020 guidance, issue the promised sector-specific guidelines subordinate to the national Code, and publish a rule of precedence governing any residual conflict. *Instrument:* the Council's existing powers under the Financial Reporting Council of Nigeria Act 2011 as amended, exercised through the guidance mechanism already used in 2020.[125] *Expected improvement:* removal

[121] M Abu Alia and O Awwad, 'The Effect of Corporate Governance and Disclosure Quality on Information Asymmetry in the PEX' (2022) 36(3) *An-Najah University Journal for Research (Humanities)* 519.
[122] Templars (n 54).
[123] Aruomoaghe (n 71).
[124] Companies and Allied Matters Act 2020, ss 705–709; Insolvency Regulations 2022 (n 12).
[125] Osemeke and Adegbite (n 39) 431; Financial Reporting Council of Nigeria, *Guidelines* (n 73).

of the regulatory multiplicity which the literature has identified since 2016 as depressing compliance, and the substitution of a single standard against which boards can be held to account.

Close the audit independence gap in the Code

Responsible institution: the Financial Reporting Council of Nigeria. *Action:* amend the Code to prohibit external auditors from providing non-audit services to the companies they audit, prescribe a minimum attendance requirement for directors at board meetings, and remove the board's power to determine the remuneration of its own non-executive members. *Instrument:* revision of the Code and of the principles on assurance.[126] *Expected improvement:* audit independence is the single governance mechanism most directly connected to the reliability of the financial information on which both liquidation and rescue depend, and the Cadbury and 2009 episodes both turned on the failure of verification.

Develop specialist judicial capacity

Responsible institution: the Federal High Court, with the National Judicial Institute. *Action:* designate insolvency and corporate governance lists within the Federal High Court, assign them to judges receiving continuing training in insolvency and governance principles, and issue a practice direction prescribing timetables for applications in administration and for the sanction of arrangements. *Instrument:* the Chief Judge's existing powers to designate lists and issue practice directions, requiring no legislation. *Expected improvement:* reduction in the interval between application and order, which determines whether a rescue procedure is invoked while the business retains going-concern value, and greater consistency in the treatment of governance abuse in liquidation.[127]

Exercise the new powers over boards

Responsible institution: the Securities and Exchange Commission. *Action:* publish criteria and a procedure governing the exercise of its powers under section 4 of the Investments and Securities Act 2025 to intervene in the management of a regulated entity, to appoint independent directors, to place a director on probation and to reject an unfit appointment, and report annually on their use. *Instrument:* rules made under the Act of 2025.[128] *Expected improvement:* intervention in a failing board before value is destroyed, which is the only one of the recommendations capable of operating preventively rather than after the event; publication of criteria also protects the Commission against the charge of arbitrary intervention which attends broad discretionary powers.

Attach a moratorium to the company voluntary arrangement

Responsible institution: the National Assembly, on the recommendation of the Corporate Affairs Commission. *Action:* amend CAMA 2020 to provide a short moratorium on enforcement during the negotiation and approval of a company voluntary arrangement, supervised by the nominee. *Instrument:* amendment of sections 434 to 442 of the Act; this is the only recommendation requiring primary legislation. *Expected improvement:* removal of the single creditor veto which presently allows any one creditor to defeat a proposal the general body would accept, and which left the first Nigerian arrangement without protection while it was negotiated.

CONCLUSION

This article asked how the failure of corporate governance affects the two formal responses to corporate distress in Nigeria. Three findings answer that question.

The first is conceptual. Corporate governance failure is not a financial condition but a breakdown in the mechanisms of direction and accountability, and it must be distinguished from corporate failure, from insolvency and from bankruptcy. Nigerian law supports that distinction more sharply than the literature acknowledges: section 572 of CAMA 2020 contains no balance-sheet test of the kind found in English law, so that balance-sheet deterioration does not of itself open the door to a winding-up petition, and bankruptcy is a status attaching

[126] Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance* (n 72), principles 18 and 20.
[127] Olarinde, Jacob and Aganbi (n 94) 3332.
[128] Investments and Securities Act 2025 (n 81), s 4.

to individuals under the Bankruptcy Act 1979 and not available against a company at all. The loose usage prevailing in the Nigerian literature obscures both points.

The second is evidential. On the documented Nigerian record, governance failure preceded distress in every case examined, but the distribution of loss was determined by the route through which the failure was resolved rather than by its severity. Where resolution proceeded under banking powers, depositors and ordinary creditors were protected in full and shareholders bore the loss. Where it proceeded by liquidation, as in NITEL, realisation of 252.5 million dollars was followed by a creditor class remaining unpaid for more than five years. The mechanisms by which governance failure degrades recoveries are well supported in the comparative literature and consistent with the Nigerian material, but their magnitude in Nigeria is unknown and cannot presently be established, because no data on duration, cost or recovery is published.

The third is structural, and it is the article's principal contribution. None of the five episodes examined was resolved under general corporate insolvency law. Four were resolved under banking resolution powers and one under the privatisation framework. Nigeria's most consequential governance-driven failures have been handled by regimes possessing a designated institution with resolution authority, funding, specialist staff and the power to act early, which are precisely the attributes the general regime lacks. The implication is that the underuse of the CAMA 2020 procedures is not simply a matter of awareness or legal culture. Where the stakes have been high enough to attract institutional attention, Nigeria has built or borrowed a special regime rather than use the general one, and the general regime has accordingly been left to the cases in which no institution is watching.

It follows that the reforms Nigeria requires are reforms of capacity rather than of statutory text. The framework is in its essentials sound, and has improved further since much of the critical literature was written: the Insolvency Regulations 2022 supplied the procedural detail and an accreditation regime, the Financial Reporting Council's 2020 guidance fixed the Code's scope and commencement and began the consolidation of sectoral codes, and the Investments and Securities Act 2025 gave the capital market regulator direct powers over boards. What is missing is the publication of a practitioner register, the exercise of the powers conferred, specialist judicial capacity, and data by which any of this might be measured.[129] Until those are supplied, the improvement in Nigeria's governance and insolvency legislation will remain more apparent on paper than in the outcomes it produces, and the scholarly claims made on either side of the debate, including those advanced here, will remain incapable of verification.

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