

FINTECH PRACTICE GROUP

CBN Revokes 46 Microfinance Bank Licences: What BOFIA Enforcement Signals

The Central Bank of Nigeria (CBN) has once again shown that it will not hesitate to withdraw a licence when an institution falls short. Effective 1 July 2026, the CBN revoked the operating licences of 46 microfinance banks, spanning the Tier 1, Tier 2 and State categories. The action was taken under Sections 12 and 13 of the Banks and Other Financial Institutions Act (BOFIA) 2020. For every regulated financial institution, and for the businesses and investors that deal with them, the message is that licensing is the beginning of regulatory scrutiny, not the end of it.

What the CBN Did and Why

The CBN stated that the revocations followed supervisory assessments and became necessary because of one or more circumstances set out in its notice. Five grounds were identified: insufficient assets to cover liabilities; closure without the CBN's approval; business inactivity and the cessation of financial intermediation; failure to commence operations within 12 months of approval; and failure to maintain unimpaired minimum capital funds. The apex bank said the action forms part of its ongoing efforts to strengthen the stability of the financial sector, protect depositors and make sure licensed institutions operate in line with existing laws and prudential regulations.

The Legal Basis Under BOFIA 2020

BOFIA 2020 gives the CBN broad supervisory and enforcement powers over banks and other financial institutions, including the power to revoke a licence where the statutory circumstances are met. The grounds cited in this exercise are not technical footnotes. Capital adequacy, solvency, operational activity and the obligation to seek approval before closing are core licence conditions, and a failure on any one of them can place a licence at risk. Institutions should read the revocation grounds as a practical checklist of what the regulator is actually testing.

What This Signals for Regulated Institutions

The clearest signal is that supervision is continuous. A licence granted once does not stay valid on that basis alone. Financial institutions, whatever their size, remain under the CBN's active and ongoing supervision, and capital, governance and reporting standards must be met on a continuing basis rather than only at the point of authorisation. Dormant or thinly operating licensed entities are equally exposed, as inactivity and failure to start operations are themselves grounds for revocation.

What Institutions Should Do Now

Institutions should review their position against each ground the CBN cited. Minimum capital should be tested against current losses, not last year's balance sheet, and any impairment should be addressed before it becomes a supervisory finding. Governance records and regulatory returns should be complete and current, so that the institution can show compliance when asked. Any plan to wind down, merge, suspend operations or close a branch should be raised with the CBN and approved before action is taken. Entities that hold a licence but are not trading should take advice on whether to activate, restructure or surrender it in an orderly way.

What This Means for Customers, Partners and Investors

Fintech partners, investors and corporate clients that work with microfinance banks should treat licence status and capital health as part of ordinary due diligence. Counterparty checks, contract terms covering regulatory events, and contingency arrangements for services run through a regulated partner are now more important than before. A partner's loss of licence can disrupt settlement, lending and customer relationships quickly.

We help regulated financial institutions keep up with the capital, governance and reporting standards that CBN supervision demands, and we support partners and investors in assessing and managing regulatory risk in their dealings with them.

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