

POST-NO-DEBIT ORDERS IN NIGERIA: BETWEEN REGULATORY ENFORCEMENT AND CUSTOMERS' RIGHTS

Introduction:

The freezing of bank accounts has long been a contentious issue in banking and financial litigation, and remains a recurring source of dispute between financial institutions and their customers in Nigeria. A persistent question confronting banks is whether they may lawfully restrict a customer's access to funds solely on the basis of directives issued by law enforcement or regulatory agencies, or whether such directives must be supported by a valid court order before they can be implemented.

One of the most common forms of account restriction is the placement of a Post-No-Debit (PND) alert. A PND restriction effectively prohibits all debit transactions on an account, including withdrawals through Automated Teller Machines (ATMs), cheque transactions, electronic transfers, and other means by which funds may be debited from the account. While the account holder may continue to receive credits into the account, access to the funds therein is substantially curtailed for the duration of the restriction.

Generally, the law is settled that, banks cannot independently restrict access to customers' accounts except as permitted by law, or with judicial approval through a Court order¹. However, there are a select instances when banks are lawfully allowed to place restrictions on customers account without the requirement of Court orders². The instances include:

1. When the account holder expressly directs the bank to block/restrict their accounts, and this can be for whatsoever reason³;
2. When the bank is notified of the death of the account holder;
3. Where the Economic and Financial Crimes Commission (EFCC) directs a 72 (Seventy-two) hour restriction on a customer's account for purposes of investigation⁴;
4. The ICPC acting under Section 45 of the ICPC Act⁵; or

¹ See, **Diamond Bank v. Unaka & Ors (2019) LPELR-50350 (CA)**.

² **The constitutional right to property under Section 44 of the Constitution is not absolute, and temporary restrictions during investigations are lawful and valid.**

³ See, **UBA Plc v. Antai (2018) LPELR-49786 (CA)**, the Court held that Banks should not unilaterally close or place bans on accounts without a Court order or instruction from the account holder or signatories to the account.

⁴ See **Section 7(6) MLA 2022; NPG Properties & Construction Works Ltd v. Zenith Bank Plc (2023) 15 NWLR (Pt. 1908) 423.**

⁵ **Section 45 (1) Corrupt Practices and Other Related Offences Act 2010 (the "ICPC Act") empowers ICPC Chairman to direct seizure and freezing of properties and assets which are subject matter of investigation under the ICPC Act. Section 45 of the ICPC Act provides as follows: "where the chairman of the commission is**

5. Where Banks restrict customers' accounts based on the provisions of the Central Bank of Nigeria (CBN) Instruments⁶.

The extent to which a bank may lawfully freeze a bank account without prior judicial authorization was considered by the Court of Appeal in the case of *Kuda Microfinance Bank Ltd v. Amarachi Kenneth Blessing (CA/EK/48/2024)*. In that case, the Court of Appeal held that banks in Nigeria may lawfully restrict customer accounts without first obtaining a court order where there is a report of fraud or suspicious activity, provided that the customer has contractually agreed to such measures.

In that case, Mrs. Amarachi Kenneth Blessing had ₦5,000,000 (Five Million Naira) mistakenly credited to her Access Bank account, which she moved to her Kuda account. Upon notification from Access Bank, Kuda flagged the transaction as suspicious and imposed a Post-No-Debit (PND) on her account without first obtaining a court order. The Respondent sued Kuda at the Federal High Court, claiming the account restriction was unlawful and violated her constitutional right to property. Kuda defended its actions by citing its account Terms and Conditions⁷ which permit freezing accounts in cases of fraud or

satisfied on information given to him by an officer of the Commission that any movable property, including any monetary instrument or any accretion thereto which is the subject-matter of any investigation under this Act or evidence in relation to the Commission of such offence is in the possession, custody or control of a bank or financial institution, he may, notwithstanding any other written law or rule of law to the contrary by order direct the bank or financial institution not to part with, deal in, or otherwise dispose of such property or any part thereof until the order is revoked or varied. (2) No bank, agent or employee of a bank shall on account of such compliance, be liable to any prosecution or to any civil proceedings or claim by any person under or by virtue of any law, contract, agreement, or arrangement, or otherwise.”

⁶ In *Ipinloju Damola Femi v. EFCC & Ors* where the Bank had frozen the customer's account acting on the directive of the EFCC, while holding that the EFCC is statutorily empowered under section 6(5)(b) of the MLA 2011 (now section 7(6) of the MLA 2022) to authorise a 72 (Seventy-two) hour temporary restriction on accounts for the purposes of investigation¹¹, the Court further noted that Banks are allowed under the Central Bank of Nigeria (CBN) Inter Bank Regulation and CBN Circular for Establishment of Fraud Desk, to place temporal restrictions on customers' accounts where there is suspected fraudulent activity. Again, in Kuda's case, The Court clarified that a bank, being regulated by the Central Bank of Nigeria (“CBN”) was required to comply with all its regulations and circulars that allow for the restriction of a customer's account where fraud is reported.

⁷ This is the form/contract that customers seeking to open a Bank account will usually sign before the account is open.

suspicious activity, as well as the relevant CBN Circular⁸ and Regulation⁹. The Court ruled the restriction unlawful due to the absence of a prior court order and decided against Kuda.

On appeal, the Court of Appeal overturned the FHC's decision, finding that the lower court had wrongly ignored the parties' contract and relevant CBN regulations. The CA held that Kuda's Terms and Conditions, along with CBN instruments, lawfully empowered the bank to restrict the Respondent's account without a court order in cases of suspicious inflows. The CA upheld the restriction and dismissed the Respondent's claims, establishing another legal basis for banks to freeze accounts without a court order.

The implication of the Court of Appeal's decision is that a bank's power to place a customer's account on Post No Debit (PND) status on the basis of suspected fraud is not automatic. Rather, such a right arises and becomes exercisable only where, at the time of opening the account, the customer expressly agreed to terms and conditions authorizing the bank to impose a PND restriction in circumstances involving allegations or suspicion of fraud.

In the absence of any contractual provision conferring such authority on the bank, the bank cannot unilaterally place the customer's account on PND status. In such circumstances, a valid court order is required before any restriction can lawfully be imposed on the operation of the account. The rationale behind this is that the banker-customer relationship is contractual and that parties are bound by the terms and conditions governing that relationship.

While these authorities clearly authorize banks to impose Post-No-Debit Orders at the investigative stage, they do not sanction "indefinite" freezes. Where investigations are contested or prolonged, a court's order is required to legitimize such freeze.

REASSESSING THE POWERS OF THE EFCC AND ICPC TO DIRECT BANKS TO PLACE ACCOUNTS ON POST-NO-DEBIT RESTRICTIONS

Recent judicial decisions suggest a growing inclination by the courts to circumscribe the otherwise extensive powers exercised by certain law

⁸ See paragraph 3 of the CBN Circular on the Establishment of Industry Fraud Desks, issued on 11 June 2015, which empowers Banks to impose a PND on a Bank customers' account on allegations of fraud without recourse to Court orders, available at <https://www.cbn.gov.ng/out/2015/bpsd/circular%20on%20the%20establishment%20of%20industry%20fraud%20desk.pdf> Accessed on 13th June, 2026.

⁹ See regulation 10(3) of the CBN Regulation on Instant (Inter-Bank) Electronic Funds Transfer Services in Nigeria issued on 13 July 2018, , which makes reference and adopts the provisions of the CBN Circular on Industry Fraud Desk, available at <https://www.cbn.gov.ng/out/2018/bpsd/regulation%20on%20instant%20payment.pdf> Accessed on the 13th June, 2026.

enforcement and regulatory agencies, including the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC), in relation to the imposition of Post-No-Debit (PND) restrictions on bank accounts.

The courts have increasingly emphasized that the placement of a PND restriction, being a measure that directly interferes with an individual's proprietary rights and access to funds, must be exercised in strict compliance with due process requirements. Consequently, notwithstanding any statutory power conferred on an investigating agency, a valid court order may be required before a PND directive can lawfully be imposed on the account of a person under investigation. For instance, in *Efoba Construction & Engineering Services Ltd v. ICPC & Anor (Suit No. FHC/L/CS/1796/2020)*, the Federal High Court, Lagos Division, per Lifu J., held that the ICPC lacked the authority to place a Post-No-Debit restriction on the applicant's bank account without first obtaining a valid order of court, describing such action as a violation of the applicant's constitutional right to own and enjoy property.

It should, however, be noted that the jurisprudence in this area remains unsettled. Other decisions have upheld the ICPC's statutory power under section 45(1) of the ICPC Act to impose PND restrictions without first obtaining a court order, thereby reflecting an ongoing tension between statutory investigative powers and constitutional guarantees of due process.

On the basis of the above authority, financial institutions are advised to always request that any regulatory agency directing it to place a post-no-debit alert on the account(s) of any of its customers obtains an order of a competent court before complying with such directive.

WHETHER BANKS ARE OBLIGATED TO NOTIFY A CUSTOMER BEFORE COMPLYING WITH A COURT ORDER TO PLACE CUSTOMER'S ACCOUNT ON PND

A judgment or order of a court when delivered takes effect immediately, unless its execution is stayed by the court. Consequently, a bank served with a valid court order is under a legal obligation to comply with the terms of that order forthwith.

There is no legal duty requiring the bank to notify its customer prior to complying with a court order affecting the customer's account. The bank's primary obligation in such circumstances is to give effect to the directive of the court. Any prior notification to the customer is therefore not a condition precedent to compliance and may, in certain instances, undermine the purpose for which the order was granted.

Nonetheless, nothing precludes the bank from informing the customer of the existence or implementation of the order where it considers it appropriate to do

so. Such notification, however, is merely a matter of courtesy, customer relations, or internal business practice and does not arise from any legal obligation imposed on the bank. However, the regulatory foundation for this policy is also reflected in the CBN Regulatory Framework for Bank Verification Number Operations and Watchlist for the Nigerian Banking Industry. Under Clause 2.1 of the Framework, where a bank receives a report of an alleged breach, the bank is required to investigate the alleged breach, and under Clause 2.2, place the customer's account on Post-No-Debit. The bank is required to notify the customer through verifiable means within five business days and afford the customer an opportunity to present documentary evidence that may affect the bank's decision within three business days

What Affected Customers Can Do?

A customer (corporate or individual) whose account has been unlawfully frozen or placed on Post No Debit (PND) have several remedies available, including seeking for damages in Court. He may also seek for declaratory or relevant injunctive orders to lift unlawful restrictions. Additionally, the customer may claim damages for any loss suffered as a result of the unlawful restriction. The courts have consistently recognised that where a bank wrongfully interferes with a customer's right to operate an account, it may be liable in damages for breach of the banker-customer contract. See, *Union Bank of Nigeria Plc v. Chimaeze and GTB Plc v. Adedamola*, where the court reaffirmed that a bank's authority to restrict a customer's account must be grounded in law, contract, or a valid court order.

Accordingly, where an account restriction is imposed without contractual authority, statutory backing, or a valid court order, the customer is entitled to seek judicial redress, including the lifting of the restriction and compensation for any resulting loss.

WHETHER A MAGISTRATE COURT CAN ORDER A PND

The High Court of F.C.T in its appellate authority in *Paulyn O. Abhulimen, S.A.N v. Zenith Bank Plc & Anor (FCT/HC/CV/2194/2024)*, held that magistrate courts did not have the jurisdiction to order the restriction of the claimant's account and ordered payment of damages to the Claimant. The Court emphasized that, pursuant to Section 251 of the Constitution, matters relating to banker-customer transactions fall within the concurrent jurisdiction of the State High Court and Federal High Court, not magistrate Courts.

From the various court decisions on freezing customers accounts, the following key points are noteworthy:

A bank may restrict an account at the request of the account holder or signatories, as part of its contractual duty to follow lawful instructions. An EFCC directive to restrict an account under Section 34(1) of the EFCC Act must be backed by a court order. Without it, banks may lawfully ignore the directive and

risk liability if they comply. However, the EFCC may direct a bank to freeze an account for up to 72 hours for investigation, after which a court order is required. Any restriction beyond this period without court approval can be legally challenged by the customer.

Furthermore, the CBN instruments authorises banks to restrict a customer's account where there are allegations of fraud or suspicious activity involving the account. Consequently, if a Bank places a restriction on a customer's account based on the CBN Regulation and Circular, such a Bank will not be liable to the customer/account holder and will have a good defence to an action for wrongful restrictions.

Finally, a bank may freeze a customer's account if the signed terms and conditions allow it, especially in cases of suspected fraud or suspicious activity. Simply signing standard account forms can grant banks broad powers beyond statutory limits. Customers and businesses should carefully review these terms and avoid any transactions that could be flagged as suspicious.

For further insights, detailed advice, assistance and/ or matters relating to Post-No-Debit Orders, account freezing, and banking disputes, please contact us via: contact@euphemiallp.com; (+234)8083000163.

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