

## Heritage Bank License Revoked: What It Means for Stakeholders

### Revocation of Heritage Bank Plc's License

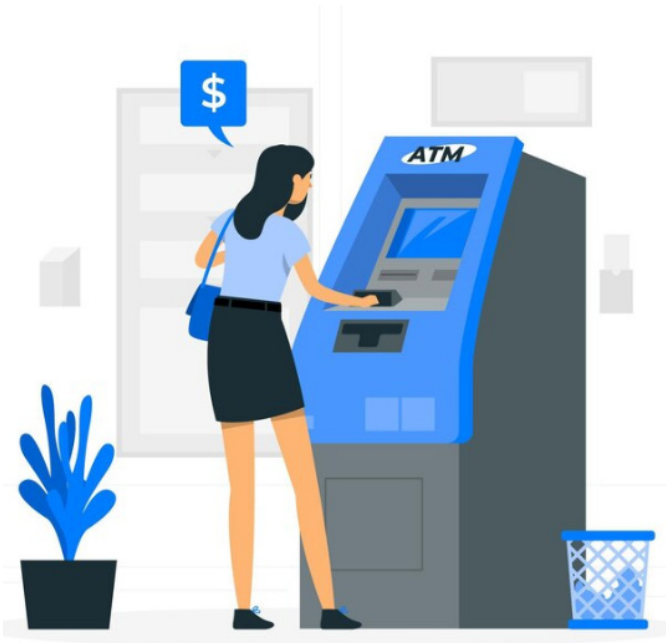
On June 3, 2024, the Central Bank of Nigeria (CBN) revoked Heritage Bank Plc's license due to its failure to meet the minimum capital adequacy ratios required by banking guidelines. This action, dictated by Section 12(1) of the Banks and Other Financial Institutions Act, 2020 (BOFIA), highlights Heritage Bank's (the "Bank") struggle to maintain sufficient capital to absorb potential losses. According to the CBN, the decision follows persistent liquidity challenges and governance issues at the Bank, including ineffective management.

### What it Means for Customers

Following the revocation of Heritage Bank Plc's license, the Nigeria Deposit Insurance Corporation (NDIC) was appointed as the liquidator to oversee the Bank's closure as stipulated by Section 2 of the NDIC Act. This development will bring about several changes for the Bank's customers/depositors:

- **Compensation:**

NDIC will reimburse depositors up to the insured limit of ₦5 million. Depositors with balances exceeding this limit may recover additional funds through the liquidation process dependent on the sale of the bank's assets.



- **Withdrawal Limits:**

To effectively manage liquidity during the liquidation phase, the NDIC has set withdrawal limits of ₱500,000 for individual accounts and ₱5 million for corporate accounts.

- **Notification Period:**

Depositors are given a minimum of three months to claim their funds. Unclaimed insured deposits may be forfeited after six years.

## Implications for the Banking Sector

The revocation signals the CBN’s commitment to maintaining strict regulatory standards. Key implications include:

- **Increased Oversight:**

Banks can anticipate heightened scrutiny from the CBN, particularly concerning capital adequacy, liquidity and governance standards. The CBN is likely to implement more rigorous checks and balances to prevent similar issues from occurring in other banks.

- **Potential Mergers:**

The current situation might prompt smaller banks to consider mergers with larger institutions to enhance their financial stability and ensure compliance with regulatory requirements.

- **Strengthening Public Confidence:**

By enforcing stringent measures and ensuring that only financially robust and well-managed banks operate, the CBN aims to preserve public trust in the banking system, thereby maintaining overall financial stability.

## Implications for Creditors and Debtors

- **Creditors:**

Creditors of Heritage Bank must file claims with the NDIC to potentially recover their funds. The success of their claims will depend on the outcomes of the Bank’s asset liquidation process and the hierarchical order of claims.

- **Debtors:**

Customers with outstanding loans from the Bank are still obligated to repay their debts. The NDIC will oversee these accounts, ensuring that repayment processes are conducted properly and efficiently.

## Stay Informed with SimmonsCooper Partners

As these developments unfold, staying informed and proactive is crucial. For guidance on navigating deposit insurance limits, debt recovery, liquidation procedures and risk mitigation, or to discuss how these changes may affect you, please contact us at [info@scp-law.com](mailto:info@scp-law.com) or visit our website at [www.scp-law.com](http://www.scp-law.com).

