



Mediate First, Litigate Later: How the CBN's New Loan Dispute Framework is Reshaping Secured Lending

Introduction:

In April 2026, the Central Bank of Nigeria (CBN) issued draft guidelines proposing a significant shift in how certain loan and security disputes may be resolved in Nigeria. Issued pursuant to the Secured Transactions in Movable Assets (STMA) Act 2017, the draft framework proposes the establishment of a Mediation and Dispute Resolution Panel (MDRP) to handle disputes involving secured movable assets.

The proposal signals a move away from prolonged court-based recovery processes toward a more specialized and time-sensitive dispute resolution mechanism. If adopted in its current form, the MDRP would become the mandatory first point of resolution for qualifying disputes before parties approach the courts.

Key Highlights of the Draft Framework

- **Mandatory first-stage dispute resolution:**
The MDRP is proposed as the initial forum for resolving qualifying disputes involving secured movable assets before recourse to litigation.
- **90-day resolution timeline:**
The draft framework proposes a 90-day timeline for resolving eligible disputes, aimed at reducing prolonged recovery and enforcement proceedings.
- **Enforceable outcomes:**
Settlement terms or decisions reached through the Panel may be enforceable in court as consent judgments.

- **Specialized panel structure:**

The proposed Panel will comprise professionals from the banking, finance, and legal sectors with relevant experience in secured transactions and dispute resolution.

- **Conditions for eligibility:**

The framework is expected to apply where there is:

- o a valid security agreement;
- o a mediation clause; and
- o Registration of the security interest with the National Collateral Registry (NCR).

- **Pre-mediation engagement requirement:**

Parties are expected to attempt informal resolution before approaching the MDRP.

- **Limited appeal scope:** Appeals from MDRP decisions are expected to be restricted to defined legal grounds, limiting delay tactics.

What This Means for Stakeholders

a. For Banks and Financial Institutions:

- Faster dispute resolution may improve recovery timelines and enforcement efficiency.
- The framework reinforces the broader regulatory focus on credit discipline and secured lending enforcement.
- Security documentation and collateral registration processes will require closer review.

b. For MSMEs and borrowers:

- Mediation may reduce the cost and disruption associated with prolonged litigation.
- The framework is designed to preserve commercial relationships while resolving disputes more efficiently.

- Borrowers must, however, pay closer attention to dispute resolution clauses in financing documents.

c. For Transaction Advisers:

- Security agreements should now be reviewed to ensure that mediation provisions align with the proposed MDRP framework.
- The eligibility requirements under the STMA Act make proper drafting and NCR registration increasingly important.
- The framework may also expand the role of ADR in banking, finance, and secured transactions practice.



The Road Forward

The proposed MDRP framework reflects a possible shift toward faster and more structured dispute resolution in Nigeria's financial sector. If adopted, it would make ADR a more central feature of secured lending disputes.

For lenders, borrowers, and advisers, the practical step is to prepare early. Financing and security documents should be reviewed to ensure that dispute resolution clauses, mediation provisions, and collateral registration processes can align with the proposed framework if it comes into force.

For guidance on secured lending disputes, mediation frameworks, arbitration, and ADR strategy, contact info@scp-law.com or visit www.scp-law.com.