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Legal Implications of Fintech and Digital Services in Nigeria: Regulation, Risk, and the Path Forward

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Abstract
Nigeria's fintech ecosystem has expanded rapidly over the last decade, driven by high mobile penetration, a young population, and persistent gaps in traditional banking services. Digital financial services now cover payments, credit, insurance, wealth management, and digital assets, often delivered through mobile apps, APIs (Application Programming Interfaces), and cloud infrastructure. This growth has advanced financial inclusion and efficiency, but has also exposed regulatory, legal, and policy challenges that Nigeria's existing financial laws were not designed to address. This paper examines the legal implications of fintech and digital services in Nigeria, focusing on regulatory fragmentation, consumer protection, data privacy, anti-money laundering obligations, and liability for digital transactions. It analyses the Central Bank of Nigeria's Regulatory Sandbox Framework 2021, Guidelines on Open Banking 2023, and the licensing regime under the Banks and Other Financial Institutions Act 2020. It also reviews the Securities and Exchange Commission's Rules on Digital Assets 2022 and the Nigeria Data Protection Act 2023, highlighting overlaps between the CBN, SEC, and the Nigeria Data Protection Commission. The study identifies three core issues: first, an unclear allocation of liability when failures occur between banks, fintechs, and third-party providers; second, aggressive and unlawful debt-recovery practices by unlicensed digital lenders; and third, the tension between facilitating innovation and protecting consumer and financial stability. Using a doctrinal and comparative approach, the paper draws lessons from the UK Financial Conduct Authority's sandbox model and Singapore's Payment Services Act. It argues that Nigeria needs a principles-based, technology-neutral regulatory framework that clarifies obligations, harmonises inter-agency oversight, and establishes a clear liability regime for digital transactions. Key recommendations include strengthening the regulatory sandbox, codifying liability rules, enhancing cybersecurity and data protection compliance, and improving enforcement against illegal digital lenders while protecting legitimate innovation. Without these reforms, legal uncertainty risks undermining trust and the gains of financial inclusion.

Keywords: Legal: Financial Regulation, Consumer Protection, Tech: Open Banking, Digital Financial Services. Policy: Fintech Governance, Financial Inclusion