Debt Recovery

The payment of liquidation dividends by the Nigeria Deposit Insurance Corporation (NDIC), acting as the liquidator, depends significantly on the successful realization of the failed banks' assets. Loans and advances, which typically form the bulk of any bank's assets, are critical in this process. However, debt recovery efforts have been hindered by several factors, including:

- Poor financial condition of borrowers, thereby making recovery challenging.
- Lengthy and complex legal proceedings.
- Irregularly granted, unsecured loans and improper documentations.

A major challenge has been the unwillingness of some debtors to fulfil their obligations. Instead of repaying their debts, some have resorted to legal maneuvers to delay proceedings. Notably, after losing cases in court, certain debtors questioned the jurisdiction of the Federal High Courts to preside over these matters involving them and the closed banks.

Although the NDIC secures favorable Supreme Court rulings, some debtors, still in collaboration with their solicitors, continue to exploit the legal system to gain time, thereby incurring significant costs for the liquidator.

The challenges intensified following the transfer of cases from the Failed Bank Tribunals to the Federal High Courts in 1999. The slow and cumbersome nature of regular court processes, coupled with their abuse by debtors, has adversely impacted both NDIC's debt recovery efforts for banks in liquidation and operating banks' ability to recover non-performing loans.

Loan Recovery by Bank Category

Despite these challenges, as at December 31, 2024, the NDIC had recovered a cumulative total of ₦34.98 billion from debtors of closed banks. Below is the breakdown by category:

Recovery from Closed Deposit Money Banks (DMBs)

- Total Recovered: ₦33.54 billion
- Total Risk Asset Book Value: ₦1.37 trillion
- Number of Debtors: 60,851
- Number of Closed DMBs: 50

Recovery from Closed Primary Mortgage Banks (PMBs)

- Total Recovered: ₦996.86 million
- Total Outstanding Loans: ₦58.81 billion

- Number of Debtors: 5,237
- Number of Closed PMBs: 55

Recovery from Closed Microfinance Banks (MFBs)

- Total Recovered: ₦378.45 million
- Total Outstanding Exposure: ₦51.81 billion
- Number of Debtors: 305,016
- Number of Closed MFBs: 546

Disposal of Physical Assets

An essential component of bank liquidation involves inventorying and managing the failed banks' physical and liquid assets to maximize value. The NDIC employs systematic marketing and disposal strategies, adhering to established guidelines and procedures. Professional estate valuers and registered auctioneers, under the supervision of NDIC officials, are engaged to ensure optimal asset realization.

Physical Assets Realization by Bank Category

As at December 31, 2024, the NDIC had realized ₦28.71 billion from the disposal of assets belonging to all closed banks. The proceeds were used to pay liquidation dividends.

- DMBs: ₦27.18 billion from landed properties, vehicles, and other chattels
- MFBs: ₦1.30 billion from various physical assets
- PMBs: ₦236.99 million from physical assets

Realization from Investments of Closed Banks

The liquidation process also includes managing and disposing of investment assets, such as shares, treasury bills, bonds, fixed deposits, and investments in subsidiaries or joint ventures.

Investment Realization by Bank Category

As at December 31, 2024, the NDIC had realized ₦6.82 billion from the disposal of investment assets, with the proceeds allocated to uninsured depositors, creditors, and, where applicable, shareholders.

- DMBs: ₦6.59 billion
- MFBs: ₦164.30 million

- PMBs: ₦75.05 million

Conclusion

The NDIC remains committed to ensuring that the assets of failed banks are effectively recovered and liquidated to provide dividends to depositors, creditors, and other stakeholders. While significant progress has been made, the Corporation continues to tackle challenges to enhance the efficiency of the liquidation process.