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TEMPLARS ThoughtLab

Freezing Bank Accounts in Nigeria: *Emerging Judicial Trends, Legal Boundaries and Other Matters*

Introduction

The relationship between a bank and its customers is primarily governed by contract, which generally restricts the opportunities for third-party intervention. However, the framework for freezing bank accounts seems to represent a notable exception where such interventions are comparatively frequent.

The freezing of bank accounts has long been a contentious subject in banking litigation and a recurring source of dispute between financial institutions¹ and their customers in Nigeria. For banks, it remains a concern whether they can freeze customers' accounts merely on the directives of law enforcement agencies or whether such directives requesting account restrictions must be supported or backed by a court order. Even when they are presented with a court-ordered restriction on a customer's account, banks still grapple with the further concern of whether compliance with such orders can expose them to liability if the order later turns out to be defective or improperly issued.

For customers (corporate and individual account holders), the situation is not any different. Freezing accounts can stifle cash flow and occasion severe consequences². Thus, customers are usually agitated when their bank accounts are frozen by their banks without prior notice. In such situations, majority of customers approach the Courts to seek redress, especially if they suspect that the bank acted unilaterally, without judicial approval and/or at the behest of the instigator(s) of the account restriction.

¹ The term "Financial institutions" in this article refers mainly to Banks, and "Bank" in this article includes "Banker".

² Account restrictions could stifle operations or even occasion more serious consequences. For instance, freezing a customers' Bank account may occasion a breach of payment obligations by the customer to contractual counter parties or third parties and therefore expose the customer to legal actions/liability in such situations. For individuals, serious outcomes may result from inability to access funds in extreme cases of urgent or imminent financial needs.

These challenges recur almost daily and have continued to be a major source of concern to banks and businesses. These issues recently came up in the cases of **Kuda Microfinance Bank Ltd v. Amarachi Kenneth Blessing**³ and **Paulyn O. Abhulimen, SAN v. Zenith Bank Plc and another**⁴ where the Courts, handed down decisions that will significantly impact banks and account holders in Nigeria moving forward.

Against this backdrop, this article examines the circumstances where customers' account can be lawfully restricted, analyses the recent court decisions on freezing of customers' accounts, and provides actionable insights for banks and businesses in Nigeria.

Can Banks Freeze Customers' Accounts?

Generally, under Nigerian law, banks cannot independently restrict access to customers' accounts except as permitted by law, or with judicial approval through a Court order⁵. In other words, a bank must honour payment instructions issued by a customer if there are sufficient funds standing to the customer's credit to satisfy the amount payable on the cheque, and a refusal to honour the cheque is tantamount to a breach of contract by the bank.⁶ Therefore, provided there are funds in a customer's account, banks are required to allow customers unrestricted access to their funds. If a bank must unilaterally place restriction(s) on a customer's account, then, the restriction must be supported by a Court order⁷. However, there are a select instances when banks are lawfully allowed to place restrictions on customers account without the requirement of Court orders. The instances include:

- When the account holder expressly directs the bank to block/restrict their accounts, and this can be for whatsoever reason;⁸
- When the bank is notified of the death of the account holder;⁹
- Where the Economic and Financial Crimes Commission (EFCC) directs a 72 (Seventy-two) hour restriction on a customer's account for purposes of investigation;¹⁰ or
- Where Banks restrict customers' accounts based on the provisions of the Central Bank of Nigeria (CBN) Instruments.¹¹

³ (2024) LPELR-80643(CA). Judgment delivered on the 27th of December 2024

⁴ Suit No. FCT/HC/CV/2194/2024 judgement delivered on 16 July 2025 by Hon. Justice S. U. Bature of the FCT High Court.

⁵ See *Diamond Bank v. Unaka & Ors* (2019) LPELR-50350 (CA)

⁶ *Allied Bank (Nig) Ltd v. Akubueze* (1997) 6 NWLR (PT 509) 374 and *First Africa Trust Bank Ltd V. Partnership Investment Company Ltd.* (2003) 12 SC (PT 1) 90.

⁷ In *Guaranty Trust Bank Plc v. Adedamola* (2019) 5 NWLR (Pt. 1664) 30, where the 1st Respondent's accounts with the Appellant Bank were frozen on the directive of the Economic and Financial Crimes Commission (EFCC) based on Section 34 of the EFCC Act, without any subsisting Court order, the Court held that Section 34(1) of the EFCC Act expressly requires the Commission to obtain an order of Court before directing that any account be frozen.

⁸ 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.

⁹ *Diamond Bank v. Unaka & Ors* (supra), where the Court held that a Bank has no right or power, by itself, to freeze the account of a customer, be it its staff or otherwise, and/or to prevent such a customer with money standing to the customer's credit in account from accessing the money except where the Bank receives notice of the death of a customer, it is under a duty in such a circumstance to stop withdrawals from the account, and only the legal representatives of the customer duly appointed by law can access the account thereafter.

¹⁰ See *NPG Properties & Construction Works Ltd v. Zenith Bank Plc* (2023) 15 NWLR (Pt. 1908) 423, the Court acknowledged that the EFCC is permitted under the repealed Section 6(5)(b) of the Money Laundering (Prohibition) Act ("MLA"), 2011 (now section 7(6) of MLA 2022) to authorise a 72 (Seventy-two) hour temporary restriction on accounts for investigation purposes. However, after expiration of the said temporary stop period, the EFCC must obtain Court orders to support further restriction request. See also *Ipinloju Damola Femi v. EFCC & Ors* (2024) LPELR-61914 (CA).

¹¹ In *Ipinloju Damola Femi v. EFCC & Ors* (supra) 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. See also *Kuda Microfinance Bank v. Amarachi Kenneth Blessing* (supra).

Recent Cases – what is new?

In the **Kuda** case, the Court of Appeal (CA) ruled that a bank may freeze a customer's account without a court order if fraud or suspicious activity is reported and the customer has agreed to such terms. 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 Conditions¹² which permit freezing accounts in cases of fraud or suspicious activity, as well as the relevant CBN Circular¹³ and Regulation.¹⁴ 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.

Another recent decision on account restrictions is the **Paulyn case**,¹⁵ where a High Court ruled that banks should not enforce account restriction orders from courts lacking jurisdiction. A Zenith Bank in Abuja had frozen Ms. Paulyn's account based on an order from a Chief Magistrate Court in Mararaba, Nasarawa State, obtained by the Nigeria Police Force. Ms. Paulyn challenged the bank's action, arguing that the court lacked jurisdiction to make the order. In its Judgement, the Court held that the Magistrate Court's order was a clear case of judicial overreach, and the Bank ought not to have complied with the order, as it was invalid. The Court stressed that a Magistrate Court lacks the substantive jurisdiction to entertain matters bordering on banker-customer relationship.¹⁶ The Court also noted that the Bank's failure to notify Paulyn of the restriction placed on her account was negligent and consequently amounted to a breach of the Bank's duty of care and due diligence owed to customers.

Practical Takeaways for Banks and Businesses

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

- a. 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. It can also impose restrictions on an account, without a court order, upon learning of the account holder's death.

¹² This is the form/contract that customers seeking to open a Bank account will usually sign before the account is open, this applies to both traditional Banks and digital Banks.

¹³ 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 06 October 2025

¹⁴ 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 06 October 2025.

¹⁵ Supra. However, we should mention that this case remains a persuasive decision of a High Court and may be subject to appeal.

¹⁶ Under Section 251(1)(d) of the 1999 Constitution (as amended), the Federal High Court and the State High Courts have concurrent jurisdiction over matters bordering on banker-customer relationships. Also, in *Access Bank Plc v. Okpu* (2021) 6 NWLR (Pt. 1773) 563 the Court held that the Federal High Court and the State High Courts have concurrent jurisdiction over matters involving transactions between an individual customer and his Bank.

- b. 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,¹⁷ after which a court order is required. Any restriction beyond this period without court approval can be legally challenged by the customer.¹⁸
- c. The CBN instruments¹⁹ authorises banks to restrict a customer's account where there are allegations of fraud or suspicious activity involving the account.²⁰ 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.²¹
- d. 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.
- e. Lastly, following the decision in the **Paulyn case**, there is the likelihood that Banks may begin to face legal actions from litigants for complying with account restriction orders issued by Magistrate Courts or by Courts lacking the jurisdiction to do so. However, it should be noted that contrary to the decision in the **Paulyn case**, binding judicial pronouncements from superior Courts affirm that all parties, whether individuals or corporate entities are obligated to obey Court orders, including those from Courts supposedly lacking jurisdiction, unless and until such orders are set aside.²²

Conclusion

Traditionally, banks could only freeze customer accounts with a court order. However, recent judicial decisions have made the legal position less clear-cut. Given these changes, banks must act with caution, seek legal advice before restricting accounts, and ensure any action is legally justified and within the court's jurisdiction. Likewise, customers should carefully review their account terms, as some may lawfully permit banks to act without prior court approval in specific situations.

If you require any further clarification, do not hesitate to contact us.

¹⁷ See Section 7(6) of the MLA

¹⁸ See NPG Properties & Construction Works Ltd v. Zenith Bank Plc (supra).

¹⁹ The CBN Circular on the Establishment of Fraud Desks, (ibid), and the CBN Regulation on Instant (Inter-Bank) Electronic Funds Transfer Services in Nigeria, (ibid).

²⁰ See Paragraph 3 of the CBN Circular on the Establishment of Fraud Desks, 2015, provides and authorises Banks to "Block and/or Place No Debit restrictions on accounts upon receipt of fraud complaint".

²¹ See, Ipinloju Damola Femi v. EFCC & Ors (supra); Kuda Microfinance Bank Ltd v. Amarachi Kenneth Blessing (supra).

²² See the Supreme Court decision in Ngere v. Okuruket XIV (2014) 11 NWLR (Pt. 1417) 147