

PROTECTING THE DIGITAL BORROWER: A CRITICAL APPRAISAL OF THE FCCPC'S 2025 DEON CONSUMER LENDING REGULATIONS

By

Anthony O. Madukwe, Esq. ACrb.

Abstract

The past decade witnessed a rise in digital lending in Nigeria. With a population vastly underserved in financial services, digital lending represents financial inclusion while simultaneously exposing consumers to privacy breaches, predatory lending practices, and invasive debt recovery tactics. On 21 July 2025, the Federal Competition and Consumer Protection Commission (FCCPC) issued the Digital, Electronic, Online or Non-Traditional (DEON) Consumer Lending Regulations 2025, in exercise of its powers under Section 163 of the Federal Competition and Consumer Protection Act 2018. Under the lenses of the doctrinal model, this article considered relevant statutes and the Regulations itself, including a voyage into Kenya, India, the UK, South Africa and the US for comparative analysis. In doing so, the article critically examined the efficacy of the Regulations and assessed the implications for consumer and lender rights and juxtaposed same with financial innovation needs of the Nigerian economy. Part of its attraction is the requirement for full disclosure of digital loan terms, mandatory registration of digital lenders, prohibition of pre-authorised lending, strict debt collection terms, and sanctions for non-compliance. Also, data protection obligations stand tall as a key component of the framework. However, the Regulations failed to provide clear interest rate caps; limited enforcement capacity, and potential overlap with existing money-lending regimes. Moreover, the costs of compliance could

prove a burden for smaller lenders and undermine credit access for low-income consumers. The article argued that the success of the DEON Regulations rests on practical enforcement, and recommended that public awareness, harmonization across regulatory regimes and periodic review of the regulations are key to its sustained success. Effectively implemented, the Regulations could place Nigeria as a global leader in digital consumer rights protection.

Keywords: Consumer Protection; Digital Lending; DEON Regulations 2025; FCCPC (Nigeria); Data Privacy.

1. Introduction

The rise of the smartphone and its use across the Nigerian population created a pathway for all kinds of access. One of these is credit. As more low- and mid-income Nigerians gained access to the digital world, they were welcomed on the other side by digital actors promising quick, stress-free lending (“loan apps”)¹. These non-traditional lending apps had the lure of instant credit but with this came significant harm. The digital world is insufficiently regulated and in such a world, commercial decency is not promised. From data privacy breaches to exploitative interest rates, hidden fees and the most perverse debt recovery tactics, Nigerian consumers were left unprotected in a wilderness of pervasive exploitation.

In response, the Federal Competition & Consumer Protection Commission (FCCPC) issued the Digital, Electronic, Online or Non-Traditional Consumer Lending Regulations 2025 (DEON

¹ E Utebor and T Omidoyin ‘Digital Lending and the Challenges of Data Protection in Nigeria's Financial Sector’ https://www.researchgate.net/publication/374034101_Digital_Lending_and_the_Challenges_of_Data_Protection_in_Nigeria's_Financial_Sector accessed 30 September 2025.

Regulations) which came into effect on 21 July 2025². It is a crucial regulatory framework aimed at enforcing decency in the digital lending space by enforcing consumer rights, regulating digital lenders and imposing penalties for default. This analysis ties a critical thread from the legal foundation for the DEON Regulations through its regulatory strengths, gaps and possible unintended consequences. We ask the question: how well does the Regulations serve Nigeria's towering consumer protection needs?

2. Conceptual Clarification

Consumer: Regulation 30 of the DEON Regulations defines a Consumer to include any person who purchases or offers to purchase goods otherwise than for the purpose of resale but does not include a person who purchases any goods for the purpose of using them in the production or manufacture of any other goods or articles for sale; or a person to whom a service is rendered.³ The term "person" refers to both natural and artificial entities with attendant legal rights.⁴

Digital Lending: While the term "digital lending" is not defined within the Regulations, it generally refers to the process of facilitating, processing, and managing loans through online platforms as against traditional, paper-based processes.⁵ It extends beyond mobile apps to include general electronic platforms that process customer credit without requiring physical bank visits and stringent procedure.

² FCCPC, 'Digital Lending: FCCPC Tackles Abuses, Issues Landmark Regulations' https://fccpc.gov.ng/digital-lending-fccpc-tackles-abuses-issues-landmark-regulations/?utm_source=chatgpt.cm accessed 29 September 2025.

³ DEON Regulations, Regulation 7

⁴-Merriam Webster Dictionary <https://www.merriam-webster.com/dictionary/person#:~:text=an%20actor's%20mask%22-,Legal%20Definition,personhood%20noun> accessed 4 November 2025

⁵ Maclear 'What Is Digital Lending?' <https://www.maclear.ch/blog/what-is-digital-lending#:~:text=04.07.2024,Users%20and%20Stakeholders> accessed 4 November 2025

Data privacy: this refers to the legally guaranteed right of a person to determine for themselves when, how, and to what extent private and/or personal information about them is shared with or communicated to others and in what ways such data is used, stored, and conveyed to third parties.⁶

3. Legal and Regulatory Foundation of the DEON Regulations

By Sections 17 and 18 of the Federal Competition and Consumer Protection Act 2018,⁷ the FCCPC is authorised to initiate broad based policies to regulate anti-consumer practices in the country as well as impose sanctions for violators. Section 163 (1) also authorises the FCCPC to make regulations in furtherance of the objectives of the Act and it is in exercise of this power, that the FCCPC issued the DEON Regulations 2025.

The move follows recent developments in consumer protection and lending practices in Nigeria. In April 2024, the Federal Government established the Nigerian Consumer Credit Corporation (CREDICORP) tasked with expanding access to affordable consumer credit.⁸ Similar frameworks include the Nigerian Data Protection Act 2023 aimed at critical data protection. There are also sub-national legislations like the Osun State Consumer Protection Agency Law 2024⁹ which signals broader awareness of the vacuum in consumer protection. The DEON Regulations seek to fill a regulatory vacuum in the sphere of digital lending.

⁶ Cloudflare ‘What is data privacy?’

<https://www.cloudflare.com/learning/privacy/what-is-data-privacy/> accessed 4 November 2025.

⁷ FCCPA.

⁸ Statehouse, ‘President Tinubu Approves Takeoff of Consumer Credit Scheme’ <https://statehouse.gov.ng/president-tinubu-approves-takeoff-of-consumer-credit-scheme/> accessed 29 September 2025.

⁹ Daily Post, ‘Osun Assembly passes Consumer Protection Agency Bill, 2024 into law’ <https://dailypost.ng/2025/04/07/osun-assembly-passes-consumer-protection-agency-bill-2024-into-law/> accessed 30 September 2025.

4. Notable Strengths of the DEON Regulations

Considering the existing regime on consumer protection in Nigeria, the following represent notable strengths in the DEON Regulations as it relates to consumer protection *vis-a-vis* digital lenders in Nigeria:

4.1 Clear Regulatory Scope and Registration Mandate

The DEON Regulations mandates all undertakings involved in the provision of unsecured digital lending services in Nigeria – whether through cash, airtime, data, cashback or related means – to register with the FCCPC within 90 days of commencement of the Regulations.¹⁰ It also requires registration with the Corporate Affairs Commission (CAC) and/or relevant sector regulators. This addresses the niggling problem of unregistered “loan apps” which have traditionally operated outside legal scrutiny.

4.2 Reemphasized Consumer Rights

The Regulations require full disclosure of loan terms (lending and interest rates, repayment terms and associated fees) to be communicated in clear, comprehensible language prior to and immediately upon accessing the lending services. Importantly, it prohibits pre-authorized or automatic lending, mandates ethical marketing, and bans abusive defamatory recovery tactics.¹¹ Meanwhile, Consumer Lending Services Agreements must specify the rights of the consumers/borrowers against the lending parties.

¹⁰ DEON Regulations, Regulation 7.

¹¹ D A Essien ‘Shamed For Debt: Analysis Of Available Judicial Redress Against Loan App Harassment And Defamation In The Case Of Mr. Peter Odang Enyigwe V. Fastcredit Limited & 2 Ors <

These are crucial consumer safeguards, aimed at protecting vulnerable digital borrowers.

To enhance consumer rights, there are three major rights enforcement mechanisms provided under the DEON Regulations, to wit:

i. FCCPC Complaints & Reporting Portals

Digital lending consumers have the right (and indeed are encouraged) to report unfair interest rates, unregistered lenders, unethical recovery practices, or data privacy breaches to the FCCPC via specified complaint portals such as the FCCPC website or the email designated for complaints (lenderstaskforce@fccpc.gov.ng). This eliminates passive acceptance of lenders' unfair conduct and puts significant power in the hands of consumers.

However, while seemingly encouraging in theory, the recurring challenge with this remedy is the capacity to manage, track and ensure due resolution of consumer complaints as the issue of non-responsiveness is a reoccurring theme in regulator sin Nigeria.

ii. Direct Regulatory Route for Consumer Remedy

While the framework focuses on regulation of the digital lending sector, it has crucially created direct route for consumers to immediately seek redress rather than resorting to litigation. Subject to effective utilization and enforcement, this is potentially time-saving for the consumers.

iii. Regulatory Oversight & Monitoring

The FCCPC is empowered under the regulations (and under its parent statute) to monitor, audit and demand reporting from digital lenders (e.g., records of transaction, periodic returns, complaint logs).

The regulator can deny applications, revoke registrations or impose sanctions if standards are not met and aggrieved consumers can report non-compliance to the FCCPC.

4.3 Severe Sanctions for Non-Compliance

Under the DEON Regulations, non-compliant digital operators may face penalties of up to ₦50 million for natural persons or in the case of corporate entities, ₦100 million or 1% of turnover in the previous year – whichever is greater. Other penalties include disqualification of a defaulting director for up to five years.¹²

4.4 Inclusion of Data Privacy and Transparency

Ethical data collection is a major concern in digital lending and one of the primary reasons why the DEON Regulations became necessary. Under this head, the Regulations stipulate that digital borrowers must comply with Nigeria's data protection laws especially the Nigeria Data Protection Act, 2023. This is a very important and timely aspect of this legal regime.

4.5 Broad Applicability

The Regulations apply to a range of digital operators including Mobile Money Operators (MMOs), Digital Money Lenders (DMLs), secondary lenders, vendors, service providers, amongst others – while regulating partnerships and local ownership in certain services. These provisions help stretch the umbrella of the law to cover previously unregulated lending actors.

5. Weaknesses, Gaps and Potential Issues

While the DEON Regulations are robust in many respects, several potential weaknesses or challenges may hamper their effectiveness. These weaknesses are considered below:

¹² DEON Regulations, Regulation 27 (1).

5.1 Enforcement Capacity and FCCPC Resourcing

At the core of regulatory compliance is enforcement and the ability of the relevant agency to enforce industry-wide alignment. The resources necessary for the FCCPC to monitor hundreds of digital actors stretch beyond staff strength. It needs technical systems, digital product monitoring infrastructure, judicial backup, amongst others. This is a gap which, if not addressed, would imply the brilliant rules under the Regulations risk being formalities.

5.2 Ambiguity in Penalty Triggers and Application

It is not enough to prohibit “unethical marketing”, or “exploitative interest rates”, it must be clear on what amounts to unethical and exploitative as it makes it easy for the consumer and the general public to play their role of co-enforcers of the Regulations. Imprecise definitions and lack of enforcement guidelines increase the risk of arbitrary application and ambiguity.¹³

5.3 Impact on Small and Entry-Level Lenders

Compliance costs under the Regulations may prove prohibitive for smaller digital lenders. The risk with this is market consolidation, where only bigger industry players can afford to comply. This may in turn undermine credit access for consumers, especially in underserved areas¹⁴.

5.4 Interest Rate Caps Not Explicit

The Regulations provide for periodic monitoring of interest rates to avoid exploitation without providing an explicit cap on interest or

¹³ S Li ‘A corpus-based study of vague language in legislative texts: Strategic use of vague terms’ https://www.researchgate.net/publication/309562932_A_corpus-based_study_of_vague_language_in_legislative_texts_Strategic_use_of_vague_terms#:~:text=It%20is%20contended%20that%20while,Discover%20the%20world's%20research accessed 29 September 2025.

¹⁴ A Larocca ‘The Implications of an Overregulated Banking System’ <https://www.linkedin.com/pulse/implications-overregulated-banking-system-agustin-larocca-iyoke/> accessed 30 September 2025.

fees.¹⁵ This leaves room for compliance manoeuvres by digital lenders. Explicit rate limits help to curb predatory pricing.¹⁶

5.5 Potential Regulatory Overlap & Jurisdictional Conflicts

Regulatory regimes already exist on federal and state levels (for instance, the Central Bank of Nigeria (CBN), State Money Lenders Laws, etc) ¹⁷creating potential overlapping jurisdictions. The Regulations is silent on resolving conflict with these frameworks likely resulting in enforcement complexity.

6. Implementation Challenges and Risks

There are a myriad of issues and challenges regarding implementation of the DEON Regulations, which include:

6.1 Compliance Timelines and Transitional Arrangements

The DEON Regulations mandates affected undertakings to register within 90 days but existing digital lenders will likely need more time to adjust internal systems (data processes, marketing, loan agreements, marketing, and so on).

6.2 Litigation Risk

There is the risk of challenge by non-compliant digital lenders who may want to test FCCPC's authority to make the Regulations in view of coverage by related regulations and laws. This could

¹⁵ DEON Regulations, Regulation 23.

¹⁶ A Ferrari 'Interest Rate Caps, The Theory and The Practice' <https://openknowledge.worldbank.org/server/api/core/bitstreams/db52e3ae-519a-587d-94b8-a40fbd69d822/content#:~:text=Ceilings%20on%20lending%20rates%20remain,segment%20or%20the%20overall%20market> accessed 29 September 2025.

¹⁷ N Obama 'Digital Lending In Nigeria: A Closer Look At Nigeria's Regulatory Landscape' <https://thefirmaadvisory.com/new-blog/2024/7/25/digital-lending-in-nigeria-a-closer-look-at-nigerias-regulatory-landscape> accessed 29 September 2025.

potentially delay enforcement and industry acceptance of orders made pursuant to the Regulations.

6.3 Balancing Financial Innovation with Consumer Protection

Digital lending is attractive because it provides access for many underserved Nigerians. Overregulation could slow innovation or drive lenders out of the market. The Regulations must strike balance: protecting consumers without overly stifling access to credit.

6.4 Data Privacy Infrastructure & Cybersecurity

Complying with data protection requires robust data security, consent management, and cybersecurity. Many digital lenders have weak infrastructure. Data breaches or failures in securing user data might still occur, undermining trust.

6.5 Regulatory Monitoring of Interest Rates

“Fair interest rate” monitoring is a tough task. What would constitute fair in a high-inflation economy with high costs of capital? If interest caps do not account for risk, lenders will underlend or price for risk excessively.

7.0. Comparative Analysis of Other Jurisdictions

The DEON Regulations is an innovative inclusion to the financial regulatory framework in Nigeria and positions the country among global leaders in regulating digital lending. Similar to frameworks in Kenya, South Africa, India, the US, and the UK, DEON seeks to promote transparency, ethical conduct, and consumer protection in online credit markets.

Kenya: Like Kenya’s Digital Credit Providers Regulations, DEON mandates registration of all digital lenders to curb unlicensed and predatory operators. However, Kenya’s licensing regime provides

stronger prudential oversight with stiffer onsite inspection, an approach Nigeria could adopt for higher-risk lenders.¹⁸

India: From India, the DEON Regulations mirrors the Reserve Bank of India's Digital Lending Directions on loan disclosure, consent, and data protection, but could further clarify the distribution of accountability between loan app developers, banks, and credit platforms. India's system maintains increased focus on transparency of effective interest rate and on the responsibility of sponsors of online platforms for third-party app conduct.¹⁹

The UK: Meanwhile, the UK's Financial Conduct Authority (FCA) model offers lessons in regulatory assessment of borrower vulnerability, affordability assessment, and forbearance,²⁰ areas where DEON is less specific.

South Africa: South Africa's National Credit Act provides an integrated structure combining licensing, creditworthiness checks, and a dedicated consumer tribunal, illustrating how Nigeria could strengthen enforcement and redress mechanisms.

The US: DEON's focus on ethical debt-recovery, data privacy, and harassment prevention aligns with the U.S. Consumer Financial Protection Bureau (CFPB)²¹ and EU's General Data Protection

¹⁸ Central Bank of Kenya (CBK) Digital Credit Providers Regulations, 2022 (Legal Notice No. 46 of 2022).

Nairobi: CBK, 2022. <https://www.centralbank.go.ke/2022/03/21/central-bank-of-kenya-digital-credit-providers-regulations-2022/> accessed 4 November 2025

¹⁹ Reserve Bank of India (RBI) (Digital Lending) Directions, 2025. <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12848&Mode=0#C1> accessed 4 November 2025

²⁰ FCA (2022) - Guidance for Firms on the Fair Treatment of Vulnerable Customers <https://www.fca.org.uk/publication/finalised-guidance/fg21-1.pdf> accessed 4 November 2025.

²¹ United States Consumer Financial Protection Bureau (CFPB) Debt Collection Rule (Regulation F).

Regulation (GDPR) standards, though Nigeria's framework could adopt GDPR-style obligations such as mandatory impact assessments and data minimization.²²

Overall, DEON incorporates international best practices on registration, disclosure, data protection, and sanctions. To deepen alignment with global standards, Nigeria could transition to a tiered licensing model, introduce affordability and vulnerability safeguards, and establish a credit redress tribunal. Strengthened coordination among FCCPC, NDPC, and CBN would enhance oversight.

8. Recommendations

Based on the identified strengths and gaps of this framework, the following recommendations would help ensure that the policy intent of the Regulations is achieved:

1. Public awareness and consumer empowerment

The FCCPC should launch consumer awareness campaigns to educate borrowers on their rights within the new Regulations alongside detailed process on how to seek redress.

2. Regulatory harmonization

To ensure consistency across relevant federal and state agencies, the FCCPC alongside partner agencies should make efforts to harmonize regulatory processes to avoid overlapping jurisdictions, duplicative licensing and conflicting rules.

Washington, D.C.: CFPB, 2021. <https://www.consumerfinance.gov/rules-policy/final-rules/debt-collection-practices-regulation-f/> accessed 4 November 2025.

²² European Parliament & Council (EU) - General Data Protection Regulation (GDPR) (EU) 2016/679 <https://eur-lex.europa.eu/eli/reg/2016/679/oj> accessed 4 November 2025.

3. Consider interest rate ceiling or sliding scale

The FCCPC may consider setting maximum permissible rates or publicly accessible guidelines based on inflation, risk, and operational costs.

4. Enhance regulatory capacity

The Federal Government should prioritize providing resources and funding to the FCCPC to help monitor compliance as well as respond to complaints and audit lending practices.

5. Periodic review

The Regulations should contain provisions on periodic reviews. The FCCPC should consider an amendment in this regard as it would help the Commission assess industry impact and make regulatory adjustments where necessary.

9. Conclusion

The DEON Consumer Lending Regulations 2025 is a landmark shift in Nigeria's consumer protection framework for digital lending. It answers the questions posed by years of unethical digital lending practices while increasing transparency, elevating consumer rights and prescribing prohibitive sanctions in ways that were previously lacking. However, its success is hinged on sensitization, enforcement, clarity of terms and seamless harmonization with existing regulatory regimes. It needs to safeguard against unintended damaging consequences and protect small lenders and vulnerable borrowers alike. If implemented effectively, DEON Regulations can create era-defining standards for consumer protection in Nigeria and other African jurisdictions.