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Balancing Innovation And Regulation: Lessons From The Paystack Zap Case

1.0 EXECUTIVE OVERVIEW

In recent years, Nigeria's fintechs have expanded rapidly from providing business-to-business payment infrastructure to offering full-scale financial ecosystems for consumers. However, with this expansion comes a greater regulatory scrutiny as regulators are becoming more assertive, requiring fintech companies to prioritise compliance alongside innovation. Paystack is one of Nigeria's leading financial technology companies, with a decade of experience in processing payments digitally. Established in 2016, it operates under a switching and processing license issued by the Central Bank of Nigeria, which authorises it to route financial transactions between banks and other institutions.[1]

However, in 2025, the Central Bank of Nigeria imposed a ₦250,000,000 fine on Paystack for allegedly operating outside the scope of its license. This regulatory action was as a result of the launch of an application called Zap, a peer-to-peer money transfer app in March 2025. The Central Bank of Nigeria contends that Zap functions as a deposit wallet, which is exclusively reserved only for microfinance banks or deposit-taking institutions. Although Paystack structured Zap to operate through Titan Trust Bank, which is licensed to hold deposits, the Central Bank Nigeria maintains that the product violates its licensing terms.[2] This shows that there is a tightening regulatory grip on fintech in Nigeria. It is on this premise that this article seeks to explore lessons which other financial technology companies can adopt to avoid being fined for lack of regulatory compliance.

2.0 ANALYSIS OF THE REGULATORY BREACH

The Central Bank of Nigeria, on the 9th of December 2020, issued the new license categorisation for the Nigerian Payment System. This directive has been instrumental as it clearly specifies the roles and responsibilities for various entities in the fintech ecosystem. Each licensing category is accompanied by its own set of regulations, licensing requirements, and operational guides.[3] The Central Bank of Nigeria also released a circular in 2021 on Payment Categorisation, which provides additional clarity on the permissible activities for the li-

1 B Omotayo, 'CBN fines Paystack ₦250m fine over Zap wallet operations' BusinessDay (Lagos April 30 2025) <https://businessday.ng/technology/article/cbn-fines-paystack-%E2%82%A6250m-fine-over-zap-wallet-operations/> accessed 15 May 2026.

2 Editorial, 'Nigeria Central Bank Fines Paystack ₦250M Over Compliance Breach' Daba (May 2 2025) <https://dabafinance.com/en/news/nigeria-central-bank-fines-paystack-250m-over-compliance-breach> accessed 14 May 2026.

3 Central Bank of Nigeria, 'New License Categorisation for the Nigerian Payments System' <https://www.cbn.gov.ng/out/2020/ccd/categorization%20of%20psps.pdf> accessed 15 May 2026.

cense categories.[4] Some of these licenses include: the Mobile Money Operators License and the Payment Solution Service Providers License.[5]

In this instance, Paystack held a switching and processing license, which permits transaction routing and card processing but not deposit-taking. Although Zap, which was designed as a peer-to-peer money transfer application that functions as a digital wallet was structured through Titan Trust Bank (a licensed deposit-taking institution), CBN maintained that Paystack itself acted beyond its license. That is, Zap's wallet-like functionality crossed into regulated banking territory., which requires a microfinance or banking license to operate legally in Nigeria.

In view of the clearer license categorizations and stricter enforcement, it behooves on fintechs to anticipate regulatory shifts rather than react to sanctions.

3.0 STRATEGIC COMPLIANCE FRAMEWORK FOR FINANCIAL TECHNOLOGY COMPANIES

It is undisputed that licenses are granted and revoked, and as such, compliance is sacrosanct for license holders seeking to avoid regulatory sanctions.

4 Central Bank of Nigeria, 'Approved New License Categorization Requirements' <https://www.cbn.gov.ng//out/2021/ccd/approved%20new%20license%20categorization%20requirements%20consolidated%20-%202021.pdf> accessed 15 May 2026.

5 Davidson Oturu LL.M MBA, Fintech Law and Practice in Nigeria (The Radah Media Company, 2024) 287-292

In light of the issues arising from the launch of Zap App by Paystack, Fintech should adopt the following:

1. Utilisation of Central Bank of Nigeria Regulatory Sandbox:

Regulatory sandbox is a controlled environment set up by regulatory authorities to encourage experimentation and innovation within a set of prescribed parameters while avoiding some legal restrictions that will otherwise impede their progress. This would enable fintech's to test the application under the Central Bank of Nigeria oversight, identify compliance issues early, and adjust before launching the product.

2. Proactive Learning from industry precedent:

Financial technology companies should draw lessons from prior sanctions meted against other fintechs. In 2024, there were fines issued by the Central Bank of Nigeria to Opay and Moniepoint. Such experience should give financial technology companies an inkling of the CBN's move to tighten financial technology regulations and a shift to stricter enforcement and supervision.

3. Strict Adherence to License Scope:

Financial technology companies should learn to operate within its license scope. For example, Paystack with a switching and processing license does not allow deposit activities. More so, even where a partnership exists, as they claim, with the Titan Trust Bank, obtaining a letter of no objection or formal regulatory clearance would have mitigated compliance risks.

4. Early Integration of Compliance Expertise:

Emphasising understanding of regulatory compliance and adherence to the regulatory framework is another strategy fintech companies must adopt. This can be achieved by engaging the services of a compliance professional or expert at the early stage of the product formation to ensure alignment with the Central Bank of Nigeria regulations and avoid penalties.

5. Prior Regulatory Engagement and Product Approval:

Seeking regulatory approval from the Central Bank of Nigeria before launching a new product would confirm whether the company's current license covers the new product, signaling early if additional licensing or restructuring is required, and also ensure compliance before market launch, and help to minimize exposure to fines, damages, and reputational damage.

4.0 CONCLUSION

From the foregoing, it is clear that the fine imposed on Paystack poses a clarion call to striking a balance between innovation and compliance. Nigeria's fintech sector thrives on innovation, but innovative product launched without regulatory compliance simply mean waiting for a compliance mayhem to occur. As regulatory scrutiny intensifies, financial technology companies must move from being reactive to taking proactive regulatory strategies. Compliance is not a constraint to innovation but the basis for sustainable growth and development.

At Fealty Partners, we welcome conversations with business leaders, policymakers, investors, and fellow professionals on building resilient, responsible institutions in Nigeria's next decade of growth. For further conversations on this subject, you can reach out to us.

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