

Authors



Omotayo Akinrinwa
Managing Partner



Sopulu Chinwendu
Trainee Associate

Erroneous Electronic Fund Transfers In Nigeria: A Call For Smarter Regulation And Consumer-Centric Recovery

1.0 INTRODUCTION

Nigeria's banking sector has undergone a profound transformation, shifting from brick-and-mortar operations to a vibrant digital ecosystem powered by fintech innovation. Platforms such as OPay, Kuda, ALAT, Moniepoint, Cowrywise, Carbon, and Fair-money have democratized access to financial services, enabling millions to transact seamlessly via mobile apps, online portals, and USSD codes.¹

¹ SD Chinwendu, 'Appraisal of Digital Disruption in The Banking Sector in Nigeria: Creating A Sustainable Legal Framework' African Journal of Law, Ethics and Education [AJLEE] (2024) 7(2) <https://ajleejournal.com/index.php/ajlee/article/view/195/192> accessed 14 May 2026.

Yet, with this convenience comes a rising tide of erroneous electronic fund transfers (EFTs) transactions gone wrong due to system glitches, fraud, or human error. These incidents expose gaps in consumer protection, regulatory enforcement, and dispute resolution, threatening trust in Nigeria's digital financial future.

This article critically examines erroneous electronic fund transfers in Nigeria by analysing the existing legal and regulatory framework governing electronic payment systems, identifying the challenges associated with erroneous electronic transfers, and providing the procedures available for the recovery of erroneously transferred funds. The article further proffers practical recommendations aimed at addressing the operational and regulatory challenges surrounding erroneous electronic fund transfers in Nigeria.

CONCEPTUAL CLARIFICATION

2.1 Electronic Fund Transfer:

An electronic funds transfer is a category of transactions when funds are transferred from one financial account to another solely in a digital format. These transactions may occur inside the same financial institution or between other institutions, and do not necessitate paper documentation or the involvement of bank personnel.² An electronic instant fund transfer is when a transfer between the sending and receiving entities is made within sixty seconds.³



² Unit 21.AI, Electronic Funds Transfer (EFT) (2026) <https://www.unit21.ai/fraud-aml-dictionary/electronic-funds-transfer> accessed 14 May 2026.

³ CBN Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018 Rule 13.2.

2.2 Erroneous Transfer:

The word “erroneous” means incorrect or mistaken.⁴ An erroneous transfer refers to a transfer executed by the transmitting entity to the receiving entity in error. An erroneous transfer is executed by the sending entity to the receiving entity.

2.3 Sending Entity:

A Nigerian company or Financial Institution licensed by the CBN to carry on the business of facilitating electronic funds transfer services in Nigeria and who initiates an Instant EFT on behalf of its customers.

2.4 Receiving Entity:

A Nigerian company or Financial Institution licensed by the CBN to carry on the business of facilitating electronic funds transfer services in Nigeria and who receives the proceeds of Instant EFT on behalf of its customer.

3.0 TYPES OF ERRONEOUS FUND TRANSFER



3.1 Wrong Transfer due to Bank Error:

Wrong transfers resulting from banking errors transpire when, contrary to

⁴ Kuda Microfinance Bank LTD v. Blessing (2024) LPELR-8063 (CA)

the customer's instructions, the sending institution mistakenly transmits an amount that exceeds or falls short of the sum initiated by the customer. This type of erroneous transfer typically occurs when the sending entity makes an error owing to an incorrect account number, incorrect amount, or duplication of a previously executed transaction by the client, among other factors.⁵

3.2 Wrong Transfer due to Fraud:

In instances of erroneous transfers due to fraud, financial institutions are authorised to suspend or limit any account upon receiving a fraud-related complaint. This authority can be exercised without obtaining a court order. This position has rightly been affirmed by the court, when it held that a bank may lawfully block or freeze a customer's account without first obtaining a court order.⁶

3.3 Wrong Transfer Due to Customer Error:

Errors in transfers may arise from client mistakes, which are prevalent in transactions conducted via digital banking systems such as online banking, mobile transfers, and USSD transfers.⁷

⁵ CBN Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018 Rule 10.2.

⁶ Kuda Microfinance Bank Ltd v. Mrs. Amarachi Kenneth Blessings (2024) LPELR-80643(CA).

⁷ Chimezie Onuzulike and Others, 'Resolving Erroneous Electronic Transfers Without Court Orders: Examining the Central Bank of Nigeria Regulation on Instant (Inter-Bank) Electronic Funds Transfer Services' (2025) <https://www.mondaq.com/nigeria/financial-services/1647760/resolving-erroneous-electronic-transfers-without-court-orders-examining-the-central-bank-of-nigeria-regulation-on-instant-inter-bank-electronic-funds-transfer-services> accessed 16 May 2026

4.0 LEGAL AND REGULATORY FRAMEWORK ON ERRONEOUS FUND TRANSFER



4.1 Central Bank of Nigeria Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018:

In exercise of the powers conferred on the Central Bank of Nigeria under the Act, the CBN issued this rule and regulation for the efficient operation of Instant Electronic Funds Transfer Services in Nigeria. The objectives are to set out the rules for the operation of Instant Electronic Funds Transfer services in Nigeria; prescribe the rights and obligations of the parties to such services; provide the minimum standards for the operations of the parties to Electronic Funds Transfer services; and stipulate procedures geared towards the enhancement of the soundness of instant Electronic Funds Transfer services, while adequately protecting the interests of instant Electronic Funds Transfer customers and operators. The type of transaction the regulation shall apply to includes: One to one – single debit and single credit; One to many – single debit and multiple credits; and Many to one – Multiple debits and single credit.⁸

⁸ CBN Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018 Rule 6

In resolving dispute under this regulation, The Instant Electronic Funds Transfer Service Provider shall properly document and circulate among Sending and Receiving entities a Dispute Resolution System process, All Instant Electronic Funds Transfer disputes shall be resolved within three (3) working days, where the Sending and Receiving entities fail to agree, the aggrieved entity shall report to the Director, Consumer Protection Department, CBN within five (5) working days of the failure to resolve the dispute to minimise customer pain.⁹

4.2 Economic Financial Crime Commissions Act:

An individual who intentionally provides or receives, by whatever means, funds from another person with the aim that such funds would be utilised for any wrongful act commits an offence under this Act and is subject to life imprisonment upon conviction.¹⁰ In the current era characterised by rampant kidnapping, banditry, and illicit financial transactions, it is quite probable that funds, derived from criminal activities, may be deliberately deposited to an account with the goal of subsequently relocating them to another account to elude law enforcement scrutiny. The account owner will be charged under the above section for indirectly collecting funds to facilitate a crime.

5.0 CHALLENGES IN RECOVERING ERRONEOUS TRANSFER FUNDS

A significant problem in recovering erroneous electronic financial transfers in Nigeria is the banks' unwarranted reliance on litigation prior to initiating actions to freeze or reclaim erroneous transmitted funds. In numerous instances, banks, either due to insufficient comprehension of their authorities and responsibilities under the Electronic Funds Transfer Regulations or apprehension of liability, require court orders prior to addressing reports of erroneous transfers. This technique considerably prolongs the recovery process and exposes victims to costly and protracted litigation procedures.

The implication of this approach is that victims of erroneous transfers are often

⁹ CBN Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018 Rule 10.

¹⁰ Economic Financial Crime Commissions Act Section 15.

burdened with legal costs, filing fees, and prolonged court proceedings merely to recover funds mistakenly transferred from their accounts. In several instances, the cost of instituting legal action exceeds the actual amount erroneously transferred, thereby discouraging victims from pursuing recovery. Consequently, many victims are compelled to forfeit their funds, resulting in financial loss and reduced public confidence in Nigeria's digital banking system. This challenge undermines the efficiency and consumer protection objectives of the Central Bank of Nigeria Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria.

6.0 PROCEDURE FOR RECOVERING ERRONEOUS TRANSFER FUNDS



To discreetly address the problem of erroneous transfers, the Electronic Fund Transfer regulations stipulate that when a consumer executes a transfer in error, the following steps should apply:

1. Where the beneficiary of the erroneous transfer is known to the complainant, the sending entity shall encourage the complainant to contact the beneficiary for an amicable settlement;¹¹
2. If the beneficiary is unknown to the complainant or a known beneficiary declines to issue a refund to the complainant, the sending entity, upon receiving a valid claim from the customer, shall inform the receiving entity, which will then

¹¹ CBN Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018 Rule 10.4.1

impose a lien on the beneficiary's account balance and subsequently seek the beneficiary's consent to process the refund;¹²

3. If the beneficiary withholds consent, the internal auditors of the sending and receiving entities shall mediate between the two clients within two weeks of the complaint to resolve the matter, and their decision shall be conclusive. The lien on the funds in the beneficiary's account shall not exceed two weeks;¹³

4. If the disputed beneficiary has used the funds in a manner that precludes the imposition of a lien and refuses to deposit into the beneficiary account to enable a refund, the Internal Auditors of the receiving entity shall place the customer's Bank Verification Number on a watch list, and the sending entity may notify law enforcement agencies of the incident.¹⁴

7.0 EXCEPTION

The Dispute Resolution System procedure put in place by the Instant Electronic Fund Transfer service provider shall make provisions for exception handling where the status of a transaction between the electronic fund transfer service provider and the sending or receiving entities is indeterminate.¹⁵ In other words, a transaction whose final status is uncertain or cannot immediately be confirmed, for example, the sender's account is debited, but the recipient does not receive the money. The bank system shows "processing" for a long time. Both banks have conflicting transaction records. Or a network failure occurs during the transfer. In such situations, nobody can immediately tell whether the transaction succeeded, failed, or is still pending. In such cases, the procedures stated above will not apply.

¹² CBN Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018 Rule 10.4.2

¹³ CBN Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018 Rule 10.4.3

¹⁴ CBN Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018 Rule 10.4.4

¹⁵ CBN Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2018 Rule 10.5

8.0 CONCLUSION

Erroneous electronic fund transfers are not just operational hiccups, they are systemic risks to Nigeria's digital financial revolution. By reducing unnecessary litigation, enhancing consumer awareness, and leveraging technology, Nigeria can transform EFT errors from a source of distrust into an opportunity for regulatory innovation.

The future of digital banking in Nigeria depends not only on speed and convenience but also on trust, accountability, and consumer protection. Addressing erroneous transfers decisively will ensure that Nigeria's fintech boom remains sustainable, inclusive, and resilient.

9.0 RECOMMENDATIONS

1. Reduction of Unnecessary Litigation:

Banks and other financial institutions should be discouraged from unnecessarily insisting on court orders before freezing or placing liens on accounts linked to erroneous transfers where the Electronic Funds Transfer Regulations already empower them to act. This would reduce delays, litigation costs, and hardship faced by victims seeking recovery of mistakenly transferred funds.

2. Improved Consumer Education and Awareness:

There is a need for continuous public sensitisation on safe digital banking practices and the procedures for reporting erroneous transfers. Customers should be educated on verifying account details before initiating transfers and promptly reporting mistaken transactions to their financial institutions.

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.