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**APPEAL COURT RULES BANKS CAN
RESTRICT ACCOUNTS WITHOUT COURT
ORDER: WHAT THIS MEANS FOR
CONTRACTS, REGULATION, AND RIGHTS**



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A recent decision by the Court of Appeal has confirmed that Nigerian banks may restrict customer accounts without first obtaining a court order, provided this action is backed by the customer's agreement and aligns with directives from the Central Bank of Nigeria (CBN). This ruling brings renewed attention to the balance between contractual terms, regulatory compliance, and constitutional rights.

At its core, the banker-customer relationship is contractual. Most standard banking agreements include clauses that allow banks to block or freeze accounts if fraud, suspicious activity, or operational errors are detected. Once signed, these terms give the bank a private law basis to act swiftly, often without immediate judicial involvement.

The CBN also plays a central role. Its guidelines instruct banks to promptly act on verified fraud alerts. In today's fast-moving digital environment, any delay, such as waiting for a court order, could mean the loss of stolen funds.

This, however, raises a constitutional concern. Section 44(1) of the 1999 Constitution protects the right to property and prohibits deprivation without due process. Traditionally, courts have held that government agencies like the EFCC must obtain court orders before asking banks to restrict accounts.

But in this case, the court emphasized a key distinction: if a bank imposes a temporary restriction on its own initiative, based on its contract with the customer and relevant CBN rules, it may not violate constitutional rights. Such restrictions must be justified, short-term, and proportionate.

While permanent or arbitrary freezes still require judicial oversight, this decision recognizes that limited interim actions may not. It also raises key policy questions:

- Should contractual terms ever override constitutional safeguards?
- Are CBN directives enough to justify restrictions without court input?
- How long should banks be allowed to freeze accounts without escalating the matter?

The takeaway? Banks can act quickly, but not indefinitely. There's a clear need for regulatory clarity, thereby setting limits, ensuring customer notification and requiring judicial or law enforcement involvement within a short window (e.g., 72 hours). As financial fraud becomes more complex, the law must keep pace, ensuring banks remain effective while protecting individual rights.
