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Understanding NDPA Compliance Requirements for Digital Lending Startups in Nigeria

Introduction

The Nigeria economic ecosystem is dominated by the micro and small medium enterprises, accounting for 90% of all businesses in the country, out of which majority are family-owned businesses with annual contribution of $200 billion in revenue generation , responsible for creation of 84% of employment opportunities in Nigeria.

Sustaining this economic momentum would mean easy access to debtor friendly credit loan facility of which the traditional banking system failed in this regard, leading to a rapid rise in economic hardship amongst Nigerians.

To suppress the economic chaos, digital lending startups came on board offering easy access to loan facilities with flexible repayment plans and generally offering debtor friendly loan terms.

Because the digital lending startups offer low barrier standard for financial inclusion with simple collateral requirements and flexible repayment plans, many consumers found as their go to when it comes to procuring loan facilities, this is particularly when compared these offerings with traditional banks.

At the initial operation stage of the digital lending startups in Nigeria, the industry had minimal regulatory oversight to worry over, leading to influx of many industry stakeholders ranging from agriculture, apparel and fashion, architecture and planning, investment management to luxury goods and jewellery etc, exploring this gap by incorporating credit offering into their existing businesses. Majority of whom ignored digital lending best practices. Predatory practises ranging from data privacy violations, exploitative practices, abusive loan recovery tactics- such as threatening consumers with reputational damage , harassment and became the order of the day in the digital ecosystem at the time.

To mitigate this hardship, on 21st July 2025, the Federal Competition and Consumer Protection Commission (FCCPC) in July 2025, introduced the Digital, Electronic, Online, or Non-Traditional Consumer Lending Regulations, 2025 (DEON 2025).

This article then focuses on the various regulatory compliance requirements imposed on digital lending startups through the FCCPA 2018, DEON 2025, and the Nigeria Data Protection Act, 2023 (NDPA, 2023), while proffering recommendations to help startups in the Nigeria digital lending industry position their business to benefit from the strong digital lending practices provided for in the various relevant legislations regulating the industry.

Does Fccpa 2018 And Ndpa 2023 Compliance Requirements Break Or Make A Digital Lending Startups?

Global economic policy makers understand that proper implementation of ease of doing business policy facilitate economic growth. And strategic improvement of economy first requires identifying the industries

capable of offering sustainable development for a nation. In Nigeria, the digital lending industry by virtue of its key role in facilitating credit access for MSMEs, accounts for 48% to the national GDP. It will therefore be counterintuitive for the Nigerian policy makers to come up with legislation that drowns the very bird that lays her golden eggs. In order words, the FCCPA 2018, DEON regulation 2025 and the NDPA 2023 are all established to ensure digital lending services grow into scalable business that would offer robust economic value to the nation without compromising consumer rights.

The FCCPA for instance section 72 of the Act is a direct adoption of the global digital market competition principle of “big is not bad” in its application to the digital lending startup business operation, is designed to ensure fair competition amongst digital lending startups by prohibiting abuse of dominant position , which helps prevent harm to consumers and broader economic damage.

Subsection 2 of the section highlights a few business exercises that demonstrates abuse of dominant position: charging an excessive price without considering the realities of the consumers, refusing to corporate with other competitors when it is economically reasonable to do so, and so forth.

Absent of this law, it simply means, digital lending startups can engage in unfair practices highlighted above for instance a young digital lending loan app may find it difficult to grow because a bigger competitor – loan app decides to not lease its API for a lesser fee. Or a bigger loan app could saturate the market by offering unreasonably low interest rate to consumers which young loan app companies may find economically illogical to offer consumers.

Section 124 of the FCCPA 2018 is also instructive and in its direct application to the digital lending startups and some notable unethical lending practices, this section clearly prohibits acts like using physical force, coercion, undue influence , harassment, unfair tactics against consumers in connection with marketing of services, negotiation or enforcement of an agreement. The implication of not having this law for digital lending industry is the harm it causes consumers. For instance, a consumer defaults on repayment term to a loan facility has been sent a threatening message stating that they will inform the whole world that he is a drug addict. Depending on the status of the consumer in the society, implementing such threat could cause irreversible reputational harm, and in some instance could even lead to personal harm such as suicide. if this trend is allowed to thrive, it is only a matter of time that members of the public begin to realise digital lending platforms take more than it gives them, and simply distant themselves, resulting to more hardship amongst the people and crumbling of a lucrative business with broader national economic damage as time goes on.

A SneakPeek into the Nigeria Digital Lending Service Compliance Requirements

According to Part 1 (4) of the Digital, Electronic, Online, or Non –Traditional Consumer Lending Guidelines, 2025 (DEONTCLG 2025), all providers of digital lending services in Nigeria must comply to.

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