



## CENTRAL BANK OF NIGERIA (CBN) REVOCATION OF HERITAGE BANK'S LICENCE AND NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC) CIRCULAR ON PAYMENT OF DEPOSITORS' FUNDS

On 3 June 2024, in the exercise of its powers under section 12 of the Banks and Other Financial Institutions Act (BOFIA)<sup>1</sup>, the Central Bank of Nigeria (CBN), in a press release, announced the revocation of Heritage Bank Plc's (the Bank) banking license.<sup>2</sup> Following the revocation, the CBN appointed the Nigeria Deposit Insurance Corporation (NDIC) as the Liquidator of the Bank in line with Section 12(2) of BOFIA. On 4 June 2024, the NDIC stated in a press release that it has commenced the liquidation process of the Bank.<sup>3</sup> In the press release, the NDIC detailed how depositors will receive payment of their funds with the Bank. The NDIC stated that depositors with funds exceeding N5,000,000.00 (Five Million Naira) would receive a liquidation dividend once the Bank's assets are realised and debts owed to the Bank are recovered.

### What it means

The NDIC is responsible for insuring deposits in Deposit Money Banks (DMBs), such as the Bank. It provides insurance coverage for DMBs up to N5,000,000.00 (Five Million Naira) (the "Insured Sum").

Pursuant to the NDIC press release, depositors with alternate bank accounts will be paid up to the Insured Sum upon providing their Bank Verification Number (BVN). However, depositors without alternate bank accounts must either visit the nearest branch of the Bank with proof of account ownership, valid means of identification, and their alternate bank account and BVN or file an online claim on the NDIC website, uploading the necessary documents.

1. The CBN gave as the main reason for the revocation the fact that the Board and Management of the Bank remain unable to improve the Bank's financial performance, a situation which constitutes a threat to financial stability pursuant to Section 12(1)(f) of BOFIA.

2. CBN Revokes the Banking License of Heritage Bank Plc-

<https://www.cbn.gov.ng/Out/2024/CCD/CBN%20Press%20Release%20Heritage%20030624.pdf/>

3. NDIC Commences Liquidation of Heritage Bank- <https://ndic.gov.ng/wp-content/uploads/2024/06/HERITAGE-BANK-PRESS-RELEASE.pdf/>

For deposits exceeding the Insured Sum, depositors are eligible to a liquidation dividend. Liquidation dividend is the sum realised from the disposal (sale) of the Bank's assets and recovery of debt owed to the Bank. The provision of the law is that the payment of the Insured Sum shall be without prejudice to the liquidation dividends to be paid to the depositor once the assets of the failed insured institution have been realised.<sup>4</sup> The import of this is that payment of the Insured Sum is not the end for depositors whose funds exceed the Insured Sum. Accordingly, upon disposal of the Bank's assets and recovery of its debts, these depositors will receive the excess amount on a pro-rata basis. Furthermore, depositors will be given priority over creditors and shareholders in the settlement of competing claims.

While there is no timeframe within which the assets of the Banks are to be disposed or debt recovered, depositors may take comfort in the fact that their rights to the excess funds are not extinguished by the payment of the Insured Sum, but rather suspended pending the realisation of the liquidation dividend, and in the priority of their claims over other competing interests.

In addition, where a depositor fails to claim its Insured Sum within a period of six (6) years after the mailing of at least three (3) months' notice to the depositor's last known address appearing in the records of the Bank and the release of the press release, the Insured Sum will revert to the NDIC<sup>5</sup> and the depositor will lose any right of action against the NDIC.<sup>6</sup>

Depositors of the Bank are therefore advised to take active steps in claiming their Insured Sums by following the procedures laid down by the NDIC (as discussed in this alert) before the expiration of the Six (6)-year limitation period.

### **Required Actions**

Clients are hereby advised to:

- Commence the process of claiming their Insured Sums by providing the NDIC with the required documentation. Visit [www.ndic.gov.ng](http://www.ndic.gov.ng) for more information; and
- Take cognizance of the 6-year limitation period for claiming the Insured Sum.

If you would like details about other similar developments, please click [here](#)



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4. Section 20(4) of the Nigeria Deposit Insurance Corporation Act  
5. Section 22(4) and (5) of the Nigeria Deposit Insurance Corporation Act  
6. Section 22(6) of the Nigeria Deposit Insurance Corporation Act

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