

Legal Imperative of Financial Ombudsman System in Nigeria's Banking Sector

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Abstract

Banks exist and continue to do business due to the continued patronage of their customers as these customers provide the basic "raw material," money, with which banks do business. The banker-customer relationship is fundamentally contractual. However, the two contracting parties have unequal bargaining powers, with the customer occupying a weaker position, despite the customer's role in the future of the bank. This raises the imperative of instituting a mechanism for the protection of bank customers. In Nigeria, the extant regulatory mechanism does not provide the desired level of bank customer-protection. This paper examines this situation and situates the problem in the absence of a coherent and statute-backed mechanism for addressing customers' complaints. The paper recommends the creation of a banking ombudsman system through enactment, as an objective way of institutionalising a regime of customer-protection. This is a veritable means of curing the glaring lacuna in banking regulation in Nigeria.

I. Introduction

The position of bank customers or what is also referred to as bank depositors in the life and future of banking institutions is of fundamental importance in the entire financial architecture called the banking system. This is because banks exist or continue to do business due to the patronage provided by their customers. The deposits aggregated from customers form the bedrock of loanable funds held by banks. The necessary implication is that money deposited by customers with their banks is crucial to the continued existence and robust health of these financial institutions. This position would be more apt in emerging economies, such as

Nigeria, where most financial transactions are predominantly cash-based, thus providing steady flow of operating resources for banks.¹ Under the banking concept, the basic raw material for carrying on banking business is money, represented by the legal tender used in the given economy or other foreign currencies, as may be legally feasible.² Without a steady flow of this important resources generated from customers, banks would face the constant challenge of liquidity sustenance.

Thus Lord Denning MR, in *United Dominions Trust v Kirkwood*,³ in construing what a bank is, stated that “a banker is one that traffics in money”.⁴ That raw material, money, traded by banks is generated from customers. In that way, banks simply play the intermediation role by receiving money from the (surplus) depositors for onward lending to the (deficit) borrowers.⁵ The Implication of this position is that the importance of depositors in the banker-customer relationship equation therefore raises the imperative of enthroning a regime of effective protection of customers. This necessity is so in order to sustain customers’

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¹ For example, the problem of overdependence on cash-based transactions informed the introduction of the cashless society by the Central Bank of Nigeria as the principal financial regulator in Nigeria.

² For example, in Nigeria, bank customers are now allowed to hold accounts with their banks, not only in naira-denominated currency, but also in foreign currencies including the US dollar and UK pounds sterling. This policy was no doubt put in place to encourage foreign exchange inflow and retention within the Nigerian financial system. This class of accounts that are locally held but foreign currency-denominated are referred to as “domiciliary accounts”. See “Monetary, Credit, Foreign Trade and Exchange Guidelines for Fiscal Years 2012/2013,” vide Central Bank of Nigeria Circular No. 39 (January, 2012). Also, see Central Bank of Nigeria Circular of Reference FPR/DIR/GEN/CIR/03/002 dated 27 March, 2013. Accessed at <http://www.cenbank.org/out/2012/publications/guide> on Thursday 22 January, 2015.

³ [1966] 2 QB 431

⁴ *United Dominions Trust v Kirkwood* [1966] 2 QB 431, 445

⁵ Ebong, B. B., “The Banking Industry and the Nigerian Economy Post-Consolidation,” 9, nos. 3 & 4 (2005) *Union Digest*: 1

confidence in the banking system, maintain financial stability and prevent or assure against loss of deposits. Above all, the enthronement of an effective regime of protection of depositors ensures that the usually ingrained fears or concerns of bank customers are immediately addressed and resolved, whenever they arise, without necessarily allowing the situation to degenerate into civil litigation. This is only achievable through an effective and sustainable service delivery by these financial institutions and the enablement of an efficient and transparent alternative dispute resolution mechanism to help address basic differences. The financial ombudsman has the potential of playing this dispute resolution very effectively. According to Malyadri:

In the present banking system, excellence in customer service is the most important tool for sustained business growth. Customer complaints are part of the business life of any corporate entity. This is more so for banks because they are service organisations. Over a period of time, the number of complaints against banks with regard to deficiency of their services has been increasing in spite of several efforts taken by banks on the advice of the Reserve Bank of India. Since the role of banks has changed from 'Class Bank' to 'Mass Bank', there is a tremendous pressure on the part of banks to satisfy the various needs of the customers.⁶

Although Malyadri writes against the background of the Indian experience, the situation rings true of the Nigerian banking system, even more so when there is presently no efficient or reliable mechanism for addressing depositors' concerns.⁷ Under such

⁶ Pacha Malyadri, "Success of Banking Ombudsmen Scheme: Myth or Reality," *International Journal of Research Studies in Management* 1, no. 1 (2012): 17

⁷ Ojukwu-Ogba, N.E., "Banking Reforms in Nigeria: Legal Implications for the Banker-Customer Relationship," 35, no. 4 (2009) *Commonwealth Law Bulletin*: 675; Wilson, I., "Regulatory and Institutional Challenges of

circumstance, the legal necessity of instituting a financial ombudsman system for the banking sector to adequately address the complaints and fears of depositors and other consumers of banking services becomes inevitable. This imperative is especially apt in Nigeria in the face of the dismal state of customer-protection in the country's banking industry and the high cost of procuring legal services for the pursuit of legal rights by persons who feel aggrieved. Recourse to litigation to address customers' complaints is impliedly exclusive due to cost implications and timeframe, making it impossible for persons with lesser means to easily procure legal advice or representation. This is further underscored by the implications of the growing sophistication of the operations of banking institutions in the country.⁸ Without a clearly spelt out mechanism for addressing even basic concerns and complaints, bank customers may be hard put to assert their rights or get their complaints adequately addressed by their banks. Such situation has the potential of militating against the desired rapid expansion and deepening of the banking sector and the need to sustain this, especially in the face of the very important roles banks play in growing the economy and the sustenance of financial stability.⁹

When all factors are taken into consideration, the level of protection of bank customers in Nigeria is abysmally low, especially in light of the total absence of a legal framework for a distinct office of banking or financial ombudsman to address customers' concerns and complaints. This paper examines the state of customer-protection in Nigeria's banking industry and finds that the level of protection is

Corporate Governance in Nigeria Post Banking Consolidation," 12, no. 2 (2006) *Nigerian Economic Summit Group Economic Indicators*: 10

⁸ The exponential growth in customer-base of licensed banks and the development in information and communication technology (ICT) have been incredible. A section of the populace within the banked bracket may not be technically literate enough to flow with this rapid development in the banking industry, especially as this relates to the deployment of ICT in electronic banking.

⁹ Banks are universally recognized to be drivers of the economy through their intermediation roles and operators of the payments system.

almost hopelessly low. It considers the legal imperative of introducing an efficient and cost-effective alternative dispute resolution mechanism. This could be achieved through the enactment of a law to operate an effective banking ombudsman system through a permanent, statutorily-backed organ for effectuating the mechanism to cure the lacuna. It finally concludes with the processes that could aid the realisation of that laudable objective.

II. State of Customer-Protection under the Nigerian Banking System

Although the nature of the relationship between the bank and its customer has long been established to be contractual,¹⁰ it is however a relationship in which the parties have unequal bargaining powers. Consequently, the party with the weaker bargaining power, the customer, apparently needs the protection of the law. Where this is lax or none-existent as in Nigeria, depositors and other consumers of banking services fail to take benefit from this basic contractual protection. The Central Bank of Nigeria (CBN), as principal regulator of the Nigerian banking system, has not stopped giving directives to operators of banks and other financial institutions aimed at engendering bank customer-protection.¹¹ Apparently, these institutions have not been too cooperative and efficient in implementing measures that could aid the realisation of these objectives, even in the face of regulatory

¹⁰ *Foley v. Hill* (1848) 2 HLC 28; *Joachimson v. Swiss Bank Corporation* (1921) 3 KB 110. The principle has been eminently recognized and applied in Nigeria in a plethora of cases: *Allied Bank of Nigeria Ltd v. Akubueze* [1997] 6 NWLR (Part 509) 374; *Muomah v. Spring Bank Plc* [2010] All FWLR (Part 502) 1097, 1109; *Balogun v. National Bank of Nigeria Ltd* [2009] All FWLR (Part 479) 427; *Nigeria Deposit Insurance Corporation v. Okem Enterprises Ltd* [2004] 10 NWLR (Part 880) 110; *Associated Discount House Ltd v. A.T. Ltd* [2006] 10 NWLR (Part 989) 635; *Unity Bank Plc v. Nwadike & Anor* [2008] All FWLR (Part 444) 1571, 1588

¹¹ A good example in this regard is the publication of the apex bank entitled *Central Bank of Nigeria: Code of Corporate Governance for Banks in Nigeria Post Consolidation* (Abuja: CBN Press, 2006)

ineffectiveness in the enforcement mechanism.¹² The situation is worsened by the absence of the ombudsman system to address basic complaints by bank customers in light of the glaring absence of an effective mechanism within the present regulatory framework to address such challenges. The Banking Supervision Department of the CBN, though making effort to achieve that objective, has not been able to fill the vacuum created by the absence of an ombudsman system like is practised in some other jurisdictions such as India, the UK, Switzerland, New Zealand, Australia and South Africa, countries most of which share similar common law culture with Nigeria. Many of these countries are already practising this progressive system effectively, which creates a win-win situation because the state agency in charge of banking regulation is relieved of the headache of addressing particular and minor complaints of bank customers. The system of financial ombudsman started in the United Kingdom.¹³ India introduced the scheme in 1995. Even the Switzerland that is synonymous with banking practice introduced the ombudsman system in 1993.¹⁴ Other countries that are already practising the scheme effectively are Canada, Trinidad and Tobago, South Africa, Sweden, Australia and New Zealand among others.¹⁵

Unfortunately, even in light of its necessity, there is presently no comprehensive programme devised by the CBN and regulated banks operating in Nigeria that effectively provide a measure of meaningful protection for consumers of banking services. The apex bank and regulated banks may be giving the impression that there is adequate protection for bank customers and an effective

¹² Adeyemi, B. and Olowu, A. O., "Corporate Governance: Has the Nigerian Banking Sector Learnt Any Lesson?" 3, no. 2 (2013) *International Journal of Business and Social Research*: 49

¹³ "Twenty Years of the Banking Ombudsman Scheme," accessed at <http://www.bankingombudsman.ch/en> on 02 March, 2014

¹⁴ Ibid

¹⁵ Satyanand, A., "Independent Review of New Zealand Banking Ombudsman Scheme," March, 2006, accessed at http://www.bankomb.org.nz/ckeditor_assets/ on 02 March, 2014

window for addressing their complaints.¹⁶ Beyond issuing directives to licensed banks on customer-protection, this needs to translate into positive results. Addressing complaints that do not necessarily involve litigation is what is ideal in this case. Consumers of banking services should have the impression that they are adequately protected by the state through statutory safeguards on consumer protection. Due to the technical nature of banking transactions, it may not really be feasible for existing ombudsman system, which in any case is of a general nature, to effectively address complaints of bank customers.¹⁷ However, a close observation of the Nigerian banking system will betray a glaring absence of such situation. If it exists, that may be in internal memoranda and other operational documents, which have not been translated into reality. Circulars and other policy directives may have little or no effect in the absence of an effective enforcement regime.¹⁸ These circulars have failed to translate into practical realities by way of prompt response that end up solving the complaints raised by customers.¹⁹ Bank customers still have to

¹⁶ There exist circulars and operating guidelines issued by the CBN to regulate or supervise licensed banks in their operations. It remains to be determined to what extent these measures have effectively provided protection of bank customers or helped in addressing their complaints and fears effectively.

¹⁷ In Nigeria, public safeguards or citizens' protection mechanisms provided by the state through the instrumentality of such agencies as the Public Complaints Commission and the Consumer Protection Council may really not be properly equipped with the right technical depth to effectively address complaints relating to the banker-customer relationship.

¹⁸ Central Bank of Nigeria, "Circular on Help Desk for Complaints on ATM Transactions," dated 03 February, 2010; Central Bank of Nigeria Circular of reference no. FPR/DIR/CIR/GEN/01/020 dated 16 August, 2011, "Circular Directing Deposit Money Banks to Expand the Existing ATM Help Desk to Handle all Consumer Complaints and for Discount Houses and all Other Financial Institutions to Establish a Consumer Complaint Help Desk," accessed on 15 February, 2014 at <http://www.cenbank.org/documents>. Also, see Komolafe, B., "CBN Sanctions Banks for ATM Infractions," *Vanguard* (Lagos) Wednesday 09 February, 2011; Onuba, I., "Bank Customers Need Special Protection Against Frauds – CBN Director," *The Punch* (Lagos) Sunday 21 April, 2013

¹⁹ In spite of CBN's directives to banks on the imperative of establishing effective customer-complaint departments, the general impression still

grapple with instances where clear cases of fraud on their accounts are not properly addressed, including the ubiquitous electronic machine payments system frauds that are not given the required prompt attention.²⁰ In the absence of any such programme of consumer protection, depositors and other consumers of banking services in Nigeria are left to their fate whenever they have any complaint against their banks. Customers with the right means do go to court for redress and sometimes do achieve redress but majority of customers may either be shy of litigation or may be incapacitated from commencing legal action against their banks for redress due to impecuniosity.²¹ Under the present dispensation, lacking in ADR mechanism, the only alternative for redress, litigation through the court system, could be both expensive and time-consuming. Administration of justice system in Nigeria is relatively complicated, technical and expensive, making it difficult

remains that banks are doing too little or nothing towards fulfilling that important obligation. This problem of lack of adequate attention to customers' complaints appears not to be just a peculiar Nigerian banking system problem but occurs in other parts of the world. For example, see Stewart, J., "Banks Struggling to Resolve Customer Complaints," *American Banker*, Friday 13 December, 2013, accessed at <http://www.americanbanker.com/issues> on Tuesday 28 January, 2014. Also, see Enoch, C., Loukoianova, E. and Swaray, S., "Nigeria: Financial System Stability Assessment," Tuesday 22 January, 2013, International Monetary Fund (IMF) accessed on Tuesday 28 January, 2014 at <http://www.imf.org/external/pubs/ft/scr/2013>; Consumer International, "In Search of Good Practices in Financial Consumer Protection," (2013): 11, accessed on Monday 13 January, 2014 at <http://www.consumerinternational.org>

²⁰ Due to the absence of a banking ombudsman in the regulatory framework for the banking sector in Nigeria, it is difficult for bank customers to receive the desired attention when complaints arise, even in the face of the impression given by most businesses that "the customer is always the king." In spite of CBN's standing directives on banks to establish complaint desks at their head offices and branches with a view to addressing issues relating to complaints by customers, it is difficult to see any such really functional desks at bank branches, beside signs indicating their existence.

²¹ Enyim, E., "Court Orders Bank to Refund N636m to Customer Over Illegal Debits," *Vanguard* (Lagos) 15 July, 2014; Obi, P., "Unlawful Debit: Court Orders Bank to Refund N636m to Customer," *Sun* (Lagos) 16 July, 2014

for a class of prospective litigants to engage it. The imperative of a banking ombudsman in the Nigerian banking space can be more appreciated in the light of these challenges faced by customers in the banker-customer relationship. Such ombudsman services should be spear-headed by the CBN and needs statutory foundation to give it the required bite and official seal.²² The effect of such measure is the restoration or increased consumer confidence in the banking system. This is very essential to the continued growth of banks and other financial institutions in Nigeria.

III. Legal Imperative of a Banking Ombudsman System

It cannot be disputed that effective regulation of the banking system would have a multiplier effect on the economy because stronger and more efficient banks would translate into disciplined, transparent and robust financial institutions.²³ This could be explained by the fact that when companies and individuals play by the rule, the resultant situation would be systemic sanity and stability. Such institutional qualities would also rub off on the other sectors of the economy by the simple reason of the fact that banks are the principal drivers of the economy and the major framework upon which all payments system thrive. A banking system that is properly sanitised through effective and transparent

²² What is advocated here is not just a pressure group that lacks statutory backing but an institution, agency or office that would be created by law to have the specific responsibility of addressing bank customers' complaints. Such complaints may be too trivial to warrant recourse to the courts for redress. Some wary observers may erroneously think that such role of addressing customers' complaints may have been put in place by the Bankers Committee. That is an erroneous thinking. The Bankers Committee is a grouping or forum of chief inspectors of banks and the head of banking supervision at the CBN. The group lacks any form of statutory flavour. Moreover, its role is more of protector of interest of member banks and not the interest of customers.

²³ As at now, the problems prevalent in the Nigerian banking sector, including the challenges of fraud, insider abuse, cybercrime and weak corporate governance, may be symptomatic of a defective monitoring and supervision mechanism that banking regulators may urgently need to address or fine-tune.

monitoring and supervision would definitely impact positively on the economy, thus making it more robust and attractive to prospective investors. It is therefore important to consider the influence of regulation on banks, especially the direct effect of certain regulatory instruments employed by regulators for effective monitoring and supervision of these institutions. This largely informed the enactment of a regulatory policy that seeks to synergise effort by all regulators in the financial sector.²⁴ Thus, section 43 provides:

- (1) There is hereby established for the purpose of co-ordination of the supervision of financial institutions, a Financial Services Regulation Coordinating Committee (in this Act referred to as “the Committee”).
- (2) The Committee shall consist of –
 - (a) The Governor of the Bank who shall be the Chairman;
 - (b) The Managing Director, Nigeria Deposit Insurance Corporation;
 - (c) The Director-General, Securities and Exchange Commission;
 - (d) The Commissioner for Insurance;
 - (e) The Registrar-General, Corporate Affairs Commission; and
 - (f) A representative of the Federal Ministry of Finance not below the rank of a Director.

Section 44, in creating functions for the Committee, went further to provide:

The objectives of the Committee shall be to:

- a) co-ordinate the supervision of financial institutions especially conglomerates;
- b) cause reduction of arbitrage opportunities usually created by differing regulation and supervision

²⁴ Sections 43 and 44 CBN Act 2007

- standards amongst supervisory authorities in the economy;
- c) deliberate on problems experienced by any members in its relationship with any financial institution;
 - d) eliminate any information gap encountered by any regulatory agency in its relationship with any group of financial institutions;
 - e) articulate the strategies for the promotion of safe, sound and efficient practices by financial intermediaries; and
 - f) deliberate on such other issues as may be specified from time to time.

In addition to these important provisions of the CBN Act, enumerated above, it is also important to refer to the rule-making powers conferred on the CBN by the BOFI Act. According to section 57 of the Act:

- (1) The Governor may make regulations, published in the Federal Gazette, to give full effect to the objects and objectives of this Act.
- (2) Without prejudice to the provisions of subsection (1) of this section, the Governor may make rules and regulations for the operation and control of all institutions under the supervision of the Bank.

It is therefore strange and indeed difficult to reconcile the fact that even in the face of the CBN churning out regulations and other administrative measures aimed at effective regulations of banks, the banking system continues to face a myriad of challenges, especially problems associated with the lack of protection of the interest of customers. This is even in the face of the obvious and undisputed fact that the position of bank customers is of fundamental importance to the health and continued operation of these financial institutions. The basic essence of banking regulation is the implementation of policies that should keep banking institutions strong, transparent and worthy of depositors'

trust. If bank customers' patronage is the cornerstone of robust operations of banks, it is difficult to appreciate why the level of protection of their interests is still abysmally low in Nigeria. Despite such provisions in the CBN Act, BOFI Act and such related statutes,²⁵ that seek to achieve those universally acknowledged objectives for regulating banks, the banking landscape is still replete with reports of dissatisfaction and complaints by bank customers. Some of these misunderstanding do result in strained banker-customer relationships and in civil litigation.²⁶ For every misunderstanding between a bank and its customers, there must be many other instances of misunderstanding that would never go before any court and would still not be resolved to the satisfaction of customers. This situation could be attributed to orientation. Aggrieved customers may feel timid or intimidated by their precarious position in the relationship with their banks or the high cost of pursuing litigation. Thus, even when aggrieved and having a good cause, customers in this class and they may be in the majority, would feel that it may not pay to pursue the enforcement of their rights to the hilt. This underpins the inevitability of institutionalising the banking ombudsman system to create the enabling window of opportunity for aggrieved customers to express their grievances and get redress, without necessarily having to do so through civil action in court.

This also calls to attention the effect of regulation on the behaviour or attitude of customers of banks and that segment of the populace that are yet to embrace the banking habit. In situations where customers' complaints are seldom addressed and there is relative feeling of frustration and disgust amongst the banking populace, the propensity for the unbanked to embrace the banking

²⁵ See section sections 4 and 5 Asset Management Corporation of Nigeria Act 2010; section 60B Banks and Other Financial Institutions (Amendment) Act 2002; sections 1, 2 and 3 Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act 1994; sections 2, 3, 15, 17, and 20 Nigeria Deposit Insurance Corporation Act 2006.

²⁶ Enyim, E., "Court Orders Bank to Refund N636m to Customer Over Illegal Debits," *Vanguard* (Lagos) 15 July, 2014; Obi, P., "Unlawful debit: Court orders bank to refund N636m to customer, *Sun (Lagos)* 16 July, 2014

habit would be slimmer. This is because many customers may be timid of approaching the courts or ill-afford the high cost of litigation in Nigeria. The unbanked, noticing the frustration of bank customers, may become shy of embracing the banking habit. Moreover, when the complaints are minor, for example when the cause of the complaint involves a small liquidated sum, customers may not be inclined to approach the courts even when their banks fail to address their complaints satisfactorily, especially when considered that the sum involved would be way below the prospective cost of procuring legal services needed to seek redress. This underscores the import of the theme of this paper: statutory institutionalisation of the banking ombudsman system in the Nigerian banking industry to provide a comprehensive channel for addressing bank customers' complaints; and even complaints that banks may have against their customers.

IV. The Ombudsman Model for Effective Bank Customer-Protection in Nigeria: The Way Forward

Full protection of depositors through the creation of a banking ombudsman in the Nigerian banking system would attract a much larger percentage of the populace to patronise banks, thereby raising the level of deposits with banks, which would invariably translate into more robust, efficient and stronger banks. The net beneficiary of such development would, on the one hand, be the customers whose deposits would be better protected and, on the other hand, banks whose operations would be largely enhanced through better deposit base and prospect for better business due to enhanced liquidity. Such enhanced liquidity would be the result of higher and more robust deposit base aggregated from higher patronage and deposits by old and new customers in the banking system. The resultant effect would be of immense benefit to the economy and all financial institutions operating therein.

It is emphasized that time is now ripe for the creation of the office of a financial or banking ombudsman in Nigeria, a system that has been tried and proved successful in some other

jurisdictions.²⁷ The functions of the agency should specifically be to address customers' complaints and concern. Such envisaged functions should include the investigation and resolution of disputes between banks and their customers without necessarily having the judicial process as a primary recourse. While it is a veritable alternative dispute resolution window, the ombudsman system would not foreclose the right of any party that feels the mechanism was unsatisfactory from approaching the court to seek redress. The creation of the financial ombudsman system should be through enactment to give the policy the right legal backing. However, it must be an autonomous body, independent of the influence and direction of the government, its agents or banking institutions or bank customers or any other group. The ombudsman scheme is attractive and effective because, in the jurisdictions where this office has been established, it is staffed with specialist hands that are experienced in the field of banking and other financial services. They are also very knowledgeable in the management of human affairs.²⁸ Such introduction would be the best thing to happen to the banker-customer relationship in Nigeria because of many factors. For one, the Nigerian populace and, by implication, the banking public is not highly literate. Some people in that class would ordinarily not be too well informed or enlightened about their rights with regard to their relationship with their banks. Therefore, they may not be in a position to enforce their rights against their banks under the present dispensation. Second, the judicial process as an avenue for the enforcement of rights in Nigeria is very expensive, slow and may not be easily available to the average bank customer. Third, the complaints that need to be addressed may be too trivial to be taken through civil

²⁷ These include the UK, Australia, New Zealand, Sweden, India and South Africa, to name but a few.

²⁸ David Thomas and Francis Frizon, *Resolving Disputes Between Consumers and Financial Businesses: Fundamentals for a Financial Ombudsman – A Practical Guide Based on Experience in Western Europe* (Washington: The World Bank, 2012); Adhil Shetty, "All About the Banking Ombudsman," *Indian Express* (New Delhi) Monday 27 September, 2010, accessed at <http://www.indianexpress.com/news> on 02 March, 2014

litigation and would best be resolved through alternative dispute resolution (ADR) process of arbitration. The banking ombudsman represents the best avenue for achieving those objectives.

However, before the ombudsman system is established in Nigeria, there is the need to give very wide and deep publicity. Enlightenment through public hearings, print and electronic media dissemination would raise the awareness to such a level that the populace, being thus properly educated on the system, would embrace the banking habit even more. When the idea is sold to the banking public and the unbanked, this would also raise the level of confidence of existing and prospective depositors in the ability of the banking system to address their complaints and concern when these arise and at no cost. The enhance patronage of banks due to the new system would stand banks in batter stead to compete both locally and internationally as a result of the more enhanced deposit base.

V. Conclusion

The imperative of the banking ombudsman system in Nigeria is underscored by the apparently prevailing lack of channels for addressing bank customers' complaints and concern. The fact that the combined effect of extant administrative policies implemented by the CBN and provisions in statutes regulating banking have failed to fully address bank customers' concerns make it inevitable for the enactment of a law that institutionalises the banking ombudsman system in Nigeria . This measure would benefit the Nigerian economy, banks operating in the country and customers that patronise these financial institutions due to the enhanced patronage that the leveraged customer-protection in the system is bound to engender. The need to create the office of the banking ombudsman can no longer be overlooked. The fact that the system is working effectively in some other jurisdictions where it has been implemented is eloquent testimony to the fact that the position of this paper is worth being adopted.