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CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA

GUIDELINES ON THE TREATMENT OF DUD CHEQUES BY BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA - EXPOSURE DRAFT

In exercise of the powers vested on the Central Bank of Nigeria (CBN) under the Central Bank of Nigeria Act, 2007 (CBN Act), the Banks and Other Financial Institutions Act (BOFIA), 2020, and other applicable laws, the CBN hereby issues for stakeholder comments and feedback the attached draft **Guidelines on Treatment of Dud Cheques by Banks and Other Financial Institutions in Nigeria**.

Among other provisions, the draft Guidelines seeks to enhance clarity and offer further guidance to banks and other financial institutions on: the handling of dud cheques, regulatory requirements for reporting and barring their issuers, the processes for updating and unbarring issuers of dud cheques, and the associated penalties for non-compliance.

The exposure draft of the Guidelines may be accessed from the CBN website: www.cbn.gov.ng. Stakeholder comments and feedback should be addressed to the Director, Financial Policy and Regulation Department, CBN, with soft to asylvanus-dannana@cbn.gov.ng and moogenyi@cbn.gov.ng within three (3) weeks from the date of this circular.

A handwritten signature in blue ink, appearing to read "Rita I. Sike".

DR. RITA I. SIKE

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CENTRAL BANK OF NIGERIA



GUIDELINES ON THE TREATMENT OF DUD CHEQUES BY BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA

NOVEMBER 2025

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1. PREAMBLE

Pursuant to the powers conferred on the Central Bank of Nigeria (CBN), by the Central Bank of Nigeria Act, 2007 (CBN Act), Banks and Other Financial Institutions Act (BOFIA) 2020, and other extant laws, the CBN hereby issues Guidelines on the Treatment of Dud Cheques by Banks and Other Financial Institutions in Nigeria (The Guidelines).

2. INTRODUCTION

The latitude with which some customers of banks and other financial institutions have continued to issue dud cheques on their accounts, despite the provisions of the Dishonoured Cheques (Offences) Act, 1977 (the Act) and the CBN's regulations and circulars issued over the years, has made it imperative for the CBN to implement further measures to dissuade the issuance of dud cheques.

This Guidelines aims to provide further clarity on the treatment of dud cheques in the industry to enhance confidence in the banking system. This Guidelines supersedes earlier circulars/regulations issued on dud cheques in Nigeria (see Notes on page 13).

3. SCOPE

This Guidelines shall apply to Banks and Other Financial Institutions in line with BOFIA, 2020.

4. OBJECTIVES

The objectives of this Guidelines are to:

1. Deter customers from issuing dud cheques by establishing procedures for the treatment of dud cheques with defined sanctions and penalties.
2. Promote integrity and confidence in the use of cheques as a reliable means of payment.
3. Streamline the process for identifying dud cheque issuers, reporting them to CBN and Private Credit Bureaux, and blacklisting serial dud cheque issuers.
4. Identify the stakeholders and specify their roles and responsibilities in managing and resolving dud cheque issues.
5. Strengthen dispute resolution mechanisms for issues involving dud cheques between customers and financial institutions.
6. Promote compliance and accountability in reporting and managing dud cheques issues.

5. DEFINITIONS

TERM	DEFINITION
Barred Customer	A customer who has been restricted from the following services as a result of being classified as a serial dud cheque issuer: a. Accessing the clearing system. b. Accessing credit from the banking industry. c. Opening a current account.
Cheque	A cheque is a negotiable instrument, instructing a financial institution to pay on demand, a specified amount in a specific currency from an account held in the drawer's name with that institution.
Dishonoured Cheque	A cheque returned unpaid by the issuing financial institution on any of the following grounds: (i) Insufficient funds standing to the credit of the drawer of the cheque. (ii) The account of the drawer is dormant or non-existent. (iii) The mandate on the cheque is irregular. (iv) The drawer countermands the payment of a cheque without prior notice of such stoppage to the payer. (v) Amount in words differs from amount in figures. (vi) If presented for payment after six months from the date on the face of the cheque.
Dud Cheque	A cheque that is dishonoured only on grounds of insufficient funds in the drawers' account.
Serial Dud Cheque Issuer	A customer that has issued a dud cheque three times in the banking system.
Update	Amendment of existing records on the dud cheque database.

6. ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

The following are stakeholders in the treatment of dud cheques:

- i. The Central Bank of Nigeria
- ii. Participating Financial Institutions (PFI):
 - a. Commercial, Merchant and Non-interest Banks (CMNIBs).
 - b. Primary Mortgage Banks
 - c. Microfinance Banks
- iii. Private Credit Bureaux (PCBs).
- iv. Customers
- v. Any other institution as may be determined by the CBN from time to time.

6.1 Central Bank of Nigeria

The CBN shall:

- i. Issue regulations and guidelines to financial institutions.
- ii. Ensure compliance with all regulations and enforce appropriate sanctions on erring financial institutions.
- iii. Implement measures to dissuade the issuance of dud cheques.
- iv. Review and approve requests for removal of customers that were erroneously barred/reported in the dud cheque database.
- v. Act as the custodian of CBN dud cheque database.
- vi. Provide the platform and template for the rendition of dud cheque returns and ensure the availability and accessibility of the platform.
- vii. Notify stakeholders of any planned maintenance of the platform.
- viii. Review returns from financial institutions.
- ix. Provide a dispute resolution mechanism in the event of a dispute between a cheque issuer and a PFI.

6.2 Participating Financial Institutions

PFI shall:

- i. Ensure that the customer qualifies as dud cheque issuer before reporting as defined in clause 5.4.
- ii. Render returns on the CBN Credit Risk Management System (CRMS), (or any other platform as may be determined by the CBN from time to time), and at least two (2) PCBs.

- iii. Pass the necessary debit and credit entries in the customers' account in respect of dud cheques presented over the counter, in a similar manner as is done for dud cheques presented through the clearing system.
- iv. Keep a copy of the dud cheque for a minimum period of 5 years, while the original cheque shall be returned to the payee.
- v. Perform status checks on the dud cheque database before opening a current account for a customer.
- vi. Ensure that customers are informed about the consequences of issuing dud cheques before the issuance of cheque book which should form part of the terms and conditions of cheque book requisition.
- vii. Inform the customer when a cheque is returned as dud with details of the instrument.
- viii. Enforce restrictions on a serial dud cheque issuer as stipulated in clause 5.1 above.
- ix. Cancel the remaining cheque leaves held by a serial dud cheque issuer.
- x. Upon expiration of the five (5) year period, update the customer's record with at least two (2) PCBs, and notify the customer.
- xi. Obtain prior approval of the CBN before updating a customer's record reported in error.
- xii. Update the customer's record reported in error on the CRMS (or any other platform that may be determined by the CBN) and PCBs database in line with CBN approval and notify the customer.
- xiii. Be responsible for data integrity and liabilities that may arise from misreporting.
- xiv. Ensure that the status of all records created is updated as may be required from time to time.
- xv. Ensure compliance with all extant regulations and any other responsibilities as may be prescribed by the CBN from time to time.

6.3 PCBs

PCBs shall:

- i. Maintain a database of dud cheque records submitted by PFIs and make them available on request.
- ii. Carry out any other responsibility as may be prescribed by the CBN.

6.4 Customers

Customers shall:

- i. Ensure that the terms and conditions of cheque usage are clearly understood before execution.
- ii. Ensure that cheques are issued on accounts that are adequately funded.

7. PROCEDURE FOR REPORTING AND BARRING DUD CHEQUE ISSUERS

7.1 Reporting a dud cheque issuer:

- i. Where a PFI establishes that a cheque presented for payment is a dud cheque, it shall within one (1) hour report on the CRMS (or any other platform as may be determined by the CBN from time to time) and to the PCBs.
- ii. The PFI shall notify the dud cheque issuer using a verifiable channel of communication with full details of the returned cheque(s) within two (2) working days.

7.2 Barring a serial dud cheque issuer:

- i. Upon a customer being classified as a **serial dud cheque issuer and barred**, the CRMS shall instantly notify all PFIs.
- ii. On receipt of notification from the CRMS, the PFI that reported the 3rd dud cheque shall notify the customer within two (2) working days, through a verifiable channel of communication with full details of the returned cheque(s) and applicable sanctions.
- iii. The PFI shall within two (2) working days, update the customer's record with the PCBs.

7.3 Subsequent Barring of a Serial Dud Cheque Issuer:

- i. Where a serial dud cheque issuer subsequently issues another dud cheque, after being removed from the database at the expiration of the barring period, such a person shall be barred for another five-year period in each instance.

8. PROCEDURE FOR UPDATING AND UNBARRING DUD CHEQUE ISSUERS

8.1 Updating Erroneous Records:

- i. A PFI that erroneously reports a customer on the dud cheque database shall obtain the prior approval of the CBN to update the records.

- ii. From the date of receipt of the CBN approval, the PFI shall within twenty-four (24) hours update the records on the CRMS (or any other platform that may be determined by the CBN) and PCBs databases.
- iii. The customer should be notified within two (2) working days through a verifiable channel of communication.

8.2 Unbarring a Serial Dud Cheque Issuer:

A serial dud cheque issuer shall be unbarred from the dud cheque database on the following conditions:

- i. Expiration of the five (5) year period.
- ii. If barred due to erroneous reporting by a PFI.
- iii. Any other condition as may be prescribed by the CBN.

The following procedure shall apply:

- i. Upon establishing any of the three (3) conditions in 8.2 above, a notification from the CRMS platform shall be sent to all PFIs.
- ii. The PFI that made the third dud cheque report/erroneous report shall notify the customer of (i) or (ii) above, within two (2) working days through a verifiable channel of communication.
- iii. The PFI shall, within two (2) working days, update the customer's record with the PCBs.

9. REPORTING CHANNELS

The channels for reporting dud cheques shall be:

- i. CRMS
- ii. PCBs
- iii. Any other platform, as may be determined by CBN.

10. DISPUTE RESOLUTION

The provisions of the CBN Consumer Protection Regulations shall apply in the event of disputes between a customer and a PFI.

11. ACCOUNTABILITY FOR SPECIFIC ROLES

To ensure completeness, integrity, accuracy, and timeliness of dud cheque rendition:

- a) **The Executive Compliance Officer (ECO)** shall monitor compliance with the requirements of this Guidelines and shall be held liable for any breach.
- b) **The Chief Information/Technology Officer (CIO or CTO)** shall ensure continuous connectivity to the platform and availability of all internal systems.

- c) In the absence of an ECO, the Chief Compliance Officer (CCO) shall perform the functions in (a) above.
- d) Where the above roles are not available in a PFI, the persons who perform the activities shall assume the responsibility.

12. SANCTIONS AND PENALTIES

The following penalties shall apply to the underlisted stakeholders as appropriate:

- i. Customers
- ii. CMNIBs
- iii. Primary Mortgage and Microfinance Banks
- iv. PCBs

Table 1: Customers

S/N	RESPONSIBILITY	INFRACTION	PENALTY
1	Ensure that cheques are issued on accounts that are adequately funded.	Issuance of cheques on accounts with insufficient funds.	<ul style="list-style-type: none"> a. Returned cheque charge in line with the provisions of the Guide to Charges by Banks, Other Financial and Non-Bank Financial Institutions. b. For a serial dud cheque issuer, barred for five (5) years from: <ul style="list-style-type: none"> i. Accessing the clearing system. ii. Accessing credit from the banking industry. iii. Opening a current account.

Table 2: Participating Financial Institutions

S/N	RESPONSIBILITY	INFRACTION	PENALTY	
			Commercial, Merchant, and Non-Interest Banks	Primary Mortgage /Microfinance Banks
1	Ensure the customer qualifies as a dud cheque issuer before reporting as defined in clause 5.4.	Failure to carry out necessary checks to ensure that the customer qualifies as a dud cheque issuer.	A minimum penalty of ₦2,000,000 per infraction.	A minimum penalty per infraction: <ul style="list-style-type: none"> a. ₦1,000,000 – PMBs (State and National) and National MFBs

				b. ₦500,000 – State MFBs c. ₦250,000 – Tier 1 Unit MFBs d. ₦100,000 – Tier 2 Unit MFBs
2	Render returns on the CRMS (or any other platform as may be determined by the CBN from time to time) and PCBs.	Failure to render returns as required.	A minimum penalty of ₦2,000,000 per infraction.	A minimum penalty per infraction: a. ₦1,000,000 – PMBs (state and national) and National MFBs b. ₦500,000 – State MFBs c. ₦250,000 – Tier 1 Unit MFBs d. ₦100,000 – Tier 2 Unit MFBs
3	Pass the necessary debit and credit entries in the customers' accounts for dud cheques presented over the counter.	Failure to pass the necessary debit and credit entries in the customers' accounts for dud cheques presented over the counter.	A minimum penalty of ₦2,000,000 per infraction.	A minimum penalty per infraction: a. ₦1,000,000 – PMBs (state and national) and National MFBs b. ₦500,000 – State MFBs c. ₦250,000 – Tier 1 Unit MFBs d. ₦100,000 – Tier 2 Unit MFBs
4	Perform status checks on the dud cheque database on the CRMS (or any other platform as may be determined by the CBN), and at least	Failure to perform status checks on customers before opening a current account.	A minimum penalty of ₦3,000,000 per infraction.	A minimum penalty per infraction: a. ₦1,500,000 – PMBs (state and national)

	two (2) PCBs before opening a current account for a customer.			and National MFBs b. ₦500,000 – State MFBs c. ₦250,000 – Tier 1 Unit MFBs d. ₦100,000 – Tier 2 Unit MFBs.
5	Ensure that customers are informed about the consequences of issuing dud cheques before issuance of cheque book which should form part of the terms and conditions of cheque book requisition.	Failure to inform customers about the consequences of issuing dud cheques prior to issuance of cheque and including it in the terms and conditions of cheque book requisition.	A minimum penalty of ₦2,000,000 per infraction.	A minimum penalty per infraction: a. ₦1,000,000 – PMBs (state and national) and National MFBs b. ₦500,000 – State MFBs c. ₦250,000 – Tier 1 Unit MFBs d. ₦100,000 – Tier 2 Unit MFBs
6	Notify the dud cheque issuer using a verifiable channel of communication with full details of the returned cheque(s) within two (2) working days.	Failure to notify the dud cheque issuer using a verifiable channel of communication within the stipulated time.	A minimum penalty of ₦1,000,000 per infraction.	A minimum penalty per infraction: a. ₦500,000 – PMBs (state and national) and National MFBs b. ₦250,000 – State MFBs c. ₦100,000 – Tier 1 Unit MFBs d. ₦50,000 – Tier 2 Unit MFBs

7	Enforce restrictions on a serial dud cheque issuer as stipulated in clause 5.1 above.	Failure to enforce the restrictions as stipulated in clause 5.1.	A minimum penalty of ₦5,000,000 per infraction.	A minimum penalty per infraction: ₦2,000,000 – PMBs (State and National) and National MFBs a. ₦1,000,000 – State MFBs b. ₦500,000 – Tier 1 Unit MFBs c. ₦250,000 – Tier 2 Unit MFBs
8.	Cancel the remaining cheque leaves held by a serial dud cheque issuer.	Failure to cancel the remaining cheque leaves.	A minimum penalty of ₦2,000,000 per infraction.	A minimum penalty per infraction: d. ₦1,000,000 – PMBs (State and National) and National MFBs e. ₦500,000 – State MFBs f. ₦250,000 – Tier 1 Unit MFBs ₦100,000 – Tier 2 Unit MFBs
9.	Upon expiration of the five (5) year period, update the customer's record with at least two (2) PCBs, and notify the customer.	a. Failure to update the customer's record within the stipulated time. b. Failure to notify the customer within the stipulated time.	A minimum penalty of ₦2,000,000 per infraction.	A minimum penalty per infraction: g. ₦1,000,000 – PMBs (State and National) and National MFBs h. ₦500,000 – State MFBs i. ₦250,000 – Tier 1 Unit MFBs ₦100,000 – Tier 2 Unit MFBs

10.	Update the customer's record reported in error on the dud cheque database in line with CBN approval and notify the customer.	<p>a. Failure to update the customer's record on the dud cheque database.</p> <p>b. Failure to notify the customer within the stipulated time.</p>	<p>A minimum penalty of ₦2,000,000 per infraction.</p>	<p>A minimum penalty per infraction:</p> <ul style="list-style-type: none"> a. ₦1,000,000 – PMBs (state and national) and National MFBs b. ₦500,000 – State MFBs c. ₦250,000 – Tier 1 Unit MFBs d. ₦100,000 – Tier 2 Unit MFBs.
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Table 3: PCBs

S/N	RESPONSIBILITY	INFRACTION	PENALTY
1	Maintain a database of dud cheque records submitted by PFIs and make them available on request.	<p>a. Failure to maintain dud cheque records submitted by PFIs.</p> <p>b. Failure to make available record of serial dud cheque issuers.</p>	<p>a. A minimum penalty of ₦1,000,000 per infraction.</p> <p>b. A minimum penalty of ₦2,000,000 per infraction.</p>

Notes

The circulars/regulations superseded by this Guidelines are:

- i. Need to implement measures to dissuade the issuance of Dud Cheques in the Nigerian Banking System Ref: BSD/DIR/GEN/LAB/08/016 dated March 31, 2015, and subsequent circulars Ref: BSD/DIR/GEN/LAB/09/028 dated June 28, 2016, and Ref: BSD/DIR/GEN/LAB/09/034 dated July 04, 2016.
- ii. Circular to Banks and Other Financial Institutions on Dud/Dishonoured Cheques Ref: FPR/DIR/CIR/GEN/03/005 dated 5th July 2013, and subsequent circular Ref: BSD/DIR/GEN/LAB/07/012 dated May 13, 2014.
- iii. Use of Dud/Dishonoured Cheques Ref: FPR/DIR/BOF/CON/01/037 dated 24th August 2012.