



**THE VALIDITY OF A SINGLE
SHAREHOLDER STRUCTURE
FOR COMPANIES INCORPORATED
PRIOR TO CAMA 2020**

Introduction

On July 30, 2024, the Federal High Court (FHC) in Abuja delivered a landmark ruling in Suit No:FHC/ABJ/CS/665/2023, Primetech Design and Engineering Nigeria Limited (Primetech) & Julius Berger Nigeria Plc (JBN) v. Corporate Affairs Commission (CAC). The Court affirmed that Section 18(2) of CAMA 2020, which permits private companies to adopt a single shareholder structure, is applicable to all private companies, including those incorporated under the repealed CAMA 1990. This pivotal judgment represents a substantial shift in the Corporate Affairs Commission's (CAC) interpretation of shareholding restructuring under the Company and Allied Matters Act (CAMA).

Background

The dispute originated when a shareholder of Primetech transferred all of his shares to Julius Berger Nigeria Plc (JBN), thereby making JBN the sole shareholder of Primetech. The transfer was duly authorized by Primetech's Board of Directors. Following this, Primetech requested an update to the Company Registration Portal (CRP) to reflect JBN as the sole shareholder. The CAC, however, rejected this request, citing Sections 18(1), 18(2), and 571(c) of CAMA 2020. The CAC argued that the provision for a single shareholder structure under Section 18(2) was only applicable to companies incorporated after the enactment of CAMA 2020, thus excluding pre-2020 companies like Primetech from benefiting from this provision. The CAC reiterated that any attempt by such companies to reduce their shareholder base to a single individual would result in winding up under Section 571(2) of CAMA 2020.

Primetech challenged the CAC's decision, arguing that a strict interpretation of Section 18(2) would lead to ambiguity and unfairness. Primetech contended that while CAMA 2020 sought to move away from the two-shareholder requirement of CAMA 1990, it was unlikely that the lawmakers intended to restrict the single shareholder status to companies formed post-2020. They further argued that maintaining the pre-2020 provisions would undermine the reforms introduced by CAMA 2020. Primetech cited Section 118 of CAMA 2020, which amends Section 93 of CAMA 1990, as evidence of the intention to eliminate the two-member requirement for private companies. They asserted that the CAC's position was inconsistent with the legislative intent of CAMA 2020.

Court's Decision

The Court, ruled that Section 18(2) of CAMA 2020 applies universally to all private companies, regardless of their incorporation date. The Court rejected the CAC's argument that the provision was only applicable to post-2020 incorporations. It emphasized that limiting the provision to new companies would be unjust and contrary to the reforms intended by CAMA 2020. The Court interpreted the legislative intent as favoring single-member private companies irrespective of their incorporation date. The Court ordered the CAC to approve and accept the share transfer documents confirming JBN as the sole shareholder of Primetech, thereby validating the single-member status of pre-2020 companies.

Implication

This ruling is laudable because it represents a significant evolution in Nigerian corporate law, allowing all private companies to enjoy the single shareholder provision under CAMA 2020. The decision enables companies incorporated before 2020 to transition to a single shareholder structure, providing greater simplicity and flexibility in ownership arrangements.

Conclusion

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Companies are no longer required to maintain multiple shareholders if they choose not to. If your business was established before 2020 and you wish to adopt a single shareholder structure, you can now streamline your operations accordingly. For assistance with transitioning your business to a single shareholder structure, please contact us today.

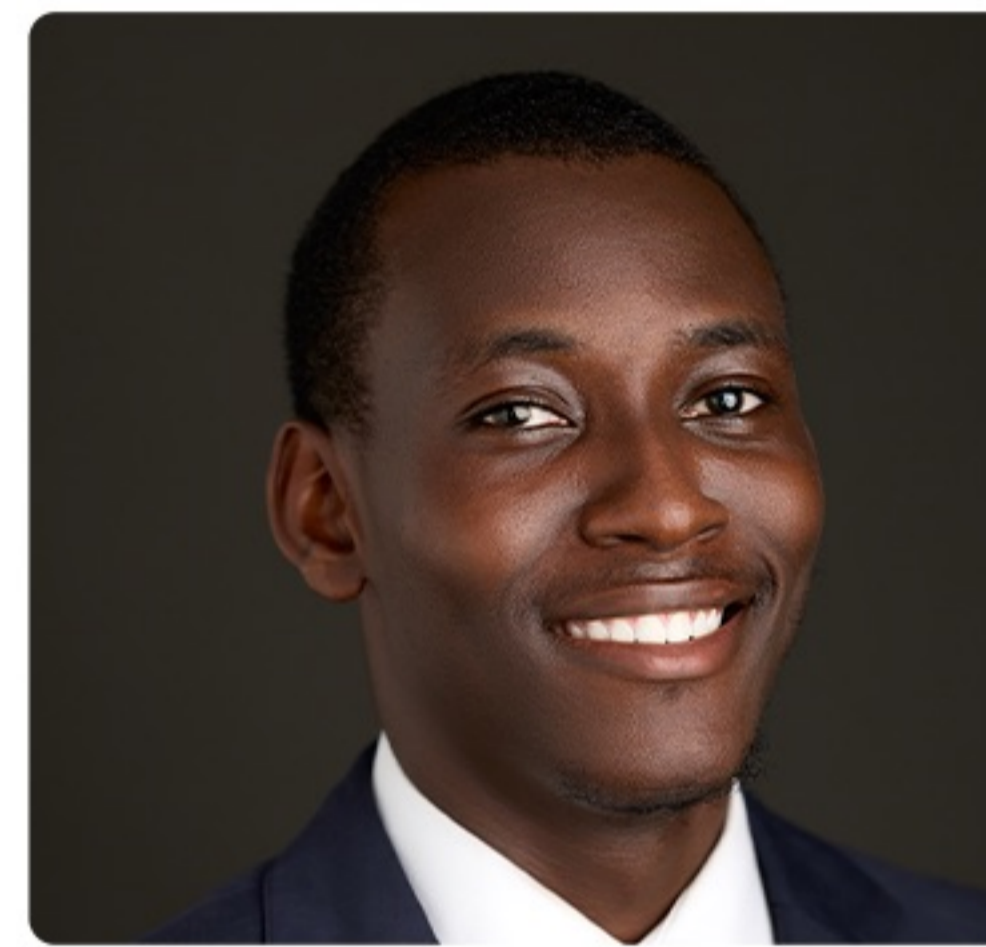
To access a certified copy of the judgment, please [click here](#).

Should you require further assistance or clarification on the above, please feel free to contact pamilerin.akabunwa@famsvillesolicitors.com or victor.abolaji@famsvillesolicitors.com

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