

Court of Appeal Affirms Eligibility of Pre-CAMA 2020 Private Companies to Operate as Single Shareholder Companies

The enactment of the Companies and Allied Matters Act, 2020 (“CAMA 2020”) introduced a significant development in Nigerian corporate law by permitting the incorporation of private companies with a single shareholder¹. This represented a departure from the position under the repealed Companies and Allied Matters Act, 1990, which required every company to have a minimum of two shareholders.²

Following the commencement of CAMA 2020, the Corporate Affairs Commission (“CAC”) initially permitted share transfers in private companies, such that a company initially incorporated with two or more shareholders could apply to reduce their shareholding to one. which resulted in such companies becoming single shareholder entities. The CAC, however, subsequently adopted a restrictive interpretation of the provisions of CAMA 2020 and took the position that private companies incorporated before the commencement of CAMA 2020 could not restructure their shareholding to become single shareholder companies.

The CAC’s position was based on its interpretation of Section 571(c) of CAMA 2020³, which provides circumstances under which a company may be wound up, including where the number of members of a company is reduced below two in the case of companies with more than one shareholder. Based on this interpretation, the CAC maintained that companies incorporated under the previous legal regime could not rely on CAMA 2020 to convert into single shareholder companies and cautioned that such companies may be exposed to winding-up risks.

This position was challenged in the case of *Primetech Design and Engineering Nigeria Limited & Julius Berger Nigeria Plc v. Corporate Affairs Commission*⁴

1 Companies and Allied Matters Act, 2020 s18(2)

2 Companies and Allied Matters Act 1990 s18

3 Companies and Allied Matters Act, 2020 s571(c)

4 Suit No. FHC/ABJ/CS/665/2023: Primetech Design and Engineering Nigeria Limited & Another v. Corporate Affairs Commission.

where the Applicants submitted that, having regard to the legislative intent behind allowing single shareholder private companies, it could not have been the intention of the legislature to create a distinction between private companies incorporated after the commencement of CAMA 2020 and those incorporated before its enactment. It was further argued that restricting the application of Section 18(2) of CAMA 2020 to only newly incorporated companies would unfairly deprive existing private companies of the opportunity to adopt a single shareholder structure, effectively preserving the requirements of a repealed legislation.

The Applicants relied on other provisions of CAMA 2020, including Section 118⁵, which replaced the corresponding provision under CAMA 1990⁶. They argued that the deliberate wording of Section 118 demonstrated the intention of the legislature to remove the mandatory two-member requirement for private companies, as the provision expressly imposes liability only where a public company or a company limited by guarantee carries on business with fewer than two members for more than six months. According to the Applicants, this distinction indicated that the legislature intended private companies to operate with a single shareholder, whether at incorporation or during the course of their operations.

In response, the CAC argued that Section 18(2) of CAMA 2020 applies only to companies incorporated or registered under CAMA 2020 and does not extend retrospectively to companies incorporated under the repealed CAMA 1990. The CAC maintained that applying the provision to existing companies would amount to giving the law retrospective effect.

The CAC further relied on the retention of Section 18 and the winding-up provisions under the previous legislation, now reflected in Sections 18(1) and 571(c) of CAMA 2020, arguing that the legislature intended that

5 Companies and Allied Matters Act, 2020 s118

6 Companies and Allied Matters Act, 1990 s93

companies originally formed with more than one shareholder should not be permitted to reduce their membership below two shareholders. The CAC's position was that once a private company was incorporated with multiple shareholders, it could not transition into a single shareholder structure, regardless of whether the company was incorporated before or after the commencement of CAMA 2020.

In its judgment delivered on 30 July 2024, the Federal High Court held that there should be no distinction between private companies incorporated before or after the commencement of CAMA 2020. The Court held that by virtue of Section 869(1) of CAMA 2020⁷, the previous legislation had been repealed, and CAMA 2020 became the applicable framework regulating all companies in Nigeria.

The Court further held that the intention of the legislature could not have been to restrict the benefit of single shareholder structures only to companies incorporated after the commencement of CAMA 2020, as doing so would create an artificial distinction between companies based solely on their date of incorporation.

Dissatisfied with the decision, the CAC appealed to the Court of Appeal.

In a unanimous judgment delivered on 10 June 2026, the Court of Appeal affirmed the decision of the Federal High Court and held that Section 18(2) of CAMA 2020, which permits private companies to have a single shareholder, applies to all private companies, irrespective of whether they were incorporated before or after the commencement of CAMA 2020.

The decision confirms that private companies incorporated prior to CAMA 2020 may restructure their shareholding to become single shareholder

7 Companies and Allied Matters Act, s869(1)

companies, provided the applicable statutory requirements are complied with. The judgment therefore provides clarity and resolves the uncertainty previously created by the CAC's interpretation of the relevant provisions of CAMA 2020.

The Court of Appeal's decision is expected to have significant practical implications for corporate restructuring transactions, particularly those involving mergers, acquisitions, internal reorganisations, and group restructuring exercises where a single shareholder structure may be commercially desirable.

More broadly, the decision reinforces Nigeria's alignment with internationally accepted corporate practices and supports the country's ease-of-doing-business objectives by providing greater flexibility and certainty for investors and corporate entities.

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