CORPORATE PERSONALITY AND EMERGING TRENDS ON THE STATUS OF SINGLE-MEMBER COMPANY UNDER THE COMPANIES AND ALLIED MATTERS ACT, 2020

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Abstract

The Single-Member Company rule creates tensions with corporate personality doctrine and regulatory frameworks designed for multi-member structures. This paper seeks to resolve issues about the compatibility of SMC rules with corporate personality and the adequacy of legal frameworks addressing SMC governance challenges in Nigeria. The paper adopts the doctrinal methodology through examination of single member company provisions in the Company and Allied Matters Act 2020 and what obtains in selected jurisdictions. The problems and prospects of single member company were examined. The paper recommends that that the benefits of corporate personality are not undermined by abuse among others.

Keywords: Corporate personality, Single-member company, Companies and Allied Matters Act 2020

1.0 INTRODUCTION

One of the innovations of the Companies and Allied Matters Act (CAMA) 2020 is the introduction of single-member company status into the

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Nigerian legal space. The poser is whether a single member is different from the company itself and the legal implications of such status in modern corporate law practice. The doctrine of corporate personality establishes that upon incorporation, a company acquires a legal identity separate and distinct from its shareholders, capable of enjoying rights, incurring liabilities, and enjoying corporate litigation status. This principle, articulated in *Salomon v. Salomon & Co. Ltd*[1], provides the theoretical justification for limited liability, perpetual succession, and the corporate form as the predominant vehicle for commercial enterprise.

In Nigeria, Section 42 of CAMA 2020[2] codifies corporate personality, providing that subscribers to the company's memorandum "shall become a body corporate by the name contained in the memorandum, capable of exercising all the powers and performing all functions of an incorporated company including the power to own property, and having perpetual succession." However, the traditional conception assumed that having several members involved in company governance was better, as such structure naturally helped manage internal affairs and balance competing interests among different groups.

In the immediate past, Section 18(1)[3] of CAMA 1990 mandated a minimum of two subscribers, pushing entrepreneurs to use nominee [4]shareholders as decoys to circumvent this requirement where in fact they still are sole members. These setups caused legal confusion and made it

[1] Mayson, French & Ryan, Company Law (36th ed., Oxford University Press, 2019) at pp. 89-92
[2]For further analysis of the Salomon case, see John M. Ott, "The Age of Salomon," (2015) 39(2) *Journal of Corporation Law* 343.
[3]Companies and Allied Matters Act 2020, s 42.
[4]Companies and Allied Matters Act 1990, s 18(1).

harder to see who really owned the company, as seen in the case of *Primetech Design and Engineering Nigeria Limited & Another v. Corporate Affairs Commission (CAC).*[5]

CAMA 2020 represents the most significant growth of Nigerian company law in three decades[6]. Section 18(2)[7] of CAMA provides that 'a private company may be formed by one person,' fundamentally[8] altering Nigerian company law by modifying the historical multi-member requirement. This changes the assumptions about the nature of corporate personality, as SMCs are deficient in the characteristics that birth and justify the separate legal status.

2.0 THE CONCEPT OF A SINGLE-MEMBER COMPANY

A single-member company represents a significant evolution in corporate law jurisprudence. Traditionally, company law conceptualized a corporation as an association of persons, requiring a minimum of two members for valid incorporation[9]. However, contemporary commercial realities have necessitated legislative reforms recognizing that a single individual may effectively own and control a corporate entity while maintaining the benefits of separate legal personality.[10]

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[5] FHC/ABJ/CS/665/2023

[6] See SI Orugun, "The Companies and Allied Matters Act 2020: A Critical Review," (2021) 15(1) University of Lagos Law Review 45.

[7] Companies and Allied Matters Act 2020, s 18(2).

[8] The Joint Stock Companies Act 1844 (7 & 8 Vict. c. 110) was the first legislation providing for incorporation by registration.

[9] See generally, *Salomon v. Salomon & Co. Ltd [1897] AC 22 (HL).*

[10] Esoimeme, E.E., "Interrogating the Features and Statutory Compliance of the Single-Member Company Under CAMA 2020" (2025) 11(5) Journal of Law 11116, p. 3.

In Nigeria, statutory recognition of single-member companies was formally introduced by CAMA 2020. Section 18(2) CAMA 2020 provides that "notwithstanding subsection (1), one person may form and incorporate a private company by complying with the requirements of this Act in respect of private companies." This provision marked a decisive departure from the[11] repealed CAMA 1990, which mandated a minimum of two members.

The concept challenges the traditional theoretical underpinning of corporate law that emphasized the "association of persons" as fundamental to corporate existence[12]. Nevertheless, this evolution aligns with global trends toward facilitating ease of doing business and promoting entrepreneurship. The Single-member company structure enables sole proprietors to access corporate benefits including limited liability, perpetual succession, and enhanced credibility without diluting ownership control[13].

The legal personality of a single-member company remains distinct from its sole shareholder, notwithstanding the convergence of ownership and control in one individual. This distinction was judicially affirmed in *Primetech Design and Engineering Nigeria Limited and Julius Berger Nigeria PLC v. CAC* [14], where the Federal High Court held that section 18(2[15]) of CAMA 2020 applies universally to all private companies, irrespective of their date of incorporation. The Court specifically ruled

[11] Companies and Allied Matters Act 1990 (repealed), s. 18.
[12] Gower, L.C.B., Principles of Modern Company Law (4th ed., Stevens & Sons, 1979), p. 65.
[13] Supra note 2.
[14] *Primetech v CAC (2024) FHC/ABJ/CS/665/2023*
[15] Companies and Allied Matters Act 2020 (CAMA), s. 18(2)

that companies incorporated prior to CAMA 2020 could transition to single-member status[16].

2.1 Nature and Legal Characteristics of Single-Member Companies

Single-member companies possess distinctive legal characteristics differentiating them from sole proprietorships and multi-member corporations.

i. **Separate Legal Personality:** The means that a company is a separate legal personality distinct from the sole shareholder.[17] Section 42 of CAMA 2020 explicitly provides that "a company shall be a legal person distinct from its members." This principle applies with equal force to single-member companies. The Supreme Court affirmed this in *Union Bank of Nigeria Plc v. Orharhuge*[18], holding that incorporation creates legal separation between the company and its members. For single-member companies, the doctrine of corporate personality assumes particular significance. Despite identity of ownership and control in one person, the law maintains strict separation between the corporate entity and the individual shareholder.[19]

ii. **Limited Liability:** The liability of the sole shareholder is limited to the amount unpaid on shares held[20]. This protection shields personal assets from business risks, encouraging investment.

[16] Folohunsho, H., "Single Shareholder in Nigeria: A Critical Analysis" (LinkedIn, 21 August 2024).
[17] CAMA 2020, s. 42(1).
[18] (1995) 2 NWLR (Pt. 380) 647 (SC).
[19] *Adeyemi v. Lan and Baker Nigeria Ltd* (1989) 3 NWLR (Pt. 110) 407 (CA).
[20] CAMA 2020, s. 42(2).

However, this limited liability may be displaced where the corporate veil is unveiled[21].

iii. **Perpetual Succession**: In Nigeria and India[22] when forming a SMCs, a sole member is still required to appoint a nominee in the case of death of or when incapacitated. The company will not be forced to dissolve for such vacancy protecting the rights of shareholders and creditors of the company. CAMA 2020 facilitates continuity through provisions governing transmission of shares[23].

iv. **Capacity to Contract:** Single-member companies possess full capacity to enter contracts, acquire property, and litigate in their corporate name. Section 43 provides that a company has "the capacity, rights, powers and privileges of a natural person.[24]"

v. **Regulatory Compliance:** Single-member companies remain subject to statutory compliance requirements applicable to private companies generally, including annual returns filing and maintenance of statutory registers. However, CAMA 2020 introduces relaxations for small companies, recognizing their limited operational complexity.[25]

3.0 THEORETICAL FOUNDATIONS OF CORPORATE PERSONALITY

The jurisprudential basis of corporate personality has generated substantial scholarly debate, with various theories attempting to explain

[21] *Aminu Musa Oyebanji v. The State (2015) LPELR-40592 (CA).*
[22] Companies Act 2013 India (OPC).
[23] Ibid. CAMA. ss. 155-157
[24] Ibid. CAMA. s. 43.
[25] Ibid. CAMA. ss. 394-396.

the nature and origin of the company's legal existence. Some of these applicable theories are succinctly explained below:

i. Fiction Theory

The fiction theory, associated with Von Savigny, Salmond, and Holland, posits that corporate personality is a legal fiction created by the state for convenience[26]. According to this theory, only human beings possess natural personality; corporate personality is an artificial construct existing solely by virtue of legal recognition.[27] This theory finds support in *Salomon v. Salomon Co Ltd*, where Lord Halsbury emphasized that the company was "an artificial creation of the legislature.[28]" Under this theory, the single-member company represents a logical extension of legislative creativity, with CAMA 2020 creating a legal fiction permitting one individual to enjoy corporate benefits without traditional multiple member requirements[29].

ii. Realist Theory

The realist theory, developed by Otto von Gierke and advocated by Maitland, contends that corporations possess real, organic existence as social entities independent of individual members[30]. The corporation is

[26] Savigny, F.C. von, System of Modern Roman Law (trans. William Guthrie, 1867), Vol. II, p. 195.

[27] Salmond, J.W., "The Personality of Associations" (1910) 24 *Harvard Law Review* 111, p. 115.

[28] ibid (n 17)

[29] ibid (n 17)

[30] Maitland, F.W., "Moral Personality and Legal Personality" (1905) 6 Journal of the Society of Comparative Legislation 192.

viewed as a living organism with its own will, manifested through but distinct from the collective will of constituents.[31]

This theory postulates that corporate personality reflects social reality, and that a corporation exists as a "group person" with identity and interests transcending individual members.[32]. For single-member companies, critics argue this lacks "group will" essential to the realist conception. However, proponents counter that the company develops operational identity and commercial relationships, creating a distinct social reality separate from the shareholder[33].

iii. Concession Theory

The concession theory, developed by Fedric-von-savigny and John Austin, emphasizes that corporate personality derives from concession or grant by the state[34]. This treats incorporation as a privilege bestowed by the sovereign, subject to regulatory conditions[35]. Historically, this reflected the practice of granting corporate charters by royal prerogative.[36] Under this theory, the single-member company represents deliberate expansion of state concession to accommodate commercial needs. The introduction of Section 18(2) in CAMA 2020 demonstrates state authority to modify terms of corporate concession while maintaining regulatory oversight.[37]

[31] Gierke, O. von, Das deutsche Genossenschaftsrecht (Berlin, 1868), Vol. I.
[32] Wolff, M., "On the Nature of Legal Persons" (1938) 54 *Law Quarterly Review* 494, p. 497.
[33] Dignam, A. & Lowry, J., *Company Law* (10th ed., Oxford University Press, 2021), p. 89.
[34] Supra note 7.
[35] Dicey, A V., Introduction to the Study of the Law of the Constitution (8th edn., Macmillan, 1915), p. 141.
[36] Ibid
[37] Holdsworth, W.S., A History of English Law (Methuen, 1923), Vol. VIII, p. 191.

However, this theory has been criticized for overemphasizing state control while underestimating the economic realities that drive business organization.

iv. Purpose Theory

The purpose theory, or Zweckvermogen, developed by Brinz and Bekker, posits that certain entities may hold property dedicated to specific purposes without individual owners[38]. The "person" is the purpose itself, with the entity serving as a legal device for managing dedicated assets.[39] This theory applies particularly to charitable corporations and foundations[40]. For single-member companies, it offers a framework for understanding companies formed for specific commercial objectives, with the company becoming a dedicated instrument for pursuing the shareholder's purposes[41].

4.0 HISTORICAL EVOLUTION OF SINGLE-MEMBER COMPANIES

The multi-member requirement originated from English corporate law, with the Joint Stock Companies Act 1844 requiring minimum subscribers for incorporation. This requirement was maintained in subsequent legislation, showing that they were seen as groups of people working together who deserved their own independent legal standing.

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[38] Ibid.CAMA. ss. 18(2), 863.
[39] Brinz, A., Lehrbuch der Pandemie (2nd ed., Leipzig, 1876), Vol. I, p. 328.
[40] Bekker, E.I., System des heutigen Pandemierechts (Halle, 1886), Vol. I, p. 298.
[41] In *Re Denby* [1925] Ch 596.

After *Salomon v. Salomon & Co. Ltd*[42] established corporate independence the multi-member "assumption" remained unchallenged notwithstanding that he owned and controlled majority of the shares, the business was a basic restructure of his previous enterprise and that he alongside six family members made up the 7 subscribers to the company, this raised a question of if one person can merit that separate legal personality of which the House of Lords failed to address.

i. European Experience

The European Economic Community recognized the need for harmonizing single-member company recognition. Council Directive 89/667/EEC[43] required member states to permit single-member private limited liability companies in order to reduce competitive advantages by countries with diverse rules on company startup.

ii. United Kingdom Experience

The Companies Act 2006 permits single-member private companies[44]. Section 7(1) of the Act allows single-person formation of a company; under Section 318 of the act SMCs are exempted from AGM requirements; and where Section 153 of the Companies act validates sole member written resolutions[45]

[42] *Salomon v. Salomon & Co. Ltd* [1897] AC 22 at p. 28.
[43] OJ L 395, 30.12.1989, p. 40–42 "the 12th company law directive"
[44] Companies act C.46
[45] Companies Act 2006 (UK), Sections 7(1), 318, and 153.

iii. Indian Experience

The Companies Act 2013[46] introduced a "One Person Company" structure also known as (OPC) with specific safeguards. Section 152(1)[47] The act requires the nomination of a successor for the director, addressing the issue of succession. The Companies Act 2013 strictly limits the ability of companies to convert from a one-person company to a multi member Company and vis-a-vis[48].

iv. Nigerian Experience

Section 18(1) of CAMA 1990 required two or more persons, causing nominee shareholder arrangements. The need for a reform grew daily following the misalignment between our practice and international best practices. To ease the stress of business, CAMA 2020 under section 18(2) removed this requirement, complemented by governance exemptions in sections 237(1), 240(1), and 244, the Federal High Court in *Primetech Design and Construction Ltd v CAC*[49] ruled that pre-CAMA 2020 companies could transition to single-shareholder status, expanding SMCs to approximately four million private companies[50].

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[46] Act no.18 2013, Part II, Section 1, Extraordinary Gazette of India.
[47] Companies Act 2013 (India), S.152(1).
[48] S.18 companies act, Rule 6 incorporation rules 2014, ibid. rule 6 2021.
[49] *Primetech Design and Construction Ltd v. Corporate Affairs Commission,* Suit No. FHC/ABJ/CS/184/2024, judgment delivered 15 February 2024.
[50] World Bank, Doing Business 2019: Training for Reform (2019), Nigeria Country Profile.

4.1 Overview of the Nigerian Framework

The Nigerian SMC structure represents a progressive reform but remains incomplete. Some identified gaps include that: Under company law, the doctrine of perpetual succession ensures that a company continues to exist irrespective of changes in membership. However, in the context of SMCs in Nigeria, this principle faces practical limitations such as:

a) The persistent delays in the transmission of shares through probate or letters of administration;
b) Corporate decision-making will be effectively paralysed during this interim period. It does not require a nominee or successor for Single-member companies but may become practically inoperative if the sole member is unable to act;

A defining feature of SMCs is the consolidation of ownership and control in a single individual. While this enhances efficiency and decision-making speed, it also heightens the risk of abuse. CAMA does not provide an adequate framework governing nominee shareholders. This omission undermines one of the key rationales for SMC's perpetual succession.

The distinction between small companies and single-member companies, while conceptually clear, creates practical confusion. A small company is defined under Section 394 of the CAMA 2020 as a private company with an annual turnover not exceeding N120 million & net assets not exceeding N60 million, no foreign shareholders, and directors holding at least 51% of shares.[51] Not all single-member companies will qualify as small companies, particularly those with significant turnover or foreign

[51] Ibid. CAMA. s 394.

participation, creating a complex matrix of applicable compliance obligations.

5.0 CONTEMPORARY ISSUES ABOUT SINGLE MEMBER COMPANY IN NIGERIA

a) **Theoretical Challenge**: The idea of corporate personality was built on having multiple members who could govern together. This feature is lacking under Single-member companies; they are not an "association of people", and there is no split between ownership and control when the sole owner is also a director. It is basically an army where debates and decisions depend on one person, raising the question if corporate personality can work in such a structure.

b) **Governance Deficits**: CAMA 2020 eliminates governance mechanisms that ought to act as safeguards, e.g. No annual Meeting and minimum attendance requirements, without putting any in place tailored for SMCs. This legislative void enables unchecked self-dealing, fraud and exploitation where a Sole-Owner\Director can operate in total secrecy without supervision or accountability. Without establishing specific alternatives, these regulatory vacuums will facilitate abuse.

c) **Veil-Piercing Risks**: Single-member companies are at high risk as a sole owner/director owns and runs everything, he can mix assets with companies' assets and answer to no one, these conditions make the court more likely to strip away that limited liability and make the owner pay when things go wrong.

d) **Creditor Protection Concerns:** Section 402(1b)[52] exempts SMCs from auditor appointments. In a company without shareholder

[52] Companies and Allied Matters Act 2020, section 402(1)(b).

oversight and audit requirements, creditors face high risks as their interests are likely to be downgraded.

5.2 Comparative Perspectives on SMCs

Recognition of single-member companies represents a global trend, with jurisdictions adopting different regulatory approaches.

i. **United Kingdom:** The United Kingdom has permitted private limited companies since the Companies Act 1989. The Companies Act 2006 recognizes them in Section 123, requiring specific register entries where a company has only one member[53]. Single shareholders may exercise voting rights without notice or meeting procedures, with written resolutions replacing meetings[54].

ii. **South Africa:** The Companies Act 2008 makes provisions for SMCs. Section 57(2) of the Companies Act 2008 addresses single shareholders, providing that they may exercise voting rights without notice or compliance with internal formalities.[55] Section 57(3) of the same Act addresses single-director companies, permitting sole directors to exercise board powers without meeting formalities[56].

iii. **European Union:** The EU Twelfth Company Law Directive (89/667/EEC) required Member States to permit single-member private limited companies[57]. The Directive specifies that sole member decisions must be documented in writing[58].

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[53] *Jones v Lipman [1962] 1 WLR 832 (Ch).*
[54] Ibid., s. 288.
[55] Companies Act 2008 (South Africa), s. 57(2)
[56] Ibid., s. 57(3).
[57] Twelfth Council Company Law Directive 89/667/EEC of 21 December 1989
[58] Ibid., Art. 3.

iv. **India**: The Companies Act 2013 introduced "One Person Company" (OPC) in Section 2(62).[59] However, Indian law imposes restrictions, including requiring the nomination of a substitute member and mandatory conversion upon reaching turnover thresholds[60].

v. **Ghana**: The Companies Act 2019 maintains the traditional requirement of at least two members, reflecting ongoing adherence to the "association of persons" concept.[61]

5.3 Derivatives from Comparative Jurisdictions

The experience of other jurisdictions in regulating single-member companies offers valuable insights for Nigeria. Comparative analysis reveals both successful and cautionary models that can inform policy review.

i. **United Kingdom Experience**

The UK pioneered single-member company legislation through the Companies (Single-member Private Limited Companies) Regulations 1992, implementing the European Twelfth Directive.[62] The UK Companies Act 2006 now provides that "one person may, for a lawful purpose, by subscribing his name to a memorandum of association and otherwise complying with the requirements of this Act in respect of registration, form an incorporated company."[63] The UK experience demonstrates that a flexible approach to single-member companies can co-exist with robust corporate governance, provided adequate disclosure requirements and enforcement mechanisms are in place.

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59 Companies Act 2013 (India), s. 2(62)

60 Ibid., ss. 3(1), 8(1)

61 Companies Act 2019 (Ghana), Act 992, s. 9.

62 Council Directive 89/667/EEC of 21 December 1989.

63 Companies Act 2006 (UK), s.7(1).

ii. Indian One Person Company Model

India introduced the One Person Company (OPC) concept through the Companies Act 2013, following recommendations by Irani, an Expert Committee in 2005.[64] Section 2(62) of the Companies Act 2013 defines an OPC as "a company which has only one person as its member."[65] The Indian model includes several distinctive features:

i. First, the mandatory nominee requirement ensures continuity by requiring the sole member to appoint a nominee who becomes the member upon the original member's death or incapacity.[66] This addresses the perpetual succession concern inherent in single-member structures. Sadly, Nigeria's CAMA 2020 does not include a similar requirement, creating succession uncertainties.

ii. Secondly, India imposes conversion thresholds, requiring OPCs to convert to private or public companies when paid-up capital exceeds INR 50 lakhs or annual turnover exceeds INR 2 crores.[67] The 2021 amendments relaxed these requirements, removing mandatory conversion and enabling NRIs to form OPCs.[68] On the other hand Nigeria's framework does not impose similar growth thresholds on single-member companies.

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[64] Ministry of Corporate Affairs, Report of the Expert Committee on Company Law (2005).

[65] Companies Act 2013 (India), s.2(62).

[66] Companies (Incorporation) Rules, 2014, Rule 4.

[67] Companies Act 2013 (India), s.2(62) read with Rule 6 of Companies (Incorporation) Rules, 2014.

[68] Companies (Incorporation) Second Amendment Rules, 2021.

iii. **United States and Australia**

The United States has long permitted single-member limited liability companies (LLCs) under state law, with all 50 states now providing for LLC formation by a single member. The Internal Revenue Service recognizes single-member LLCs as "disregarded entities" for tax purposes, simplifying tax compliance while maintaining liability protection.[69] In the case of Australia it permits single-member proprietary companies under the Corporations Act 2001[70], with exemptions from certain corporate governance requirements similar to Nigeria's small company framework. The Australian Securities and Investments Commission (ASIC) maintains robust enforcement capabilities, including powers to disqualify directors and wind-up companies for non-compliance[71]. These jurisdictions display the importance of clear disclosure requirements, proportionate compliance burdens, and effective enforcement mechanisms to prevent abuse of single-member structures.

6.0 CHALLENGES AND PROSPECTS OF SINGLE-MEMBER COMPANIES IN NIGERIA

Some of the challenges with current position of the law on SMCs are as follows:

i. **Practical Challenges in the Operation of Single-Member Companies**

The introduction of SMCs under section 18(2) of the CAMA 2020 represents a watershed moment in Nigerian company law[72].While this reform has been widely celebrated as a progressive step toward enhancing

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[69] IRS Publication 3402, Taxation of Limited Liability Companies (2023).

[70] Corporations Act 2001 (Cth) ss 113, 198E, 201F;

[71] ASIC, Information Sheet 151: ASIC's Power to Disqualify Directors (2012).

[72] Ibid., s18(2).

the ease of doing business in Nigeria, the practical operation of SMCs presents certain challenges that merit careful examination.

ii. Corporate Governance Dilemmas

The fundamental premise of corporate governance rests on the separation of ownership and control, with checks and balances designed to ensure accountability[73]. In single-member companies, however, this separation collapses as the sole shareholder typically serves as the sole director, consolidating decision-making power in one individual. This concentration of authority creates inherent governance vulnerabilities, as there are no internal mechanisms to scrutinize or challenge the decisions of the sole member.

The concept of general meetings, traditionally the forum where shareholders exercise oversight over directors, becomes practically meaningless in the SMC context. The strangeness of a company meeting with itself poses unique challenges for maintaining proper corporate records and demonstrating compliance with statutory requirements[74]. While CAMA 2020 exempts single-member companies from holding Annual General Meetings,[75] The sole member must still record decisions in writing, creating a documentary trail that may be difficult to maintain consistently.

iii. Compliance Burden vs Exemptions

CAMA 2020 establishes a framework of exemptions for small companies, many of which qualify as single-member companies. These exemptions

[73] Okoro, J., Ugwu, L. & Ibekwe, G.R.C., "Interrogating the Features and Statutory Compliance of the Single-Member Company Under CAMA 2020" (2014) *Nigerian Law and Practice Journal* 112.
[74] Ibid
[75] Ibid. CAMA. s.240.

include relief from mandatory statutory audits, exemption from appointing a company secretary, and simplified financial reporting requirements.[76] However, research has revealed "design flaws that may compel SMCs to take on the costs of complying with certain formalities that have no practical legal or economic value."[77]

iv. **Risk of Abuse of Corporate Personality**

The doctrine of corporate legal personality in *Salomon v Salomon & Co* Ltd,[78] recognizes that upon incorporation, a company becomes a separate legal entity distinct from its shareholders. Section 42 of CAMA 2020 codifies this principle, providing that subscribers to the memorandum "shall be a body corporate by the name contained in the memorandum, capable of exercising all the powers and performing all functions of an incorporated company."[79] However, this separate personality can be exploited for improper purposes, particularly in single-member companies.

v. **The Doctrine of Lifting the Corporate Veil**

Nigerian courts have consistently affirmed their willingness to lift the veil where justice demands, as held in *Adeyemi v Lan & Baker Nigeria Ltd*:[80] The SMCs structure amplifies veil-piercing concerns because the absence of multiple shareholders eliminates natural oversight mechanisms. The sole

[76] Ibid. CAMA. ss. 394-402.

[77] Okwor ODO & Adebayo, M., "Stress-Testing the Legal Regime for Single-Member Private Companies in Nigeria" at https://templars-law.com/uploads/2022/08 accessed 12 June 2026

[78] [1897] AC 22 (HL).

[79] Ibid. CAMA s.42.

[80] [2000] 7 NWLR (Pt. 663) 33.

member has unfettered control over company assets and operations, creating heightened risks of co-mingling personal and corporate funds, diverting company assets, and using the corporate form to evade legal obligations.

vi. Fraud and Illegality Concerns

Fraud represents the most compelling ground for lifting the corporate veil. In *FDB Financial Services Ltd v Adesola*,[81] The court held that since a statute will not be allowed to be used as an excuse to justify illegality or fraud..., the courts, as occasion demands, have to look behind, or pierce the corporate veil." SMCs may encourage fraudulent schemes by eliminating the need for co-conspirators and enabling the sole member to control all aspects of the company's operations without scrutiny.

Section 316 of CAMA 2020 provides statutory grounds for veil-lifting, imposing personal liability on directors and officers where loans or advances obtained in the company's name are misapplied with intent to defraud.[82] Similarly, Section 118 creates personal liability for directors where a company operates below the legal minimum membership threshold for extended periods.[83] These provisions are highly essential, although they require vigilant enforcement to deter abuse of the SMCs structure.

vii. **Beneficial Ownership Disclosure**

Recognizing the transparency risks posed by corporate structures that obscure ultimate ownership, CAMA 2020 introduced beneficial ownership disclosure requirements. Section 119 of CAMA 2020 mandates companies to maintain information about persons with significant control (PSC),

[81] [2000] 8 NWLR (Pt. 608) 1.
[82] Ibid. CAMA. s.316.
[83] Ibid. CAMA. s.118.

defined as individuals holding at least 5% of shares or voting rights, or having the right to appoint or remove majority directors.[84] The CAC maintains a public Beneficial Ownership Register accessible to the public through a designated website.[85]

For SMCs, the sole member is by definition the beneficial owner, creating complete transparency regarding ownership. However, the effectiveness of this disclosure regime depends on accurate and timely filing by companies. The CAC has reported uncovering "248 fictitious company registrations that were illegally inserted into the CAC database[86] highlighting enforcement challenges that undermine transparency objectives.

viii. **Financial Reporting Challenges**

Small companies, including many single-member companies, enjoy exemptions from mandatory statutory audits under section 402 of CAMA 2020.[87] While this reduces compliance costs, it also eliminates independent verification of financial statements, creating risks of misrepresentation and fraud. The exemption applies to companies that have not carried on business since incorporation and small companies as defined in Section 394 of the CAMA 2020

[84] Ibid. CAMA. s.119; Persons with Significant Control Regulations, 2022.
[85] Open Ownership, "Nigeria: Leveraging Beneficial Ownership Transparency for Enhanced Asset Recovery" (2025).
[86] BusinessDay, "CAC says banks weakening Nigeria's compliance system, uncovers 248 fake firms" (February 11, 2026).
[87] Ibid. CAMA. s.402.

Banks and financial institutions often require audited financial statements regardless of statutory exemptions to assess creditworthiness.[88] Large corporate customers may similarly require audited financials for vendor approval. Consequently, many SMCs continue to incur audit costs despite statutory exemptions, diminishing the practical value of the exemption framework.

ix. **Regulatory and Enforcement Challenges**

The effectiveness of the single-member company framework depends critically on robust regulatory oversight and enforcement. The CAC serves as the primary regulator, but faces significant capacity constraints that limit its ability to ensure compliance.

x. **CAC Capacity Constraints**

The CAC has made significant strides in modernizing its operations, including implementing electronic filing systems and launching the beneficial ownership register. However, the Commission faces persistent challenges including 'insufficient staff, modern technology and funding.'[89] These constraints result in "poorly monitored companies, slow investigation into violations, and weakened ability of the Act to promote transparency and accountability." The Registrar-General has acknowledged that "no company without full disclosure of its Persons with Significant Control (PSC) is recognised as compliant" and that such companies are flagged as inactive.[90]

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[88] KPMG, "The Companies and Allied Matters Act 2020: Aspires to Optimize Corporate Regulation in Nigeria" (2020).

[89] Aduma, O.C., "The Role of the Companies and Allied Matters Act 2020 in Advancing Sustainable Corporate Practices in Nigeria" (2025) 8 African Journal of Law, Ethics & Education 153.

[90] The Punch, "CAC: Nigerian Banks Aid Corruption with Inactive Accounts" (February 10, 2026).

Yet, enforcement remains inconsistent. The CAC reported surrendering "three members of staff to the ICPC for alleged misconduct involving suspicious and unauthorised tampering with company records."[91] indicating internal governance challenges that compromise regulatory integrity.

xi. **Inter-Agency Coordination Gaps**

A significant enforcement gap exists between the CAC and financial institutions. The Registrar-General has explicitly accused banks of "undermining Nigeria's anti-corruption and regulatory compliance framework by allowing inactive and non-compliant companies to continue operating and conducting financial transactions."[92] This disconnects, between corporate registry status and banking operations creates a loophole where non-compliant companies continue to function despite regulatory sanctions.

The call for "a unified national register for beneficial ownership information" reflects recognition that Nigeria's "fragmented system where certain sectors maintain separate beneficial ownership registers... creates duplication, inconsistencies, and regulatory loopholes."[93] The extractive industries, for instance, maintain separate registers under NEITI, while the Nigeria Export Processing Zones Authority (NEPZA) operates distinct frameworks for free trade zone entities.

[91] Ibid.
[92] Ibid.
[93] Ibid.

7.0 PROSPECTS OF SINGLE-MEMBER COMPANIES TO THE NIGERIAN ECONOMY

Despite the challenges identified, the SMC framework presents substantial economic and entrepreneurial opportunities for Nigeria. By lowering barriers to formal incorporation, CAMA 2020 enables individual entrepreneurs to access the benefits of limited liability and corporate status previously available only to multi-member enterprises.

iv. Formalization of Informal Enterprises

Nigeria's informal sector constitutes a significant portion of economic activity, with millions of entrepreneurs operating as sole proprietors without formal legal protection. The single-member company provision offers a pathway for formalization, enabling these entrepreneurs to "form and incorporate a limited liability company for their businesses instead of registering a business name, which was the only available option for sole proprietors under the repealed Companies Act 1990."[94]

v. Foreign Direct Investment Implications

The SMC framework also has implications for foreign direct investment. While section 394 restricts small company status to entities without foreign shareholders, foreign investors can still establish single-member private companies under the provisions of CAMA 2020. This flexibility enables foreign entrepreneurs to establish Nigerian subsidiaries without requiring local partners, facilitating greater control over investment decisions.

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[94] Social Science Journal, "Efficacy of Single-Member Companies Under the Nigerian Companies Act 2020" (2021) 3(2) 231.

vi. **Impact on Small and Medium-Scale Enterprises (SMEs)**

The SMC framework directly impacts SMEs by providing a simplified corporate structure tailored to individual entrepreneurs. SMC provisions under CAMA are designed to stimulate SME growth by reducing incorporation costs and compliance burdens. The replacement of authorized share capital with minimum issued share capital,[95] the elimination of mandatory legal practitioner involvement in incorporation through the Statement of Compliance,[96] and the exemption from company secretary appointment for small companies[97] collectively reduce barriers of formalities.

vii. **Employment Generation Potential**

By enabling individual entrepreneurs to formalize their businesses with limited liability protection, SMC framework supports employment generation. As businesses grow, they can transition from single-member structures to multi-member companies, bringing in additional shareholders and directors while maintaining corporate continuity.

8.0 SUMMARY OF FINDINGS

This research has undertaken a comprehensive examination of single-member companies (SMCs) in Nigeria and their implications on the doctrine of corporate personality. Through analysis of statutory provisions, case law, and comparative jurisprudence, the study has generated significant findings that illuminate both the transformative potential and inherent

[95] Ibid. CAMA. s.27.
[96] Ibid.CAMA. s.40.
[97] Ibid.CAMA. s.330.

challenges of this corporate innovation. The findings are categorized into three areas corresponding to the research objectives.

i. **Findings on Historical Evolution**

The historical evolution of single-member companies reveals a gradual but significant shift in company law Jurisprudence. Prior to CAMA 2020 Nigerian company law, inherited from English common law through the Companies Act 1968 and subsequently CAMA 1990, maintained the traditional requirement of at least two members for company formation.[98] This requirement reflected the historical suspicion of one-man companies articulated in cases like *Salomon v Salomon*,[99] where the House of Lords nevertheless upheld the validity of such companies.

The paper found that the European Union's Twelfth Company Law Directive of 1989,[100] which mandated recognition of single-member private limited companies across member states, catalyzed global acceptance of this corporate form. The United Kingdom implemented this directive through the Companies (Single-member Private Limited Companies) Regulations 1992, subsequently consolidated in the Companies Act 2006. Furthermore, India introduced the One Person Company (OPC) concept through the Companies Act 2013, while the United States has long permitted single-member LLCs under state law.

Nigeria's adoption through CAMA 2020 represents not merely legislative modernization but a fundamental reconceptualization of the relationship between corporate form and economic participation. The repeal of the two-

[98] CAMA, Cap C20, LFN, 1990, s.24.
[99] [1897] AC 22 (HL).
[100] Council Directive 89/667/EEC of 21 December 1989.

member requirement signals recognition that "the essence of incorporation lies not in the number of members but in the creation of a separate legal entity with distinct rights and obligations."[101]This shift reflects growing appreciation that company law should serve economic reality rather than impose artificial constraints on legitimate business activity.

The historical analysis reveals that resistance to single-member companies stemmed primarily from concerns about abuse of limited liability and circumvention of legal obligations. However, experience in jurisdictions that pioneered SMC recognition demonstrates that these risks can be managed through appropriate regulatory frameworks, including disclosure requirements, veil-piercing doctrines, and enforcement mechanisms.

ii. **Findings on Legal Framework**

The legal framework established by CAMA 2020 for single-member companies represents a carefully calibrated balance between entrepreneurial flexibility and regulatory oversight. CAMA 2020 Section 18(2) explicitly provides that "one person may form and incorporate a private company,"[102] thereby eliminating the previous membership threshold. This provision is complemented by CAMA 2020 Section 42, which affirms that upon incorporation, "the subscribers to the memorandum... shall be a body corporate by the name contained in the memorandum, capable of exercising all the powers and performing all functions of an incorporated company."[103]

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[101] Shehu, IA *et al*., "A Legal and Commercial Perspective on Nigeria's Corporate Personality Framework" (2025) 11 *IJMCI* 77.

[102] Ibid. CAMA. s.18(2).

[103] Ibid. CAMA. s.42.

a. **Reduced Governance Requirements**

SMCs are exempted from holding AGMs under CAMA 2020. Section 240[104] demands resolutions be recorded in writing for corporate documentation. This exemption recognizes the practical impossibility of a sole member meeting with themselves while ensuring that corporate decisions are properly documented.

b. **Small Company Exemptions:**

SMCs qualifying as small companies under CAMA 2020 Section 394 enjoy exemptions from statutory audits, company secretary appointment, and simplified financial reporting.[105] A small company is defined as having annual turnover not exceeding N120 million, net assets not exceeding N60 million, no foreign shareholders, and directors holding at least 51% of shares.

c. **Beneficial Ownership Disclosure**

CAMA 2020 Section 119 mandates disclosure of persons with significant control (PSC), defined as individuals holding at least 5% of shares or voting rights, or having the right to appoint or remove majority directors.[106] The CAC maintains a public Beneficial Ownership Register accessible online.

d. Veil Lifting Provisions

CAMA 2020 sections 118 and 316 create statutory grounds for personal liability where companies operate below minimum membership thresholds

[104] Ibid. CAMA. s.240.
[105] Ibid. CAMA. ss.394-402.
[106] Ibid. CAMA. s.119; PSC Regulations, 2022.

or where loans are misapplied with fraudulent intent.[107] These provisions signal legislative awareness of abuse risks.

e. Digital Provisions

CAMA 2020 Sections 240, 288, and 843 recognize electronic signatures, virtual meetings, and electronic filing, positioning Nigeria for digital corporate governance.[108] SMC demonstrates the need to balance facilitation of entrepreneurship with protection against abuse. However, the research identified gaps including the absence of mandatory nominee requirements for succession planning and insufficient clarity on the interaction between SMC status and small company exemptions.

iii. Findings on Challenges and Prospects

The paper identified significant challenges that temper the optimistic potential of the SMC framework. These challenges span governance, regulatory, and practical dimensions:

a. Governance Challenges

The collapse of ownership-control separation in SMCs creates inherent vulnerabilities. Without internal oversight mechanisms, the sole member exercises unfettered discretion over corporate affairs, heightening risks of asset diversion, commingling of funds, and circumvention of legal obligations. The "strangeness of a company meeting with oneself"[109] encapsulates the governance paradox of SMCs. The Traditional corporate

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[107] Ibid. CAMA. ss.118, 316.
[108] Ibid. CAMA. ss.240, 288, 843.
[109] Okoro, J. et al., "Interrogating Features of SMC Under CAMA 2020" (2014) 5 NL&PJ 112.

governance mechanisms such as board oversight, shareholder voting, and audit committees are effectively inoperative in Single-member Companies.

b. Regulatory Challenges

The Corporate Affairs Commission faces capacity constraints including "insufficient staff, modern technology and funding,"[110] resulting in inadequate monitoring and enforcement. In addition, the discovery of '248 fictitious company registrations illegally inserted into the CAC database"[111] illustrates systemic vulnerabilities. The surrender of "three members of staff to the ICPC for alleged misconduct involving unauthorised tampering with company records"[112] indicates internal governance challenges.

c. Enforcement Gaps

Inter-agency coordination failures between the CAC, financial institutions, and law enforcement agencies create enforcement lacunae. The Registrar-General's accusation that banks "undermine Nigeria's compliance framework by allowing inactive companies to operate"[113] highlights this critical gap. The absence of a unified national ownership register creates duplication and loopholes.

9.0 CONCLUSION

The paper concludes that CAMA 2020's SMC provisions represent a thoughtful legislative response to identified needs, though certain design choices warrant reconsideration in light of implementation experience.

[110] Aduma, O.C., "CAMA 2020 in Advancing Sustainable Corporate Practices" (2025) 8(3) *AJLEE* 153.
[111] BusinessDay, "CAC Uncovers 248 Fake Firms" 11 February, 2026.
[112] The Punch, "CAC: Banks Aid Corruption" (Feb. 10, 2026).
[113] Ibid.

Comparatively, Nigeria's framework aligns closely with the UK Companies Act 2006 and exceeds Indian OPC provisions in flexibility by not imposing mandatory nominee requirements or conversion thresholds. However, this flexibility may come at the cost of enhanced safeguards against abuse. The UK framework's approach assumes robust enforcement capacity, while the Indian OPC model includes protective mechanisms that Nigeria has not adopted.

The paper concludes further that:
First; there is the introduction of SMCs under CAMA 2020 represents a progressive reform that aligns Nigerian corporate law with international best practices while addressing domestic economic realities. The reform recognizes that individual entrepreneurship constitutes a significant segment of economic activity deserving of limited liability protection and corporate status. This legislative innovation demonstrates responsiveness to the needs of Nigeria's large informal sector and supports the government's ease of doing business agenda.

Secondly; SMC provisions established by CAMA 2020 demonstrates sophisticated legislative drafting that balances entrepreneurial flexibility with regulatory oversight. The exemption framework for small companies, beneficial ownership disclosure requirements, and statutory veil-piercing provisions reflect careful calibration of competing interests. The framework draws appropriately from comparative models while adapting to Nigerian conditions.

Thirdly, practical implementation of the SMC framework faces significant challenges including governance vulnerabilities arising from concentrated control, regulatory capacity constraints at the CAC, and inter-agency coordination failures. These challenges threaten to undermine the reform's potential benefits and require urgent attention from policymakers and regulators.

Also, the SMC framework enriches corporate personality jurisprudence by operationalizing the principle that separate legal personality derives from incorporation rather than plurality of membership. This contribution advances theoretical understanding while maintaining the essential protections of limited liability. The framework demonstrates the continued vitality and adaptability of the Salomon principle in contemporary company law.

Furthermore, the future of corporate personality in Nigeria depends on addressing implementation gaps through legislative refinement, administrative strengthening, and judicial vigilance. The SMC framework provides a foundation for further innovations in company law that support economic development while maintaining accountability. Consequently, digital transformation, ESG integration, and alternative business structures represent promising directions for future development.

Furthermore, comparative experience from the United Kingdom, India, United States, and Australia demonstrates that single-member companies can coexist with robust corporate governance provided adequate disclosure requirements and enforcement mechanisms are maintained. Nigeria can draw lessons & profitable understanding from these jurisdictions, particularly regarding nominee requirements, conversion thresholds, and regulatory coordination.

In conclusion, the paper concludes that while CAMA 2020's SMC framework represents significant progress, realizing its full potential requires sustained commitment to implementation challenges. The reform's success will ultimately be measured not by legislative elegance but by its contribution to entrepreneurial activity, economic growth, and the rule of law. The future of corporate personality in Nigeria depends on our ability to maintain this commitment.

The paper deduced that SMCs contribute to corporate personality jurisprudence by demonstrating that separate legal personality is not contingent on plurality of membership but on the formal act of incorporation. This contribution aligns with global trends toward recognizing diverse corporate forms adapted to varying economic contexts while maintaining the essential protections and limitations of corporate status.

10 RECOMMENDATIONS

Based on the analysis of challenges, prospects, and comparative experiences, the following recommendations are proposed to strengthen Nigeria's framework for single-member companies and enhance the future of corporate personality in the region.

i. **Strengthening Regulatory Framework**: Considerations should be given to introducing a mandatory nominee requirement for single-member companies, drawing on the Indian OPC model. This would address succession concerns and ensure continuity of the corporate entity beyond the original member's lifetime or capacity.
ii. Beneficial ownership disclosure framework should be strengthened to require verification of disclosed information, with penalties for false

or misleading disclosures. The current 5% threshold for PSC disclosure should be maintained, but enforcement mechanisms must be enhanced to ensure compliance.

iii. **Enhancing Enforcement Mechanisms**: The CAC requires enhanced institutional capacity to effectively regulate single-member companies. Recommendations include:
(a) Increased funding and staffing to enable proactive monitoring and investigation of non-compliance;
(b) Enhanced technological infrastructure for data analytics to identify suspicious patterns and potential abuse;
(c) Strengthened inter-agency coordination with the EFCC, ICPC, FIRS, and Central Bank of Nigeria to ensure consistent enforcement across regulatory domains; and
(d) Establishment of a unified national beneficial ownership register, consolidating sector-specific registers currently maintained by NEITI, NEPZA, and other agencies.

iv. Future of Corporate Personality: The future of corporate personality in Nigeria must respond to emerging trends in global Company law. Three developments merit particular attention they include;

a. **Digital Transformation:** CAMA 2020's recognition of electronic signatures, virtual meetings, and electronic filing[114] positions Nigeria for digital corporate governance. Future reforms should expand these provisions to enable fully digital incorporation and administration of single-member companies, reducing costs and increasing accessibility.

[114] Ibid.CAMA. ss.240, 288, 843.

b. **ESG Integration:** Global trends toward Environmental, Social, and Governance (ESG) compliance are reshaping company law.[115] Nigeria should consider incorporating ESG disclosure requirements for companies above certain thresholds, building on CAMA 2020's provisions for corporate social responsibility.[116]
c. **Alternative Business Structures:** The introduction of Limited Liability Partnerships (LLPs) and Limited Partnerships (LPs) under CAMA 2020[117] provides additional options for entrepreneurs. Future reforms should ensure coherent regulation across all business forms, enabling entrepreneurs to select structures best suited to their needs.

In essence, SMC framework introduced by CAMA 2020 represents a significant advancement in Nigerian company law, aligning the jurisdiction with global best practices and supporting SME development. Realizing the full potential of this reform requires addressing governance vulnerabilities, strengthening enforcement mechanisms, and ensuring that the benefits of corporate personality are not undermined by abuse. Through thoughtful legal and policy reforms, Nigeria can establish a corporate framework that balances entrepreneurial flexibility with accountability and transparency, contributing to a sustainable economic development in the region.

[115] LegalEye, "The Future of Corporate Law: Trends and Predictions for 2025 and Beyond" (2025) 1
[116] Ibid.CAMA. s. 43.
[117] Ibid.CAMA. Part B, ss.746-805.