

Fortis Microfinance Bank Plc and Why Bunmi Lawson Resigned **By Omega News Admin March 12, 2021**

In August last year Proshare wrote a deep dive analysis on several corporate governance infractions of Fortis Micro Finance Bank, a large micro finance lender listed on the Nigeria Stock Exchange (NSE). As at the time of the report Mrs Bunmi Lawson, former Managing Director of multiple award-winning, ACCION Microfinance Bank had **just resigned her appointment based on principles** after being drafted to run Fortis MFB in a temporary capacity by the Central Bank of Nigeria (CBN) for about a year.

Her resignation was, however, abrupt and raised heckles in the local media as Fortis MFB was still in a bad financial state. Lawson's resignation was related to her putting in place the required templates for ensuring the turnaround of the bank and **her difficulty in getting certain interests to carry through the required reforms and governance architecture needed to pull the bank from the brink of liquidation**. In recent weeks Lawson has been called out on her alleged poor handling of the aborted Fortis MFB rescue mission, but critics seem to have had a weak grasp of the issues that badgered and still haunt the now defunct micro lender.

Recap of the Issues

Recall that Bunmi Lawson was a recently retired award-winning Managing Director/CEO of ACCION Microfinance Bank Limited; that the CBN startled by the **persistent governance problems of Nigeria's second NSE-listed micro finance bank** (the other is NPF MFB) drafted Lawson in to assume the position of Chief Executive Officer of Fortis in March 2018 **to stop the financial bloodletting and eliminate the operating carnage that went on under the bank's immediate past management**. Lawson's job was, as far she was concerned, simple enough (or so she thought). It included but was not limited to:

- I. Reviewing the banks operations and confirm current operating position
- II. **Stopping financial leakage and institute best global governance practices**
- III. Building stakeholder confidence

- IV. Putting in place professional operating structures consistent with sustainable microfinance lending
- V. Repositioning the bank for future growth

By August 2018 (five months after her appointment) Lawson threw in the towel; from her perspective **it was clear that without major capital injection, creditor forbearance, sweeping management overhaul and perhaps a total makeover of the corporate brand, riding this banking horse to an expected finish line was as reasonable as expecting to find a virgin in a child labour ward.** Consistent with Lawson's proven history of diligent adherence to best global governance practices, the erstwhile bank boss, decided to end her relationship with Fortis Bank by summarily tendering her letter of resignation at the beginning of Q3, 2018, **after she had put in place a framework that would assist any new management fashion a sustainable turnaround model and strategy.** The resignation took effect from Friday, August 3, 2018 and was acknowledged by the bank's spokesperson, Mr. Victor Emerson.

Proshare's last year 2018 review noted the following:

1. The decision of Lawson to resign was inevitable given the history, reality, **ethical and professional disposition of the former ACCION MFB Chief Executive to the otherwise well-guarded secret about the dark internal dynamics of Fortis Bank, its governance failure and the broad challenge it represented to the local microfinance ecosystem.**
2. Proshare had for some period, tracked the damage that had been done to the institution over a number of years leading up to and including the action taken by the Nigerian Stock Exchange (NSE) to suspend trading in the shares of the company; an obvious indictment of the Central Bank of Nigeria's (CBN's) handling **of a clearly mindless breakdown of corporate governance standards, internal management control procedures and the drying up of international institutional creditor funds in addition to the maverick misuse of local depositors money.**
3. **Why and how the CBN sustained the operation of the bank in the face of blatant breaches of banking code of conduct and wild and untenable abuse of regulatory policies will be a question several stakeholders will ask for some time to come**

We were constrained to withhold commentary on the **management status and financial condition of the bank** in the hope that Mrs. Lawson's appointment at the end of Q1, 2018 would signify a means-tested approach by the CBN to contain the **over N15bn loss that was smiling roguishly on the bank's books**. CBN had as much, if not more, information about Fortis Bank's precarious financial position than Proshare **and ought to have acted more decisively prior to the appointment of an interim MD/CEO**.

It was obvious that the exit of Lawson, an industry benchmark for integrity and value-creation would signify that the **issues that affected the now defunct Fortis MFB and other MFB's in varying degrees of concerns are far from near resolution** and begs the question of what is contained in the financial systems viability reports for this unique segment of the financial market.

With the national deposit insurance company (NDIC) finally winding up the business of Fortis bank by announcing on February 4, 2019 that insured depositors of the bank should come forward with their claims, the story of Fortis MFB as a financial institution has ended, but sundry lessons persist. The episode highlights the **challenges of regulatory oversight for all segment of the financial market, particularly the emerging microfinance segment which has been considered a desirable hub for promoting financial inclusion**. Analysts recall that the suspension of Fortis MFB by the NSE was not the required trigger for preemptive policy action expected from regulators but represented a weak response to the break-down in the service value proposition of the bank and reflected a **persistent cycle of breaches in good corporate conduct** which should have warranted a revocation of the bank's license while safeguarding additional losses which occurred by maintain the fiction of institutional viability.

Increasingly a pattern has emerged that company's taken over by the CBN who do not meet minimum standards of producing and making public their annual financial and management reports still maintain operational license(s). It is worthy of note that by February 2018, Fortis MFB had said it was negotiating with its different foreign lenders to grant it a much-needed financial respite by way of restructuring existing facilities. It went further to state that; with the approval and guidance of the CBN, it was

also engaged in a far-reaching house cleaning exercise which meant that it was improving corporate governance standards and was preparing to live by more exacting and statutorily required rules. This was expected to lead to a leaner, healthier institution set on the path of a renewed emphasis on professionalism and adherence to international best corporate governance practices. This did not happen, as is common in Nigeria; the regulators came to the stable after the horse had bolted from the barn.

NDIC's internment of Fortis bank still leaves unanswered the question of how market regulators will adopt preventive measures to protect investors and depositors from the **bogey of operational incompetence, irrational greed and rampant cronyism**; diseases that have plagued the microfinance sector for over a decade. In explaining the Fortis Bank issue in a brief discussion with Proshare, Lawson points out that, "When negotiations broke down with creditors who had over N9bln in Fortis, **we the interim management team focused on getting to ensure that micro depositors who had about N2bln got paid their deposits in full.** We succeeded in getting the CBN to go over and beyond to get these depositors paid off. After that it was clear that the NDIC had to liquidate the bank so I resigned as my work was complete. It was always a temporary appointment".

The Fortis MFB saga was a disaster waiting to happen, not because of the lack of ability or experience on the part of its interim management team but because the institution was **terminally ill from insider abuses that were not addressed early enough when the warning signs flickered.** Treating a dead body with the best of medicines and a star-studded medical team never wakes up the deceased, well not in the case of Fortis bank.

Discussion

1. Do you think Bunmi Lawson did the right thing by resigning as Interim MD/CEO?
2. What could the Fortis MFB Board of Directors have done differently and how would you address the Fortis MFB corporate governance issues?
3. What is Fullrange MFB's vision?
4. Does Fullrange MFB have the appropriate corporate governance structures to achieve this vision?
5. What will Fullrange MFB do differently after this training?