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FRANCHISING AS A COMMERCIAL OPTION: AN ANALYSIS OF THE LEGAL FRAMEWORK FOR ITS VIABILITY IN NIGERIA

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Abstract
Franchising stands as a globally significant business model with profound potential to drive entrepreneurship, job creation, and economic development in Nigeria. However, despite its increasing adoption, the sector's growth is critically hampered by an inadequate legal and regulatory environment. This paper provided a critical analysis of the legal framework governing franchising in Nigeria, arguing that the conspicuous absence of a dedicated, comprehensive franchise statute fundamentally undermines the viability of franchising in the country. This situation creates significant legal risks, deters foreign investment, and fails to provide adequate protection, particularly for franchisees who face information asymmetry due to the lack of mandatory disclosure requirements. Employing a doctrinal and analytical methodology, this study scrutinized the existing mosaic of applicable laws, the complex multi-agency regulatory requirements involving bodies such as NOTAP and the CAC, and the transformative potential of the proposed Franchising (Establishment) Bill 2022. The analysis found that while the current framework offers some protection, it is insufficient to foster a stable and attractive environment for franchising. Ultimately, this paper concluded that for Nigeria to unlock its vast franchising potential, legislative action is paramount. The pending Franchise Bill is identified as a crucial, though stalled, step towards aligning Nigeria with global best practices by introducing mandatory disclosures and standardized provisions. It therefore, recommended the immediate enactment of the Franchising Bill, the strengthening of IP enforcement mechanisms, the streamlining of the complex multi-agency regulatory environment to foster investor confidence and ensure a fair and predictable commercial landscape.

Keywords: Commercial, Franchise, Legal Framework, Viability.

1. Introduction
Franchising, a sophisticated contractual business model, stands as a cornerstone of commercial expansion and market penetration across diverse global economies. At its essence, this arrangement involves a franchisor, an entity possessing an established brand and proven operational system, granting a franchisee, an independent business operator, the right to leverage its proprietary branding, operational methodologies, and intellectual property[1]. This symbiotic relationship is fundamentally predicated on the franchisee's commitment to an initial franchise fee and ongoing royalty payments to the franchisor[2]. Beyond mere brand licensing, franchising offers a structured pathway for market entry, significantly mitigating the inherent risks typically associated with launching independent ventures, thereby fostering entrepreneurial activity and promoting robust corporate governance practices globally[3].

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[1]United Nations Statistics Division, 'What is a Franchise?' (2008) <https://unstats.un.org/unsd/nationalaccount/workshops/2008/newyork/ig27.pdf> accessed 27 July 2025.
[2]ibid
[3]F Bello, 'Towards an Enabling Legal and Regulatory Framework for International Franchising Business in Nigeria' (2021) 9(1) *ABUAD Law Journal* 21, 21-22.

The strategic utility of franchising extends to its capacity for rapid market expansion with comparatively lower capital outlay for franchisors, as the investment burden for new outlets is largely borne by franchisees[4]. For franchisees, the benefits are equally compelling, encompassing immediate brand recognition, comprehensive training, and continuous operational support from the franchisor, which collectively provide a distinct competitive advantage over de novo business creation[5]. The United Nations Conference on Trade and Development (UNCTAD) has estimated that Non-Equity Modes (NEMs) of production, including franchising, employ between 18 and 21 million people globally, with a substantial 80% of these employments concentrated in developing countries[6]. This underscores franchising's significant potential to enhance value addition, build productive capacity, and integrate developing economies into global value chains, aligning with national development strategies focused on industrialisation and export-led growth[7].

Franchising is not a nascent concept in Nigeria, having been actively practiced for several decades across sectors such as food and beverage, retail, and professional services[8]. Over time, it has evolved from a relatively obscure business model to a recognized strategy for business expansion, embraced by both multinational corporations and indigenous enterprises[9]. Despite this increasing adoption, the Nigerian franchising sector remains in its formative stages when juxtaposed with more mature markets; for instance, franchising contributes over 12% to South Africa's Gross Domestic Product (GDP), a stark contrast to Nigeria's current standing[10]. Nevertheless, Nigeria possesses substantial untapped potential, with projections indicating the capacity to foster one million franchisees and generate five million jobs within the next decade, positioning the nation as a pivotal gateway for franchising across West Africa[11]. This burgeoning potential, however, necessitates a rigorous examination of the legal and regulatory underpinnings that shape its viability.

While Nigeria's burgeoning market offers significant potential for franchising as a commercial option, its viability is critically dependent on the evolution and effective implementation of a coherent legal and regulatory framework. The analysis will critically examine the current legal landscape, the transformative potential of proposed legislation, and the practical legal implications for both franchisors and franchisees in Nigeria.

2. Concept of Franchising

A franchise is fundamentally a contractual arrangement or license between two legally distinct parties: the franchisor, who is the proprietor of a trademark or trade name, and the franchisee, who acquires the right to market a product or service using the franchisor's established branding and operational methodologies[12]. This right is granted in exchange for various fees, including an initial upfront payment and ongoing royalties, typically calculated as a percentage of sales revenue[13]. In return, the franchisor assumes the obligation to provide the necessary rights and support to the franchisee, ensuring adherence to brand standards and operational consistency[14].

[4]United Nations Statistics Division (n 1).
[5]ibid
[6]Bello (n 3) 21.
[7]ibid
[8]PDF Nigeria, 'Franchising Nigeria Final Version' (2020) <https://www.pdfnigeria.org/rc/wp-content/uploads/2020/10/Franchising-Nigeria-Final-Version.pdf> accessed 27 July 2025.
[9]Greenage Attorneys, 'Scaling Up Nigerian Economy Through Franchise Business Model' (2024) <https://greenageattorneys.com/scaling-up-nigerian-economy-through-franchise-business-model/> accessed 27 July 2025.
[10]BusinessDay, 'Franchising Models in Nigeria' (2024) <https://businessday.ng/news/legal-business/article/franchising-models-in-nigeria/> accessed 27 July 2025.
[11]PDF Nigeria (n 8).
[12]United Nations Statistics Division (n 1).
[13]*ibid*.
[14]*ibid*.

The franchise agreement serves as the cornerstone legal document, meticulously defining the relationship between the franchisor and franchisee and outlining their respective rights and responsibilities[15]. Key clauses typically found within such agreements include:

- **Franchise Fees and Royalties**: This critical section specifies the financial obligations of the franchisee, encompassing the initial, one-time franchise fee paid for the right to use the brand and access initial training and support. It also details ongoing royalty payments, which are usually a percentage of gross sales or a fixed monthly fee, compensating the franchisor for continuous support, marketing, and brand maintenance[16].
- **Territorial Rights**: This clause delineates the specific geographic area within which the franchisee is authorized to operate. It clarifies whether the franchisee enjoys exclusivity within that region, meaning the franchisor cannot establish another franchise or sell one to a third party in that area, thereby protecting the franchisee from internal competition[17].
- **Duration and Renewal Terms**: Franchise agreements are not perpetual; they typically have a defined term, often ranging from 5 to 20 years. This clause outlines the duration of the agreement and specifies the conditions under which it may be renewed, which are frequently contingent upon the franchisee's performance and adherence to standards[18].
- **Operational Guidelines**: To ensure brand consistency and quality across the network, this clause provides detailed instructions on the day-to-day operations of the business. This includes staffing procedures, customer service expectations, inventory management, and product sourcing[19].
- **Intellectual Property Use**: These clauses are paramount for protecting the franchisor's brand assets. They regulate the franchisee's right to use trademarks, patents, designs, and confidential information, ensuring that these valuable assets are utilized only as permitted and without infringement[20].
- **Termination and Exit Strategy**: This section outlines the conditions under which either party may terminate the agreement, such as a franchisee's breach of key terms (e.g., financial obligations or operational standards). It also addresses the franchisee's options for exiting the franchise, whether through selling the business or ending the agreement, and may include post-termination obligations like non-compete clauses[21].

3. The Legal and Regulatory Framework for Franchising in Nigeria

A defining characteristic of Nigeria's legal landscape concerning franchising is the conspicuous absence of a specific, comprehensive franchise law[22]. Unlike jurisdictions such as Brazil or Australia, which possess dedicated franchise statutes, Nigeria operates without a singular legal definition or a unified body of law specifically tailored to franchising[23]. This legislative void has significant implications for the franchising sector, as the legal framework is not a cohesive statute but rather a composite of various general commercial laws and regulations[24].

This fragmented approach inevitably leads to a degree of legal uncertainty regarding critical aspects such as dispute resolution mechanisms, the standardization of franchise agreements, and the provision of comprehensive protection for both franchisors and franchisees[25]. As Bello notes, this

[15]Sanchelima, '5 Essential Clauses in Franchise Agreements' (2024)< https://www.sanchelima.com/2024/10/25/5-essential-clauses-in-franchise-agreements/> accessed 27 July 2025.
[16]*Ibid*.
[17]*Ibid*.
[18]*Ibid*.
[19]ibid.
[20]Inventa, 'Nigeria: Will Franchising Your Business Jeopardise Your Brand?' (2020) <https://inventa.com/en/news/article/704/nigeria-will-franchising-your-business-jeopardise-your-brand>accessed 27 July 2025.
[21] Sanchelima (n 15).
[22]Legal Naija, 'Franchise Law in Nigeria and Relevant Statutes' (2024) <https://legalnaija.com/franchise-law-in-nigeria-and-relevant-statutes-babatunde-christian-denton/> accessed 27 July 2025.
[23]ibid.
[24]Greenage Attorneys (n 9).
[25]ibid

environment makes the business landscape unattractive for international franchising, as attempts to attract foreign franchisors have yielded below-expected performance due to the legal and regulatory environment not being enabling for franchises to thrive[26]. Furthermore, the lack of statutory disclosure requirements, which are common in jurisdictions with dedicated franchise laws, can place franchisees at a considerable disadvantage, often resulting in agreements that disproportionately favor franchisors[27]. The absence of a unified, predictable legal environment inherently increases the perceived legal risk for potential investors, particularly foreign franchisors, who may hesitate to commit substantial resources to a market where the legal ground is not firmly established[28].

Despite the absence of a standalone franchise law, franchising operations in Nigeria are not unregulated. Instead, they are governed by a mosaic of existing general laws that collectively influence the establishment, operation, and enforcement of franchise agreements.

A. Contract Law

At its most fundamental level, a franchise agreement is a contract. Consequently, it is subject to the general principles of contract law in Nigeria, which mandate essential elements such as a valid offer, unequivocal acceptance, sufficient consideration, and a clear intention to create legal relations between the parties[29]. Beyond these foundational requirements, franchise agreements must also conform to regulations concerning unfair contract terms, ensuring that the stipulations within the agreement are not unduly restrictive or onerous for the franchisee[30]. This serves as a general safeguard against exploitative clauses, though it does not replace the specific protections offered by dedicated franchise legislation.

It is pertinent to note that, unlike some common law jurisdictions such as Canada or the United Kingdom, Nigerian courts have not extensively engaged with the doctrine of good faith in contract law[31]. As Egbewole and others highlight, there is a dearth of academic scholarship examining this aspect of Nigerian contract law, despite the potential for inequality and imbalance in commercial bargains in an emerging economy like Nigeria[32]. The absence of a general duty of good faith means that while industry customs and shared understandings may inform contract interpretation, the judiciary's flexibility in addressing diverse commercial disputes under traditional approaches is relied upon[33]. However, this approach may obscure the inherent inequality of bargaining power that can be embedded in economic relations, suggesting that the doctrine of good faith could provide a valuable tool to address such imbalances in contractual relations, particularly in developing countries like Nigeria[34].

B. Intellectual Property Law

The protection of intellectual property (IP) is central to the integrity and continuity of any brand, making it a critical area of law for franchising[35]. Trademarks, patents, designs, and copyrights form the intangible assets that give a franchise its unique value and competitive edge. As Olatunji (2017)

[26]Bello (n 3) 22.
[27]Chaman Law Firm, 'Franchise Regulations In Nigeria' (2024) <https://chamanlawfirm.com/franchise-regulations-in-nigeria/> accessed 27 July 2025
[28]Bello (n 3) 22.
[29]Greenage Attorneys (n 9).
[30]ibid.
[31]O Egbewole and others, 'To Recognize or Not? Good Faith Under Nigerian Law of Contract' (2015) 1 Journal of Commonwealth Law 7443, 7443.
[32]ibid
[33]ibid
[34]ibid
[35]Greenage Attorneys (n 9).

notes, IP serves two main objectives: protecting the private interest of creators by enabling economic rewards and promoting public interest in the advancement of science and arts[36].

The Trademarks Act 1965[37]is the primary legislation governing the registration and protection of trademarks in Nigeria[38]. This Act enables franchisors to legally safeguard their brand names, logos, and slogans against unauthorized use and infringement[39]. Nigeria operates on a "first-to-file" basis for trademark registration, meaning that the entity that first registers a trademark generally secures the legal rights to it[40]. This makes early registration crucial for franchisors seeking to establish their brand presence. The registration process typically spans 12 to 18 months, and a trademark is initially valid for seven years, with subsequent renewals possible for periods of 14 years[41]. Even in the absence of formal registration, unregistered trademarks can receive protection under the common law tort of passing off, provided the owner can demonstrate acquired goodwill associated with the brand, a likelihood of confusion or deception caused by a third party's use, and resulting damage[42]. The Patents & Design Act 1970[43]makes provisions for the proprietorship of patents and designs in Nigeria[44]. This legislation is vital for protecting unique business processes, product designs, and innovations that are integral to the franchise model. Similar to trademarks, Nigeria adheres to a "first-to-file" principle for patents and designs, emphasizing the importance of timely registration for securing protection[45].

The Copyright Act 1988, recently repealed and replaced by the Copyright Act 2023, is concerned with the ownership and protection of copyrights in Nigeria[46]. Copyright protection arises automatically upon the creation and fixation of an original literary, musical, artistic, or cinematographic work[47]. This Act is relevant to franchising as it protects operational manuals, training materials, marketing collateral, and other creative works that constitute the proprietary know-how of a franchise system[48].

The territorial nature of trademark registration[49], coupled with Nigeria's "first-to-file" jurisdiction for IP rights[50], creates a critical imperative for franchisors. As AELEX highlights, if a foreign franchisor's intellectual property is not registered in Nigeria prior to its licensing, there is a distinct risk that a franchisee or even a third party could attempt to register the IP in their own name[51]. This highlights that merely possessing IP protection in the home country is insufficient for securing rights in Nigeria. Therefore, a proactive and early IP registration strategy in Nigeria is not merely a recommended best practice but a fundamental risk mitigation measure to prevent unauthorized use, deter bad faith registrations, and ensure that the franchisor is in a strong position to effectively enforce their rights and maintain stringent brand control[52].

[36]O Olatunji, 'Intellectual Property: The Nigerian Experience and Perspective' (2017) ResearchGate 3.
[37](Cap T13 LFN 2004)
[38]*Trademarks Act 1965* (Cap T13 LFN 2004).
[39]Greenage Attorneys (n 9).
[40]International Franchising, 'Nigeria' (2023) <https://www.international-franchising.com/en/nigeria> accessed 27 July 2025.
[41]Inventa (n 20).
[42]International Franchising (n 39).
[43](Cap P2 LFN 2004)
[44]*Patents & Design Act 1970* (Cap P2 LFN 2004).
[45]AELEX, 'Protection of Intellectual Property Rights in Nigeria by Franchisors' (2021) <https://www.aelex.com/wp-content/uploads/2021/04/PROTECTION-OF-INTELLCTUAL-PROPERTY-RIGHTS-IN-NIGERIA-BY-FRANCHISORS.pdf> accessed 27 July 2025.
[46]*Copyright Act 2023.*
[47]AELEX (n 43).
[48]Legal Naija (n 22).
[49]Inventa (n 20).
[50]AELEX (n 43).
[51]ibid.
[52]Inventa (n 20).

C. Company Law

The Companies and Allied Matters Act (CAMA) 2020 is the overarching legislation governing the incorporation, registration, and regulation of businesses in Nigeria[53]. For franchising, CAMA is significant as it dictates the corporate structures that franchisees and franchisors must comply with for business registration[54]. It also plays a crucial role in facilitating foreign investment, as foreign franchisors are often required to register as Nigerian entities to operate legally within the country[55]. Furthermore, CAMA contributes to market transparency and accountability through its provisions for mandatory disclosures and regulatory oversight[56]. It is noted that CAMA 2020 represents a significant milestone in Nigeria's corporate governance and business regulatory framework, aimed at improving the ease of doing business and attracting foreign investment by simplifying business processes and enhancing corporate transparency[57].

D. Competition and Consumer Protection Law

The Federal Competition and Consumer Protection Act (FCCPA) 2018[58] is a pivotal statute aimed at ensuring fair competition and robust consumer protection within the Nigerian economy[59]. This Act explicitly prohibits anti-competitive practices, such as price-fixing and unfair trade restrictions, and stipulates that franchise agreements must not impose unreasonable exit restrictions on franchisees[60].

The FCCPA's "Restrictive Agreement and Trade Practices Regulations, 2022" provides a detailed framework for identifying and assessing agreements that could prevent, restrict, or distort competition, distinguishing between those with an anti-competitive purpose and those with an anti-competitive effect[61]. While these regulations do not specifically target franchising, their broad applicability means that any clauses within a franchise agreement that might be deemed anti-competitive, such as those related to pricing, territorial restrictions, or supplier sourcing, would fall under the purview of the FCCPC[62]. The FCCPC's broad mandate to "promote and maintain competitive markets" and "protect and promote the interests and welfare of consumers" positions it as a crucial, albeit general, regulator for franchising, effectively acting as a guardian against potentially exploitative or monopolistic practices within franchise agreements[63].

E. Foreign Exchange and Investment Regulations

Franchise businesses, particularly those involving foreign brands, are subject to Nigeria's investment and foreign exchange laws[64]. The Foreign Exchange (Monitoring and Miscellaneous Provisions) Act[65] regulates the payment of franchise fees and royalties in foreign currency, which is crucial for international franchisors[66]. The Nigerian Investment Promotion Commission (NIPC) Act facilitates foreign franchisor investment, providing a framework for their entry and operation[67]. Foreign exchange controls exist in Nigeria, and the NOTAP Guidelines stipulate that royalty fees

[53]*Companies and Allied Matters Act 2020*.
[54]Greenage Attorneys (n 9).
[55]ibid.
[56]ibid.
[57]O Okoro, 'The Companies and Allied Matters Act (CAMA) 2020: Implications for Corporate Governance and Business Regulatory Framework in Nigeria' (2022) 4(2) Law Journal 653, 653.
[58](Act No. 1 of 2019)
[59]*Federal Competition and Consumer Protection Act 2018* (Act No. 1 of 2019).
[60]Greenage Attorneys (n 9).
[61]G Elias, 'Restrictive Agreement and Trade Practices Regulations, 2022' (2022) <https://www.gelias.com/images/Newsletter/Restrictive_Agreements.pdf> accessed 27 July 2025.
[62]Federal Competition and Consumer Protection Commission, 'Our Mandate' <https://www.fccpc.gov.ng/about-us/our-mandate/> accessed 27 July 2025.
[63]ibid.
[64]Greenage Attorneys (n 9).
[65]CAP F34 LFN2004
[66]*Foreign Exchange (Monitoring and Miscellaneous Provisions) Act*.
[67]*Nigerian Investment Promotion Commission Act*.

may not exceed 5% of the net sales value, with an applicable withholding tax rate of 10% for royalty payments[68].

F. Taxation and Labour Laws

Both franchisors and franchisees operating in Nigeria must adhere to the country's tax laws, which include obligations for income taxes, Value Added Tax (VAT), and withholding tax[69]. The current standard VAT rate is 7.5%[70]. Furthermore, all labor and employment laws applicable in Nigeria govern the workforce engaged within franchise operations, ensuring compliance with local labor standards and regulations[71].

4. Key Regulatory Agencies and Their Roles

The fragmented legal landscape necessitates interaction with multiple regulatory bodies, each playing a distinct role in overseeing various aspects of franchising in Nigeria.

I. Corporate Affairs Commission (CAC)

The Corporate Affairs Commission (CAC) is the central authority responsible for the administration of the Companies and Allied Matters Act (CAMA). Its functions encompass the regulation and supervision of the formation, incorporation, management, and winding up of companies in Nigeria, including the registration of business names and incorporated trustees[72]. For franchising, the CAC is crucial for the legal registration of both franchisor and franchisee entities, ensuring corporate governance and accountability[73]. Foreign franchisors, for instance, are required to register as Nigerian entities through the CAC to operate legally within the country[74].

II. Trademarks, Patents & Designs Registry

This registry, operating under the Federal Ministry of Industry, Trade, and Investment, is responsible for administering intellectual property protection in Nigeria[75]. It handles the registration of trademarks, patents, and industrial designs, which are vital assets for any franchise business[76]. Its role is critical in securing the brand identity of the franchisor and providing legal recourse against infringement[77].

III. National Office for Technology Acquisition and Promotion (NOTAP)

The National Office for Technology Acquisition and Promotion (NOTAP) plays a unique and significant role, particularly for foreign franchisors. It is mandated to regulate the transfer of foreign technology to Nigeria[78]. Franchise agreements, especially those involving foreign franchisors, are often regarded as technology transfer agreements due to the transfer of branding, know-how, and operational systems[79]. Consequently, such agreements must be registered with NOTAP within 60 days of their execution[80]. NOTAP's approval is a prerequisite for the legal transfer of payments to

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[68]Dentons, 'Franchise Review' (2014) <https://www.dentons.com/~/media/PDFs/Insights/2014/May/Franchise_Review_All.pdf> accessed 27 July 2025.
[69]Chaman Law Firm (n 27).
[70]Trade.gov, 'Nigeria Franchise Sector' (2023)<https://www.trade.gov/country-commercial-guides/nigeria-franchise-sector> accessed 27 July 2025.
[71]Legal Naija (n 22).
[72]Corporate Affairs Commission, 'Functions' <https://www.cac.gov.ng/functions/>accessed 27 July 2025.
[73]Corporate Affairs Commission, 'Overview of Corporate Affairs Commission Nigeria' (2024) <https://www.afriwise.com/blog/the-franchising-establishment-bill-2022> accessed 27 July 2025.
[74]Greenage Attorneys (n 9).
[75]ibid.
[76]Chaman Law Firm (n 27).
[77]ibid.
[78]NOTAP, 'About Us' https://notap.gov.ng/ accessed 27 July 2025.
[79]Banwo & Ighodalo, 'Regulator Spotlight: National Office for Technology Acquisition and Promotion (NOTAP)' (2024) <https://www.banwo-ighodalo.com/grey-matter/regulator-spotlight-national-office-for-technology-acquisition-and-promotion-notap> accessed 27 July 2025.
[80]ibid.

foreign parties under these agreements[81]. The agency often expresses a preference for Nigerian law to govern franchise contracts and mandates the inclusion of capacity building initiatives and detailed information on Nigerian personnel who will understudy foreign experts, aiming to foster local expertise and reduce reliance on foreign know-how[82].

IV. Federal Competition and Consumer Protection Commission (FCCPC)

As the highest federal competition regulator in Nigeria, the Federal Competition and Consumer Protection Commission (FCCPC) is tasked with safeguarding market competition and promoting consumer protection[83]. It actively enforces fair competition practices, prohibits anti-competitive behaviors, and works to ensure that consumer rights are upheld across various sectors, including those where franchising operates[84].

V. Nigerian Investment Promotion Commission (NIPC)

The Nigerian Investment Promotion Commission (NIPC) is instrumental in facilitating foreign direct investment into Nigeria[85]. Foreign franchisors seeking to establish operations in the country must register with the NIPC. This registration is critical for them to legally operate, repatriate profits, and potentially benefit from various investment incentives offered by the Nigerian government[86].

VI. Central Bank of Nigeria (CBN)

The Central Bank of Nigeria (CBN) is the apex monetary authority, responsible for regulating foreign exchange markets[87]. It plays a crucial role in authorizing and effecting the transfer of payments to foreign franchisors under registered agreements, particularly those that have received NOTAP approval[88]. Its policies on foreign exchange directly impact the ability of foreign franchisors to repatriate profits and manage their financial flows[89].

The existence of multiple regulatory bodies-CAC, Trademarks Registry, NOTAP, FCCPC, NIPC, and CBN-each with specific, sometimes overlapping, mandates related to franchising, creates a complex regulatory environment[90]. This fragmentation, in the absence of a single franchise-specific agency, means that establishing and operating a franchise in Nigeria involves navigating numerous registration, compliance, and approval processes. This increases transactional costs, encompassing legal fees, administrative time, and potential delays, thereby adding to the operational complexity for franchisors, particularly new entrants[91].

5. The Franchising (Establishment) Bill 2022: A Critical Examination of Proposed Reforms

Recognizing the existing legal ambiguities and the growing need for a more structured framework, legislative efforts have been underway to introduce a dedicated franchise law in Nigeria.

[81]Nixon Peabody, 'International Franchising Quick Reference' <https://www.nixonpeabody.com/capabilities/practices/franchising-distribution/international-franchising-quick-reference> accessed 27 July 2025.
[82]Banwo & Ighodalo (n 75).
[83]Wikipedia, 'Federal Competition and Consumer Protection Commission' <https://en.wikipedia.org/wiki/Federal_Competition_and_Consumer_Protection_Commission>accessed 27 July 2025.
[84]Greenage Attorneys (n 9).
[85]ibid.
[86]Chaman Law Firm (n 27).
[87]News Central TV Africa, 'CBN's Revised FX Framework: Impact on Exchange Rates & Investor Confidence' (2024) <https://www.youtube.com/watch?v=oUgYlF3Wxcs> accessed 27 July 2025.
[88]Nixon Peabody (n 77).
[89]News Central TV Africa (n 83).
[90]Greenage Attorneys (n 9).
[91]ibid.

5.1. Legislative Journey and Current Status

The most significant legislative development in this regard is the Franchising (Establishment) Bill 2022. This Bill was successfully passed by the Nigerian Senate on January 24, 2023[92]. However, as of 2025, the Bill has not yet received presidential assent and, consequently, has not been enacted into law[93]. It remains a proposed piece of legislation, awaiting the final step to become binding law.

5.1.1 Key Provisions

The Franchising (Establishment) Bill 2022 aims to introduce several transformative provisions:

- **Creation of a Specific Legal Framework**: The Bill seeks to establish a dedicated legal framework for the operation of franchising in Nigeria, with the explicit goal of aligning it with global best practices[94].
- **Mandatory Standard Provisions**: It mandates that all franchise agreements between Nigerian franchisees and their franchisors must incorporate standard provisions consistent with international best practices[95]. This aims to promote fairness and consistency in contractual relationships.
- **Disclosure Requirements**: A crucial provision requires franchisors to deliver a comprehensive disclosure document to prospective franchisees alongside the franchise agreement[96]. This document must contain vital information about the franchisor, a description of the franchise business, and details of the intellectual property to be licensed. This directly addresses the current absence of statutory disclosure obligations in Nigeria, which has often disadvantaged franchisees[97].
- **Registration of Proprietary Rights and Agreements**: The Bill mandates the registration of all proprietary rights, including patents, trademarks, and industrial designs, associated with any foreign business franchise licensed to franchisees in Nigeria[98]. Furthermore, it requires the registration of all franchise agreements entered into by Nigerian franchisees with franchisors located outside Nigeria[99].
- **Local Content Mandate**: To foster indigenous economic development, the Bill mandates that all franchise operators in Nigeria must meet a minimum of 20% local inputs in their operations[100].
- **Penalties for Non-Compliance**: The Bill stipulates that non-compliance with its provisions constitutes an offense, punishable by imprisonment for a term not exceeding one year, a fine of N1,000,000, or both[101].

The passage of this Bill by the Senate has been widely hailed as a "welcome development"[102]. This sentiment stems from the recognition that a specific legislative framework is sorely needed to address the current ambiguities and to protect franchising as a viable business model in Nigeria[103]. It is widely anticipated that the implementation of this Bill, once enacted, will significantly strengthen franchising operations, thereby fostering greater growth and attracting increased investment into the sector[104]. However, the prolonged legislative limbo, with the Bill awaiting presidential assent, perpetuates the very uncertainties it aims to resolve, potentially causing

[92]Jackson, Etti & Edu, 'The Franchising (Establishment) Bill 2022' (2023) <https://www.afriwise.com/blog/the-franchising-establishment-bill-2022> accessed 27 July 2025.
[93]ibid.
[94]Jackson, Etti & Edu (n 88).
[95]ibid.
[96]ibid.
[97]Chaman Law Firm (n 27).
[98]Jackson, Etti & Edu (n 88).
[99]ibid.
[100]ibid.
[101]ibid.
[102]ibid.
[103]ibid.
[104]ibid.

prospective franchisors, particularly foreign ones, to delay or even reconsider their market entry strategies[105].

6. Enhancing Franchising Viability in Nigeria

The viability of franchising in Nigeria hinges significantly on the robustness of its legal framework and the efficacy of its enforcement mechanisms.

A. The Imperative for a Dedicated Franchise Statute

The absence of a dedicated franchise law in Nigeria creates a legal lacuna that undermines the predictability and security essential for both domestic and international franchise operations[106]. Currently, the reliance on a patchwork of general commercial laws-contract law, intellectual property law, company law, and competition law-results in a fragmented and often ambiguous regulatory environment[107]. This fragmentation leads to inconsistencies in legal interpretation and application, particularly concerning critical aspects such as pre-contractual disclosure, the scope of franchisor control, and dispute resolution mechanisms[108]. As Bello (2021) argues, this legal and regulatory environment does not create an enabling atmosphere for franchises to thrive, making the business environment unattractive for international franchising[109].

A dedicated franchise statute, such as the proposed Franchising (Establishment) Bill 2022, would provide a unified legal definition of franchising, standardize disclosure requirements, and establish clear guidelines for the rights and obligations of both franchisors and franchisees[110]. This would significantly reduce legal uncertainty, enhance transparency, and provide a more equitable playing field, thereby fostering greater investor confidence and facilitating the growth of the sector[111]. The current lack of statutory disclosure, for instance, often leads to information asymmetry, placing franchisees at a disadvantage and increasing the risk of disputes arising from misunderstandings or undisclosed material facts[112].

B. Strengthening Intellectual Property Enforcement and Brand Protection

While Nigeria possesses a legal framework for intellectual property (IP) protection through the Trademarks Act, Patents & Design Act, and Copyright Act[113], the practical enforcement of these rights remains a significant challenge[114]. Issues such as counterfeiting, brand infringement, and inadequate penalties for violations pose considerable risks for franchisors, potentially diminishing the value and reputation of their brands[115]. As Olatunji observes, a general lack of understanding of IP rights in Nigeria often leads to their violation, even by the educated elite, creating gaps for rights to be constantly violated unchallenged[116]. Furthermore, as highlighted by a 2025 Commonwealth Law Review Journal article, effective IP enforcement is crucial for encouraging innovation and preventing unfair practices like trademark infringement or trade secret theft, ensuring businesses compete on merit rather than piracy and counterfeiting[117].

For franchising to thrive, it is imperative to strengthen IP enforcement mechanisms. This includes increasing penalties for IP infringements to serve as a stronger deterrent and investing in robust

[105]ibid.
[106]Greenage Attorneys (n 9).
[107]ibid.
[108]ibid.
[109]Bello (n 3) 22.
[110]Jackson, Etti & Edu (n 88).
[111]ibid.
[112]Chaman Law Firm (n 27).
[113]Greenage Attorneys (n 9).
[114]ibid.
[115]ibid.
[116]Olatunji (n 36) 3.
[117]'Enforcement of Intellectual Property Rights in Nigeria and South Africa: A Comparative Reappraisal' (2025) 11 Commonwealth Law Review Journal 1

enforcement, including active market monitoring and regular audits, to promptly detect and address infringement issues[118]. Furthermore, the territorial nature of IP rights in Nigeria necessitates that franchisors proactively register their IP assets in Nigeria before licensing them to franchisees, thereby establishing a strong legal basis for enforcement actions against unauthorized use or bad faith registrations[119]. Incorporating strong IP clauses within franchise agreements is also a highly advisable contractual measure to mitigate these risks[120].

C. Ensuring Fair Competition and Consumer Protection

The *Federal Competition and Consumer Protection Act (FCCPA) 2018* plays a crucial role in regulating anti-competitive practices within the Nigerian economy, including those that may arise in franchise agreements[121]. The FCCPA prohibits practices such as price-fixing and unfair trade restrictions, and mandates that franchise agreements do not impose unreasonable exit restrictions on franchisees[122].

The FCCPC's "Restrictive Agreement and Trade Practices Regulations, 2022" provides a detailed framework for identifying and assessing agreements that could prevent, restrict, or distort competition, distinguishing between those with an anti-competitive purpose and those with an anti-competitive effect[123]. This means that clauses within franchise agreements, such as those related to pricing, territorial restrictions, or supplier sourcing, are subject to scrutiny by the FCCPC to ensure they do not unduly stifle competition or exploit franchisees[124]. The FCCPC's broad mandate to "promote and maintain competitive markets" and "protect and promote the interests and welfare of consumers" positions it as a vital, albeit general, regulator for franchising, acting as a guardian against potentially exploitative or monopolistic practices[125]. Effective enforcement by the FCCPC is crucial for maintaining a fair and competitive franchising environment, safeguarding the interests of franchisees and consumers alike.

D. Navigating Regulatory Complexities and Dispute Resolution

The multi-agency regulatory environment in Nigeria, involving bodies such as the Corporate Affairs Commission (CAC), National Office for Technology Acquisition and Promotion (NOTAP), Nigerian Investment Promotion Commission (NIPC), and the Trademarks, Patents &Designs Registry, presents significant compliance complexities for franchisors[126]. Each agency has specific registration, compliance, and approval requirements, which can lead to bureaucratic hurdles and delays[127]. For instance, foreign franchisors must register their technology transfer agreements with NOTAP within 60 days of execution, and NOTAP's approval is a prerequisite for legal payment transfers to foreign parties[128]. This adds a unique layer of scrutiny and potential conditions to agreements, impacting operational efficiency and financial flows[129].

In the event of disputes, Nigeria offers several mechanisms for resolution, including negotiation, mediation, arbitration, and litigation[130]. Litigation through the court system, while providing legally binding judgments, can be time-consuming and expensive due to case backlogs and procedural

[118]Greenage Attorneys (n 9).
[119]AELEX (n 43).
[120]Inventa (n 20).
[121]Greenage Attorneys (n 9).
[122]ibid.
[123]Elias (n 58).
[124]ibid.
[125]Federal Competition and Consumer Protection Commission (n 59).
[126]Greenage Attorneys (n 9).
[127]ibid.
[128]Banwo & Ighodalo (n 75).
[129]ibid.
[130]Trusted Advisors Law, 'Dispute Resolution Mechanisms for Nigerian Startups' (2024) <https://trustedadvisorslaw.com/dispute-resolution-mechanisms-for-nigerian-startups/>accessed 27 July 2025.

delays[131]. Arbitration, governed by the Arbitration and Conciliation Act, offers a more formal, often quicker, and binding alternative, allowing parties to select their arbitrator and set procedural rules[132]. For disputes where confidentiality is a priority, mediation or arbitration are generally preferred over public litigation[133]. The choice of dispute resolution mechanism depends on the nature of the dispute, the desire to preserve the relationship, and the need for a binding and enforceable decision[134]. Proactive inclusion of clear and robust dispute resolution clauses in franchise agreements is essential for effective conflict management[135].

7. Conclusion

Franchising in Nigeria operates within a complex and often ambiguous legal environment, primarily characterized by the absence of a dedicated, comprehensive franchise statute. This fragmentation, relying instead on a patchwork of general commercial laws, creates inherent uncertainties and challenges for both indigenous and foreign participants. While the legislative landscape shows promise with the passage of the Franchising (Establishment) Bill 2022 by the Senate, its ultimate enactment into law remains pending, perpetuating a period of regulatory limbo. The existing legal framework, while providing some general protections through contract, intellectual property, company, and competition laws, lacks the specific provisions and clarity found in jurisdictions with dedicated franchise legislation. This results in challenges related to disclosure requirements, IP enforcement, and navigating a multi-agency regulatory landscape.

The future trajectory of franchising in Nigeria is heavily contingent on the resolution of its current legal complexities. The presidential assent and effective implementation of the Franchising (Establishment) Bill are paramount. Such a legislative milestone would provide the much-needed legal certainty and a more protective framework for investments, fostering greater confidence among prospective franchisors and franchisees. As Nigeria's market continues its growth and evolution, a clear and predictable legal environment will be crucial for attracting and sustaining franchise operations.

Franchising holds an undeniable, transformative potential to contribute substantially to Nigeria's economic diversification and development, serving as a powerful catalyst for entrepreneurship and widespread employment generation. However, realizing this profound potential necessitates a concerted and collaborative effort. Policymakers must commit to creating a truly enabling legal and economic environment, characterized by clarity, predictability, and support. The journey towards a thriving and robust franchise ecosystem in Nigeria is undoubtedly one of navigating complexities with strategic foresight, unwavering commitment to legal clarity, and a shared vision for sustainable growth. It is therefore recommended as follows:

A. Legislative and Regulatory Reforms: Expediting the Franchising Bill and Streamlining Processes

The most critical step is the expeditious presidential assent and subsequent enactment of the Franchising (Establishment) Bill 2022 into law[136]. A comprehensive franchise statute will provide much-needed clarity by offering explicit guidelines for franchise agreements, disclosure obligations, and dispute resolution mechanisms, thereby significantly reducing current ambiguities and fostering a more predictable legal landscape for both domestic and international investors[137].

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[131]154 National Open University of Nigeria, 'Alternative Dispute Resolution' <https://nou.edu.ng/coursewarecontent/LAW%20517.pdf?amp=1>accessed 27 July 2025.
[132]Trusted Advisors Law (n 153).
[133]ibid.
[134]ibid.
[135]Greenage Attorneys (n 9).
[136]ResearchGate, 'Franchise as a Tool for Business Growth and Employment Generation in Nigeria' (2022) <https://www.researchgate.net/publication/358221814_Franchise_as_a_Tool_for_Business_Growth_and_Employment_Generation_in_Nigeria_A_Case_of_9_Mobile_Nigeria_Limited>accessed 27 July 2025.
[137]Jackson, Etti & Edu (n 88).

Concurrently, efforts must be directed towards streamlining regulatory processes across the various government agencies involved in business and intellectual property registrations, including the Corporate Affairs Commission (CAC), the National Office for Technology Acquisition and Promotion (NOTAP), the Nigerian Investment Promotion Commission (NIPC), and the Trademarks, Patents & Designs Registry[138]. Implementing a "one-stop shop" or an integrated digital platform for all franchise-related registrations and approvals would significantly reduce bureaucratic hurdles, minimize delays, and enhance the overall ease of doing business in the sector.

B. Strengthening Enforcement Mechanisms for Intellectual Property Rights and Consumer Protection

Effective enforcement of intellectual property (IP) rights is paramount for protecting brand value and fostering investor confidence[139]. This requires increasing penalties for IP infringements, such as counterfeiting and unauthorized brand use, to serve as a stronger deterrent[140]. Furthermore, investment in robust enforcement mechanisms, including active market monitoring and regular audits, is necessary to promptly detect and address infringement issues[141].

Simultaneously, the role of the Federal Competition and Consumer Protection Commission (FCCPC) in consumer protection within franchise agreements must be reinforced. This involves ensuring fair practices and protecting consumer rights, particularly concerning anti-competitive clauses and unfair terms that might be embedded in franchise agreements[142]. A strong consumer protection regime builds trust in the franchise model and safeguards the interests of franchisees and the public.

C. Promoting Legal Awareness and Ethical Practices

Investing in comprehensive legal awareness programs for entrepreneurs and investors about the intricacies of franchising is critical. This includes educating them on the importance of conducting thorough due diligence before entering into agreements and seeking professional legal advice to understand the terms and implications of franchise contracts[143].

Finally, fostering a robust culture of ethical practices and transparency within the entire franchising ecosystem is paramount. This will build trust among all stakeholders and ensure fair dealings between franchisors and franchisees, contributing to a healthier and more sustainable industry.

[138]Greenage Attorneys (n 9).
[139]ibid
[140]ibid
[141]ibid
[142]ibid
[143]ibid