LEGAL GAPS OF SINGLE SHAREHOLDRER COMPANIES UNDER COMPANIES AND ALLIED MATTERS ACT 2020

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Abstract

The creation of single shareholder companies through the Companies and Allied Matters Act 2020 has created a multitude of complex legal issues, particularly regarding business continuity, succession, and creditor protection. This article critically analyzes the ambiguities arising from the death, incapacitation, or insolvency of a sole shareholder of a company, and assesses whether existing legal provisions sufficiently protect business operations. It also seeks to analyze the increased risks that come with the death, incapacitation, or insolvency of a sole shareholder, which are attributed to a lack of internal controls and the potential for the abuse of legal personality. This article uses a doctrinal legal research methodology, which entails an in-depth examination of legal provisions, court decisions, regulatory guidelines, and comparative law, which helps to highlight the gaps and shortcomings in the existing legal framework. The article also analyzes how structured legal provisions can help in promoting transparency, accountability, and business continuity in sole shareholder companies, based on provisions in the UK, South Africa, and the European Union. Accordingly, from the analysis above, the article promotes legal reforms in Nigeria, which include succession rules, minimum capital, stronger prohibitions on asset diversion, and stronger rules on dealing with fraudulent or wrongful trading practices. In this sense, the article contributes to the international debate on corporate governance in structures of concentrated ownership, particularly in the context of Nigeria, suggesting practical solutions for improving creditor protection and ensuring the long-term viability of single shareholder companies.

Keywords: Single-shareholder companies; CAMA 2020; creditor protection; corporate governance; succession planning; legal reform

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1. Introduction

One of the new innovations that have characterized the corporate law of Nigeria under the Companies and Allied Matters Act 2020, (CAMA 2020), is the creation of single-member companies, also referred to as single-shareholder companies. In the past, the law of Nigeria provided that a company must have at least two members.[1] This requirement for a minimum number of members to form a company is based on the traditional view that a company is a separate legal entity from its members, and this view is based on common law principles, which have provided for a minimum requirement of two members to form a company. The rationale for this requirement is to prevent corporate law abuse and to ensure that corporate actions and decisions are not based on individual interests but on joint interests and ownership. However, in pursuit of ease of doing business and to promote economic development and growth, many jurisdictions, including Nigeria, have allowed for single-shareholder companies to be incorporated. This reform enables individuals to incorporate and operate as sole members of companies.[2]

Section 18 of CAMA 2020[3], which provide for the right to form a company, explicitly states as follows:

> (1) As from the commencement of this Act, any two or more persons may form and incorporate a company by complying with the requirements of this Act in respect of registration of a company.
> (2) 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.
> (3) A company may not be formed or incorporated for an unlawful purpose.

[1] Section 18 of Companies and Allied Matters Act, CAP C20, LFN, 2004

[2] O.C. Oduma, 'The Role of the Companies and Allied Matters Act 2020 in Advancing Sustainable Corporate Practices in Nigeria' *African Journal of Law, Ethics, & Education* [2025](8)(5)153-177 <https://ajleejournal.com/index.php/ajlee/article/view/291>Accessed 10 February 2026.

[3] No 3, 2020.

The introduction of Single Member Companies (SMCs) under the new CAMA 2020 aims to simplify the task for small business owners, as they no longer have to bring in extra shareholders to meet the legal threshold for company registration. However, the question remains as to how the new legal concept will address the concerns of corporate governance, continuity, liability, and creditor protection.[4] One question that still lingers in mind is whether such a single-person company is able to satisfy the conceptual and practical needs of a company or if it is essentially merging its identity with that of its controlling mind.

Continuity of the company and its stakeholders is vital for maintaining legal certainty and economic stability. In relation to SMCs, the death, disability, or insolvency of the sole member directly jeopardizes the company's very existence. It thereby places employees and other interested parties at a disadvantages. Not only is the company's continued existence and its ability to fulfill its legal obligations guaranteed through maintaining its continuity, but so too is its ability to protect its stakeholders from possible exploitation and legal uncertainty. Thus, legal and regulatory frameworks on succession rights, share transfer, and creditor rights are vital to sustaining the distinct corporate personality of single-member companies and instilling trust in the Nigerian business environment.

While CAMA 2020 officially accepts single-member companies, legal gray areas regarding succession, ongoing management, and safeguarding stakeholders remain substantial. The legislation provides little guidance on what to do in case the sole shareholder dies, becomes incapacitated, or goes insolvent. This not only jeopardizes the existence of the single-member company but also affects stakeholders. Therefore, one critical issue is: does CAMA 2020 sufficiently protect single-member companies and stakeholders against possible legal and financial pitfalls, or does it leave them vulnerable to risks?

2.0 Nature of Single Shareholder Companies

Single shareholder companies, as recognized under the CAMA 2020, represent a significant departure from the traditional concept of corporate formation based on plurality of membership.

[4] T.A. Adewunmi, *et. al*, 'Legal Framework for the Administration of Single-Shareholder Company in Nigeria: Lessons from the United Kingdom' *Journal of the Department of Jurisprudence and International Law* [2023] (1)(11)334-350<https://aauajdjil.com/2025/10/05/legal-framework-for-the-administration-of-single-shareholder-company-in-nigeria-lesson-from-the-united-kingdom> Accessed 12 February 2026.

A single-member company is one in which all the shares are held by a single individual, who may also exercise full control over the management and decision-making processes of the company. Notwithstanding its one-member structure, such a company retains a distinct legal personality, separate from that of its owner, and is capable of owning property, entering into contracts, and suing or being sued in its own name. This structure reflects a legislative intention to promote ease of doing business and encourage individual entrepreneurship by allowing sole proprietors to enjoy the benefits of incorporation.[5]

Nigeria's improvement in the World Bank Ease of Doing Business rankings following the enactment of CAMA 2020 reflects the practical impact of these reforms in reducing regulatory bottlenecks and enhancing corporate flexibility.[6] The introduction of the single-shareholder structure under CAMA 2020 represents a deliberate shift from the rigid two-member requirement under the repealed CAMA 1990, which had previously constrained business formation and ownership structuring.[7]

U.E. Oloworanran and E.O. Olowononi provide one of the most compelling justifications for single-member companies. To them, a company has been traditionally viewed as association of persons, and as such the provisions in statues have always imposed as condition for the registration of a company of at least two members or shareholders.[8] However they observed that the challenge associated with this is where a person desires to register a company alone, he would need to bring a dormant shareholder or member, who may not have any contribution to the company and who may not even be aware of the management of the company.[9]While this practice underscores the inefficiency of the traditional requirement from a business management perspective, it is nonetheless important to emphasize that, so long as the law prescribes such conditions, compliance remains obligatory, irrespective of its practical utility. What the 2020 CAMA has done therefore is to liberalise the registration of a private company and it strictly applies to a private company only.

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[5] CAMA 2020, s. 18.

[6] <https://tradingeconomics.com/nigeria/ease-of-doing-business>Accessed 24 March 2026.

[7] Elizabeth Adedayo, 'Single-Shareholder Structure in Nigeria: Restrictions and Delimitations' 1-3 <https://firstfiduciary.ng/wp-content/uploads/2024/08/SINGLE-SHAREHOLDER-STRUCTURE-IN-NIGERIA-RESTRICTIONS-AND-DELIMITATIONS.pdf> Accessed 12 January 2026.

[8] U.E. Oloworanran and E.O. Olowononi, *Corporate Law and Allied Matters Practical Manual*, (2nd ed., Researafrica Print and Online Ltd, 2024), 22.

[9] ibid.

Judicial authority has further clarified the nature and legal status of single shareholder companies in Nigeria. In *Primetech Design and Engineering Nigeria Ltd & Julius Berger Nigeria Plc v Corporate Affairs Commission,*[10]the Federal High Court affirmed that a private company may validly exist with only one shareholder, irrespective of whether it was incorporated before or after the enactment of CAMA 2020. The Court held that section 18(2) of CAMA 2020 applies to all private companies and that limiting its application to post-2020 incorporations would be inconsistent with the reformative intent of the Act. This decision confirms that single-member companies are not merely prospective innovations but are fully integrated into the Nigerian corporate legal framework, thereby reinforcing the principle that corporate existence is not dependent on plurality of membership. This decision marks a significant development in Nigeria's corporate law regime, and ensures that all private companies, regardless of their incorporation date, can benefit from this novel provision of sole shareholding by the CAMA 2020.[11]

A defining feature of single shareholder companies is the concentration of ownership and control in one person. A notable feature reinforced by judicial interpretation is the flexibility it affords existing companies, as entities incorporated under the repealed CAMA 1990 can now validly transition into single-shareholder structures without legal impediment. *This development aligns Nigeria's corporate framework with international best practices where single-member companies are widely recognized in jurisdictions such as the United Kingdom, South Africa, and the European Union.*[12] Unlike traditional corporate structures where ownership and management may be separated, the sole shareholder often doubles as the director and controlling mind of the company. This fusion of roles simplifies decision-making and enhances operational efficiency, as there is no need for formal meetings or collective resolutions. However, it simultaneously eliminates internal checks and balances typically associated with corporate governance, such as

[10] Suit No. FHC/ABJ/CS/665/2023, judgment delivered 30 July 2024.
[11] Olaniwu Ajayi, 'Federal High Court Validates Single Shareholder Transition For Legacy Private Companies' *OALP Enterprises News Letter,* (2024) <https://www.olaniwunajayi.net/wp-content/uploads/2024/08/>Assessed 24 December 2025.
[12] E. Adedayo, (note 7), 1-3.

board oversight and shareholder monitoring. As a result, concerns arise regarding accountability, transparency, and the potential misuse of corporate powers.[13]

Notwithstanding these advantages, single shareholder companies are inherently exposed to risks arising from their one-person structure. The concentration of ownership increases the likelihood of the company being treated as the alter ego of the sole shareholder, thereby raising the risk of courts lifting the corporate veil in cases of fraud or abuse. Furthermore, the death, incapacity, or insolvency of the sole shareholder may significantly disrupt the continuity of the company, creating uncertainty for creditors, employees, and other stakeholders. The absence of internal governance mechanisms also heightens the risk of mismanagement and reduces the level of scrutiny over corporate decisions. These vulnerabilities underscore the need for robust legal safeguards to ensure that the benefits of single-member companies do not come at the expense of stakeholder protection.[14]

3.0 Succession and Continuity Challenges in Single-Shareholder Companies

The death, incapacity, or insolvency of the sole shareholder presents one of the most significant challenges for single-shareholder companies in Nigeria. 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".[15]

While this allows for single-member incorporation, the statute does not explicitly address continuity in the event of the shareholder's death or incapacity. Elizabeth Adedayo notes that although the Federal High Court has clarified that private companies incorporated under the repealed CAMA 1990 can validly transition to single-shareholder structures,[16] the legislation remains silent on succession mechanisms to preserve operational continuity.[17]

[13] Organisation for Economic Co-operation and Development (OECD), G20/*OECD Principles of Corporate Governance* (OECD Publishing 2015), 56-58< https://www.ecgi.global/sites/default/files/codes/documents/g20_oecd_cg_principles_5sep2015_en.pdf>Accessed 12 January 2026.

[14] Davies P. and Worthington S., *Gower: Principles of Modern Company Law* (10th edn, Sweet & Maxwell, 2016); see also CAMA 2020, ss. 18(2), 571(c).

[15] CAMA 2020, s. 18(2).

[16] E. Adedayo, (note 7), 2–3.

[17] Ibid.

Secondly, the incapacity or insolvency of the sole shareholder further complicates administration. Under section 105 CAMA 2020, it states that:

> "(1) A subscriber of the memorandum of a company shall be deemed to have agreed to become a member of the company, and on its registration shall be entered as a member in its register of members. (2) Every other person who agrees in writing to become a member of a company, and whose name is entered in its register of members, is a member of the company.
> (3) In the case of a company having a share capital, each member is a shareholder of the company and shall hold at least one share, except in relation to a company that has only one shareholder."[18]

Membership being tied to shareholding suggests that, upon incapacity, personal representatives or legal heirs may need to step in to exercise the shareholder's rights and ensure continuity. However, the absence of requirements for annual general meetings (ss. 237 & 240 CAMA 2020) and exemptions from filing annual returns (s. 421 CAMA 2020) limit oversight, creating potential operational risks.[19]

The transmission of shares is another critical area. Section 571(c) CAMA 2020, which allows the court to wind up a company if the number of members is reduced below two in the case of companies with more than one shareholder, does not apply to private companies permitted to have a single shareholder under section 18(2).[20] This ensures that single-shareholder companies are not automatically dissolved if membership falls below two, yet the Act does not prescribe how shares should be transmitted upon death or incapacity of the sole shareholder, leaving a regulatory gap.[21]

The role of personal representatives is thus crucial in bridging this gap. Adewumi et al. argue that in the absence of explicit statutory guidance, Nigerian single-shareholder companies are exposed to uncertainty, especially since they are not required to file annual returns or hold general

[18] CAMA 2020, s. 105.
[19] CAMA 2020, ss. 237, 240, 421; Elizabeth Adedayo, (note 5), 3.
[20] CAMA 2020, s. 571(c); Adedayo, 2024, p. 3
[21] T.A. Adewumi, *et al*, (note 4) pp. 15–16.

meetings, unlike small companies (ss. 237, 240 & 421).[22] They recommend a legislative amendment to include mechanisms similar to the UK Companies Act 2006, which provides for registration of sole members (s. 123), contracts involving sole-member directors (s. 231), and the application of general company law to single-member companies with necessary modifications (s. 38).[23]

The comparative study emphasizes that the UK framework ensures perpetual succession, continuity of governance, and clarity in share transmission, mitigating the operational risks inherent in the Nigerian system.[24] The Nigerian statute, though revolutionary in recognizing single-member companies, remains deficient in addressing the succession and continuity challenges that may arise from the death, incapacity, or insolvency of the sole shareholder.[25]

4.0 Legal Framework under CAMA 2020: Relevant Provisions, Gaps and Ambiguities

The legal recognition of single-shareholder companies in Nigeria is anchored on the CAMA 2020, which marks a clear departure from the traditional two-member requirement under the repealed CAMA 1990. By virtue of the enabling section (i.e. 18(2), the Act permits the formation of private companies with a single member, thereby establishing the statutory foundation for sole ownership structures and advancing the objective of ease of doing business.[26] This position is reinforced by section 105, which defines membership and accommodates the existence of a company with only one shareholder, confirming the legitimacy of single-member corporate entities.[27]

Beyond recognition, the Act introduces administrative flexibilities applicable to single-member and small companies. In particular, the exemption from holding annual general meetings under sections 237 and 240, as well as the relaxation of annual return obligations under section 421, reflects a deliberate attempt to reduce regulatory burdens and simplify corporate operations.[28] While these provisions enhance efficiency and encourage entrepreneurship, they also diminish formal oversight mechanisms, thereby raising concerns regarding accountability, transparency,

[22] Ibid., pp. 14–15.
[23] UK Companies Act 2006, ss. 38, 123, 231; Adewumi et al., 2026, pp. 17–18.
[24] T.A. Adewumi *et al*, (note 4) 17–19.
[25] Ibid., p. 19.
[26] CAMA 2020, s. 18(2).
[27] CAMA 2020, s. 105.
[28] CAMA 2020, ss. 237, 240, 421.

and regulatory supervision. As earlier observed in relation to succession and continuity challenges, the absence of such governance structures may expose single-shareholder companies to operational vulnerabilities.[29]

A significant source of interpretive difficulty within the statutory framework arises from section 571(c), which provides that a company may be wound up where its membership falls below two in the case of companies originally formed with more than one member.[30] Prior to judicial clarification, this provision created uncertainty as to whether existing companies could lawfully transition into single-member structures without risking dissolution. This ambiguity was resolved in *Primetech Design and Engineering Nigeria Ltd & Julius Berger Nigeria Plc v Corporate Affairs Commission*[31], where the Federal High Court held that the single-member regime applies to all private companies irrespective of their incorporation date, and that the winding-up provision does not extend to companies legally permitted to operate with one member. The decision thus aligns the interpretation of CAMA 2020 with its reform-oriented purpose and eliminates a major obstacle to the practical adoption of single-shareholder structures.

Notwithstanding these advancements, the legal framework under CAMA 2020 remains characterized by notable gaps and ambiguities. First, there is no express provision dealing specifically with succession in single-shareholder companies, particularly in situations involving death, incapacity, or insolvency of the sole member. While general principles of share transmission may apply, the absence of tailored statutory guidance creates uncertainty and may hinder continuity in practice.[32] Secondly, the Act does not provide a comprehensive framework for corporate governance in single-member companies, especially in light of the fusion of ownership and control. This raises legitimate concerns regarding the potential abuse of corporate personality and the lack of internal checks and balances.[33]

Furthermore, the combined effect of exemptions from annual general meetings and certain compliance obligations contributes to a regulatory vacuum. Adewumi et al. observe that the absence of specific administrative and monitoring mechanisms for single-shareholder companies

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[29] See Section 3 above; T.A. Adewumi *et al*, (note 4) pp 16–17.
[30] CAMA 2020, s. 571(c).
[31] Suit No. FHC/ABJ/CS/665/2023, judgment delivered 30 July 2024.
[32] T.A. Adewumi, *et al*. (note 4) 15–16.
[33] OECD, G20/*OECD Principles* (note 13), 56-58.

weakens corporate oversight and may undermine investor confidence.[34] Similarly, Adedayo notes that the initial uncertainty surrounding the interaction between key provisions of CAMA 2020 illustrates the broader issue of legislative incompleteness in the regulation of single-member entities.[35]

Comparative experience from jurisdictions such as the United Kingdom demonstrates that these challenges are not insurmountable. The UK Companies Act 2006 contains detailed provisions governing single-member companies, including requirements for recording decisions of the sole member and ensuring proper documentation of transactions, thereby promoting accountability and continuity.[36] The absence of equivalent provisions in CAMA 2020 highlights the need for further legislative refinement in Nigeria.

In summary, while CAMA 2020 has made commendable progress by formally recognizing and facilitating single-shareholder companies, the existing legal framework remains inadequate in critical respects. The Act provides a foundational structure for their existence but falls short in addressing key issues relating to succession, governance, and regulatory oversight. Addressing these deficiencies is essential to ensure that the benefits of single-shareholder companies are not undermined by structural and legal uncertainties.

5.0 Creditors' Protection Concerns in Single-Shareholder Companies

The emergence of single-shareholder companies under the CAMA 2020 raises significant concerns regarding the protection of creditors, particularly in light of the concentration of ownership and control in a single individual. Unlike traditional corporate structures where internal checks exist through multiple shareholders and directors, the sole shareholder often functions as both owner and controlling mind of the company. This creates a heightened risk that corporate decisions may be taken primarily in the personal interest of the shareholder, thereby exposing creditors to increased financial vulnerability.[37]

A major concern relates to the risk exposure of creditors arising from the potential abuse of the corporate personality. The doctrine of separate legal personality, though fundamental, may be

[34] T.A. Adewumi, *et al*. (note 4) 18–19.
[35] E. Adedayo, (note 7) 2–3.
[36] UK Companies Act 2006, ss. 123, 281; T.A. Adewumi, *et al*. (note 4) 17–18.
[37] OECD, G20/*OECD Principles* (n 13), pp.56-57.

exploited in single-member companies as a shield for improper conduct. In such instances, creditors may find it difficult to recover debts, especially where the company is undercapitalized or used as a mere façade for personal dealings. Although courts retain the power to lift the corporate veil in appropriate circumstances, this remedy is exceptional and often limited in practical application.[38] The absence of multiple stakeholders reduces the likelihood of internal resistance to such abuse, thereby increasing the risk profile of these entities.

Closely related to this is the absence of specific legislative protections in CAMA 2020 for single shareholder companies. Whilst the Act has general provisions that are applicable to all companies, it does not have additional rules for mitigating the risks associated with single shareholder companies. This includes additional disclosure and capital adequacy rules.[39] In addition to this, the exemptions that have been granted to small and single-member companies, in terms of corporate governance and disclosure rules, could have the unintended consequence of undermining transparency and the availability of reliable information.[40]

Enforcement challenges further compound creditor protection concerns. Creditors dealing with single-shareholder companies may encounter difficulties in tracing assets, particularly where there is a commingling of personal and corporate finances. The death, insolvency, or incapacity of the sole shareholder may also disrupt recovery processes, thereby prolonging litigation and increasing transactional costs.[41] Although general insolvency and debt recovery mechanisms remain available under Nigerian law, their effectiveness in the context of single-member companies is often constrained by structural limitations inherent in the one-person model.

In summary, while the recognition of single-shareholder companies promotes business flexibility and economic participation, it simultaneously introduces heightened risks for creditors. The absence of tailored statutory safeguards, combined with enforcement difficulties and the potential for abuse of corporate personality, underscores the need for a more robust legal framework that balances entrepreneurial freedom with creditor protection.

[38] *Salomon v A Salomon & Co Ltd* [1897] AC 22.
[39] CAMA 2020, generally
[40] CAMA 2020, ss. 237, 240, 421; T.A. Adewumi *et al*, (note 4) 18–19.
[41] T.A. Adewumi *et al*, (note 4) 2–3.

6.0 Abuse and Corporate Veil Issues

The recognition of single-shareholder companies under the CAMA 2020 inevitably raises concerns regarding the potential abuse of the corporate form, particularly in relation to the use of the company as a shield against personal liability. While the doctrine of separate legal personality remains a foundational principle of company law, its application in a one-person corporate structure presents unique risks. The fusion of ownership and control increases the likelihood that the company may be treated as an extension of the sole shareholder, thereby blurring the distinction between personal and corporate affairs.

A significant risk in this regard is the use of single-member companies as instruments for fraud or improper conduct. The absence of internal checks, such as independent shareholders or directors, reduces the possibility of accountability and facilitates the misuse of corporate personality for personal gain. This may manifest in practices such as undercapitalization, diversion of corporate assets, or the use of the company to evade existing legal obligations. Although CAMA 2020 contains general provisions aimed at curbing fraudulent conduct, it does not provide specific safeguards tailored to the peculiar vulnerabilities of single-shareholder entities.[42]

In response to such risks, the courts retain the power of judicial intervention through the lifting (or piercing) of the corporate veil. This principle, established in *Salomon v A Salomon & Co Ltd,*[43]permits courts to disregard the separate legal personality of a company where it is used as a façade to conceal fraud or illegality. Nigerian courts have similarly recognized that the corporate veil may be lifted in circumstances involving abuse of corporate form or where justice so demands.[44] However, this remedy remains exceptional and reactive, often applied only after harm has occurred, and therefore cannot substitute for proactive statutory safeguards.

In summary, while single-shareholder companies enhance business flexibility, they also heighten the risk of corporate abuse and misuse of limited liability. The reliance on judicial veil-lifting as the primary control mechanism underscores the need for more preventive legal and regulatory

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[42] CAMA 2020 recognizes single-member companies (s.18(2)) but contains no specific provisions to address risks unique to such entities. General provisions on fraudulent trading (s.341) and misapplication of property (s.338) apply, but internal safeguards against misuse by a sole shareholder are absent. See discussion above."

[43] [1897] AC 22.

[44] See e.g. *Gilford Motor Co Ltd v Horne* [1933] Ch 935; *Jones v Lipman* [1962] 1 WLR 832.

measures to ensure that the corporate form is not exploited to the detriment of creditors and other stakeholders.

7.0 Comparative and Policy Insights

Comparatively, advanced corporate law jurisdictions have adopted more structured regulatory mechanisms to address the peculiar governance and succession challenges associated with single-member companies. Under the UK Companies Act 2006, decisions of a sole shareholder are required to be formally recorded, while detailed share transmission rules ensure continuity upon the death of the member.[45]

Similarly, Similarly, South Africa's Companies Act 71 of 2008 demonstrates a more precise legislative appreciation of the peculiar nature of single-member companies. Unlike CAMA 2020, which largely subjects sole shareholders to traditional corporate formalities, Section 57(2) of the South African Companies Act expressly exempts a sole shareholder from conventional meeting requirements by allowing the member to exercise voting rights directly without convening formal meetings. This approach removes procedural artificiality and aligns the law with commercial reality. Furthermore, South African law utilizes the flexibility of the Memorandum of Incorporation under Section 15 to permit the proactive designation of alternative or "springing" directors who may immediately assume managerial authority upon the death or incapacity of the founder. Such provisions strengthen business continuity and reduce the vulnerability of small businesses to sudden operational collapse.

United States of America, under statutes such as the Delaware General Corporation Law (DGCL) and various State Limited Liability Company (LLC) Acts, the law dispenses with cumbersome multi-member formalities by permitting "Written Consents in Lieu of Meetings" and highly flexible operating agreements.[46] These mechanisms recognize the practical reality that a single entrepreneur should not be burdened with unnecessary procedural rituals designed for collective decision-making. More importantly, several US jurisdictions allow for succession planning through contractual mechanisms such as the appointment of "Successor Managers" or "Springing Members" who automatically assume control upon the death or incapacity of the

[45] UK Companies Act 2006, ss. 123, 281; T.A. Adewumi *et al*, (note 4) 17–18.
[46] Delaware Limited Liability Company Act, 6 Delaware Code §§ 18-101 et seq. < https://delcode.delaware.gov/title6/c018/sc01/> accessed on 17th May 2026.

founder. Through these arrangements, business continuity is preserved without waiting for probate proceedings.

Although Section 18(2) of CAMA 2020 represents a significant innovation by recognizing Single Shareholder Companies in Nigeria, the legislation does not provide sufficient guidance on critical issues such as governance adaptation, succession planning, and creditor protection. The absence of tailored provisions for sole-member entities may create uncertainty regarding decision-making procedures and corporate continuity upon the death or incapacity of the sole shareholder.

The comparative experiences of the United Kingdom, the United States, and South Africa demonstrate that the effectiveness of single-member company regulation lies not merely in statutory recognition but in the existence of carefully designed safeguards capable of addressing governance continuity, succession planning, and creditor protection. Nigeria must therefore move beyond the mere legalization of Single Shareholder Companies toward the development of a more coherent and adaptive regulatory framework. Legislative reforms introducing express provisions on written resolutions, exemption from unnecessary meeting formalities, nominee or successor director arrangements, and automatic succession mechanisms would significantly enhance legal certainty and corporate stability. Incorporating such safeguards would not only strengthen investor and creditor confidence but also align Nigeria's corporate governance regime with emerging international best practices.[47]

8.0 Recommendations for Reform

i. **Clear Succession Rules:** In light of the identified challenges associated with single-shareholder companies under the Companies and Allied Matters Act 2020 (CAMA 2020), there is a need for explicit statutory provisions governing **succession and continuity**. The Act should address situations involving the death, incapacity, or insolvency of the sole shareholder by providing for automatic transmission of shares, interim management arrangements, and clearly defined roles for personal representatives. Such reforms would

[47] E. Adedayo, (note 7)2–3.

reduce legal uncertainty, ensure business continuity, and protect the interests of creditors and other stakeholders.[48]

ii. **Creditor Safeguards:** There is also a pressing need to strengthen creditor protection mechanisms in single-member companies. Given the heightened risk of abuse arising from the concentration of ownership and control, the law should introduce enhanced disclosure obligations, minimum capital requirements, and stricter rules against asset diversion and undercapitalization. In addition, clearer and more enforceable provisions on fraudulent and wrongful trading would help prevent the misuse of the corporate form as a shield against legitimate liabilities. While the OECD Principles do not explicitly address single-member companies, they emphasize that creditors are key stakeholders whose rights and enforceability matter. [49] Applying these principles to sole-shareholder firms suggest the need for enhanced disclosure, capital requirements, and stricter rules to prevent asset diversion and abuse of the corporate form.

iii. **Regulatory Oversight:** Finally, improving regulatory oversight and corporate governance standards is essential. The absence of internal checks and balances in single-shareholder companies necessitates the introduction of basic governance safeguards, including proper documentation of decisions, separation of personal and corporate assets, and periodic financial reporting. Furthermore, the Corporate Affairs Commission should issue detailed guidelines to clarify compliance expectations and ensure consistent supervision. These measures would enhance transparency, accountability, and overall confidence in the operation of single-member companies.[50]

9.0 Conclusion

The legal recognition of single shareholder companies under CAMA 2020 can be seen as a giant step forward in the evolution of corporate law in Nigeria. This change can be viewed as a paradigm shift towards flexibility, entrepreneurship, and the global corporate landscape. However, this article has shown that despite the advantages of single shareholder companies, there are some disadvantages associated with this corporate structure. In this regard, this article has shown that single shareholder companies have some disadvantages, especially when viewed

[48] T.A. Adewumi *et al*, (note 4) 16–17.
[49] OECD, *Principles of Corporate Governance* (2015), (note 13), pp 41-42.
[50] CAMA 2020, ss. 237, 240, 421; E. Adedayo, (note 7) 3.

from the perspectives of succession, creditor protection, corporate governance, and the abuse of corporate law. Although some judicial decisions have helped to clarify some of the ambiguities surrounding single shareholder companies, the law, as it currently stands, can be viewed as not being adequately equipped to deal with these disadvantages in a holistic manner. In order to ensure that the advantages of single shareholder companies are not thwarted by some of the disadvantages associated with this corporate structure, there is a need to introduce some reforms into the law.