

CBN, banks peg lending rates at 22%

**Yemi Kolapo and
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RELIEF appears to have come the way of borrowers and lenders in the financial system, as the Central Bank of Nigeria in agreement with the 24 banks operating in the country pegs the maximum lending rate at 22 per cent with effect from April 1.

The decision, taken at the Bankers Committee meeting in Lagos on Saturday, is to curb the steady rise in interest rates as banks factored into their loans, higher cost of funds and risks of default associated with the global meltdown.

Bank lending rates had shot up to 28 per cent in some cases, with six per cent additional charges to bring effective rates to about 35 per cent. Some depositors also demanded for up 18 per cent interest for fixed deposits.

Briefing newsmen in Abuja on Monday on the outcome of the meeting, the Governor of the Central Bank of Nigeria, Prof. Chukwuma Soludo, also announced that maximum lending rate had been pegged at 15 per cent.

Other charges, by the decision of the committee, should not exceed two per cent per annum. These measures which form part of the response to current global financial crisis would be subjected to review in early 2010.

Soludo also disclosed that the consolidated supervision and examination of banks by the different regulatory bodies in the financial services industry would begin this year.

The Bankers Committee is made up of the managing directors of the banks operating in the country and top officials of the apex bank.

As a result of the current global financial crisis, the committee has been meeting more frequently to articulate possible responses of Nigerian banks to the crisis.

Soludo also announced that CBN's lending rate had been pegged at a maximum of 14.75 per cent. This means a maximum of 500 basis points above the Monetary Policy Rate, which currently stands at 9.75 per cent.

According to him, the bankers took the decision on the maximum rates against the background that current deposit rate could be as high as 21 per cent while current lending rates could be as high as 32 per cent. It was also taken against the background that inflation might hover around 14 per cent.

He said, "The market-based approach to interest rate determination as practised now remains the best approach but given that the unusual global crisis and the consequent impacts on Nigeria, there is a

need to moderate competition and lay greater emphasis on the safety and soundness of the system.

He said, "The committee decided that it was both in the interest of the health of the banks and to keep credit flowing during this period of global crisis to deliberately reduce the maximum deposit and lending rates at least temporarily.

"On its part, the CBN has reiterated its determination to keep the banking system as liquid as is necessary, consistent with the response by central banks all over the world. Consequently and in order to dampen the inter-bank interest rates, CBN would lend to banks at no more than 500 basis points above MPR at the discount window," Soludo added.

In a swift reaction to the rate peg, President of the Lagos Chamber of Commerce and Industry, Chief Solomon Onafowokan, said it was a welcomed development, though the ideal thing would have been to allow the market to determine rates.

He noted that high interest rates had compounded the woes of manufacturers, who had had to cope with high energy costs and raw material shortages due to port congestion.

"What the Bankers Committee did is good as long as they keep their own part of the bargain, because what we have seen in the past is that banks will still come up with all sorts of charges that will shoot up cost of funds."

Banks' lending rates have remained high at an industry average of about 30 per cent in spite of the downward review of the Monetary Policy Rate by 50 basis points, from 10.25 per cent to 9.75 per cent by the CBN in August 2008. Inter-banks rate also hover around 26 per cent currently.

Customers, who have approached the banks for facilities and expected cheaper lending rates as a result of the lower MPR, said they were disappointed that they were faced with higher rates even after the MPR was left unchanged at the last Monetary Policy Committee meeting.

Since October last year, banks' lending rates, published monthly on the CBN website, confirmed customers' allegations as average prime lending rates in most sectors were high compared with expectations of customers.

The burden of consumer loans has also become almost unbearable to customers, who started out with rates of between 17 per cent and 19 per cent but were confronted later with new rates as high as 30 per cent.

But the bankers argue that "less risky" customers still enjoyed rates as low as 19 per cent.

A chief executive of a top-

rated bank, who asked not to be named, said it would be risky for banks to cut rates at the moment as long as cost of funds remained high.

According to him, cost of funds in the banking sector is now very high, especially because the whole world is under the strain of a record financial crisis.

On special supervision of banks after the consolidation of the sector, Soludo said that was part of the 13-point reform agenda announced by the CBN in 2004.

According to him, preparation for its application

has been ongoing and will be realised this year.

Apart from CBN, the regulatory agencies that will be involved in the exercise include the Securities and Exchange Commission, the Nigerian Deposit Insurance Corporation and the National Insurance Commission.

He added, "The Bankers Committee noted the salutary effects of CBN's recent measures on the parallel market exchange rates. It also noted CBN's decision to further inject \$100m into the Bureau de Changes through the banks and would

continue to supply the market.

"The committee also noted that part of CBN reforms entails that all legitimate transactions can now be funded through the banks (all imports no matter the value, school fees, mortgages, medicals, repatriation of profits and capital). Perhaps, only those who want to avoid documentation - mainly smugglers and money launderers - would be patronising the street market for foreign exchange.

"It is important to reiterate that some of these measures are

partly in response to the global crisis as well as to ensure that our banking system remains safe and sound to continue to lubricate the wheels of the national economy."

He also disclosed that the Bankers Committee had endorsed the proposal for the Financial Sector Regulatory Coordinating Committee and bank chiefs to hold an open forum with publishers, editors, the organised private sector, the international community and members of the National Assembly in Lagos next Monday.

One killed, three injured in Ibadan protests

**Sunday Aborisade,
Ibadan**

VIOLENCE broke out in Ibadan, Oyo State capital, yesterday when a 27-year-old man was allegedly shot dead by a policeman and three students injured in two separate incidents in the city.

The 27-year-old man, Demola Muniru, was said to have been killed by a member of the police team on a raid in Oopo Yeosa area of the sprawling city while the students were injured by their colleague during a protest close to the main gate of the University of Ibadan.

The police team member, Mr. Kayode Elufisan, is being detained pending the outcome of investigations by the State Criminal Investigation Department.

The Public Relations Officer of the state Police command, Miss Olabisi Okuwobi, who confirmed the detention of Elufisan, said Police detectives from the Mapo Police went to the area to carry out an enquiry in a case of burglary/stealing when the incident occurred.

The police team from the Mapo Police Station was said to have arrested the 27-year-old man, Mr. Demola Muniru, in his family compound but Elufisan allegedly shot him on his chest for engaging him in an argument.

Sources said that the policemen led by one Samson took to their heels when they realised that Muniru, a video operator, might die.

An eyewitness who did not want to be named told our correspondent that aggrieved youths in the area caught up with the policemen and engaged them in a fight.

They were said to have seized Elufisan's identity card with Force number 212727 and a National Orientation Agency card with No. OYS/W3/033 belonging to one Taiye Abe a.k.a. Taye Congo.

The protesters also made bonfire at strategic locations within the area before another team of policemen arrived in

two Armoured Personnel Carriers and dispersed them with tear gas canisters.

Some other residents of the area who later protested in front of Governor Adebayo Alao-Akala's office in Agodi, expressed concern over the "incessant raids" of the area by operatives from the Mapo Police Station who they accused of "extortionist tendencies."

They described Muniru as a popular and an easy-going young man.

But Okuwobi, a Deputy Superintendent of Police, said the policemen on arrival with a female suspect in Abebi area of Mokola Division were attacked by miscreants with dangerous weapons.

She said, "The main suspect tried to disarm one of the policemen and in the process his gun went off, and a bullet hit one young man. But he died on the way to the hospital.

"A mob, however, engaged police reinforcements in clashes. They attempted to burn down Mapo Police Station and another station. Smoke was used to disperse them. But normalcy has been restored."

Meanwhile, at Agbowo, a

protest by more than 300 UI students over poor living condition in the campus disrupted academic activities in the premier institution.

The development also led to traffic congestion along major roads leading to the university. Many workers and visitors abandoned their vehicles in front of the gate and trekked the one kilometre distance to the campus.

The protest, however, turned bloody when the students moved towards the direction of their colleague, who was working on his practical agricultural farm. The student was said to have thrown his cutlass at his protesting colleagues, wounding three in the process.

The student was said to have abandoned work on his farm and fled when the other students rushed to avenge his action.

It was learnt that the wounded students were rushed to the university clinic for treatment.

The representative of the students, Mr. Amusa Onigbode, later told journalists that they embarked on the protest

because the condition of the halls in the university had become unbearable.

He accused the university authorities of failing to supply electricity and water to the various halls for 24 hours.

"The authorities sent a memo to us last week telling us that they will be supplying us with electricity and water from 12 midnight to 12 noon everyday but as I am speaking with you now, we have not had light and water since Sunday," Onigbode said.

The Deputy Vice-Chancellor (Administration), Prof. Afolabi Bamigboye, attributed the power and water crisis in the university to global meltdown.

He told participants at the 44th Annual Conference and 50th Golden Jubilee anniversary of the Science Association of Nigeria in UI that the authorities were addressing the two issues.

The Public Relations Officer of the university, Mrs. Joke Akinpelu, corroborated the DVC's claim, saying that the students might meet with the Vice-Chancellor next week.

Ekiti rerun: Okiro warns Oni, Fayemi against violence

Olusola Fabiyi, Abuja

THE Inspector-General of Police, Mr. Mike Okiro, on Monday warned the two main candidates in the Ekiti governorship rerun election, Mr. Segun Oni of the Peoples Democratic Party and Dr. Kayode Fayemi of the Action Congress to eschew violence.

Okiro, who met with the two candidates in Abuja, said the Police would not tolerate any act of violence in the state during and after the poll on April 25, 2009.

He added that he had directed the Commissioner of Police, Ekiti State Command, Mr. Chris Ola, to mount road blocks to prevent importation of arms and ammunition into the state.

The Police boss said, "We will not tolerate any form of crime in the state. As the election

is drawing nearer, you must go and inform your supporters that crime would not be allowed in the state.

"The essence of politics is to get development done in the country. So, you must all have that at the back of your minds. Go and tell your supporters that we will not tolerate any form of lawlessness in the state."

He promised that the Police would be neutral during the election and then requested Oni and Fayemi to sign an undertaking to maintain the peace.

Responding, Fayemi said neither Oni nor himself should be given Police protection to patrol the state during the election.

He added that there were growing concerns in the state about the ability of the Police to remain neutral during the election.

But Oni faulted the AC

candidate's argument, saying that the desperation of the AC to win the election was the reason why its supporters were losing confidence in the Police.

He promised that none of the members of the PDP would be involved in any fracas during the election.

The chairman of the National Conscience Party, Mr. Ibitoye Francis and his All Progressive Grand Alliance counterpart, Mr. Jegede Kehinde, who also attended the meeting called for increased surveillance in the state.

Francis, who said that the police seemed to have taken side in what was happening in the state, warned against the deployment of soldiers in the state during and before the election.

Oni and Fayemi joined others to take a group photograph after the meeting.