

Administration Under CAMA 2020:

*What creditors should know before
seeking to join administration
proceedings*

Introduction

Administration is a corporate rescue mechanism introduced by the *Companies and Allied Matters Act, 2020* (“CAMA”). In administration, an independent insolvency practitioner, known as an administrator, takes control of a financially distressed company's affairs and works to rescue the company, preserve its business, or achieve a better outcome for creditors than an immediate winding-up would likely achieve.

For creditors dealing with a financially distressed company, it is important to understand how administration operates, particularly how the process affects their existing claims and the steps available to protect their interests.

The Administrator's Role

An administrator may be appointed through different routes, such as judicially, through an application to the court for administration, or extra-judicially, at the instance of the holder of a qualifying floating charge, the company itself, or its directors.¹ *Section 446 of CAMA* provides that an administrator is an officer of the Court, whether or not the Court appointed the Administrator.

The administrator's functions under *section 444 of CAMA* can be understood through three principal objectives:

Rescue the Company

Rescuing the company, or all or part of its undertaking, as a going concern.

A Better Outcome for Creditors

Achieving a better outcome for the company's creditors than they would likely receive if the company were wound up without first going through administration.

Realise for Secured Creditors

Realising the company's property for distribution to one or more secured or preferential creditors.

Section 444(2) of CAMA provides that rescuing the company as a going concern is the administrator's primary objective. Where rescue is not reasonably practicable, the administrator should pursue the second objective of achieving a better result for the creditors as a whole. The third objective is realising the company's property for secured or preferential creditors, should only be pursued where neither of the first two objectives is reasonably practicable.

The Moratorium

Once administration commences, CAMA imposes an automatic moratorium, which is a temporary restriction on creditors and other parties taking legal action or enforcement against the company. Security over the company's property cannot be enforced, goods in the company's possession cannot be repossessed under a hire purchase agreement, and a landlord cannot forfeit a lease by peaceable re-entry, except with the administrator's consent or the Court's leave. Furthermore, Legal proceedings, execution, distress, or other enforcement processes against the company or its property are also restricted.²

These restrictions allow the administrator to take control of the company's affairs and give the administrator the necessary breathing space to assess the company's position, formulate proposals and pursue the statutory objectives of the administration, without facing multiple enforcement actions.

Restricted Actions · Without administrator's consent

 Security Enforcement Cannot be enforced while moratorium is in force.	 Goods Repossession Hire-purchase goods in possession protected.	 Lease Forfeiture No peaceable re-entry by landlords.	 Legal Proceedings Execution, distress and enforcement also restricted.
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Joinder in Administration Proceedings

The Federal High Court recently considered the collective nature of administration in *Ahmed Investments Limited v. Sultan Rice Integrated Limited (In Administration)*.³ In that case, a creditor bank sought to be joined in the ongoing administration proceedings based on its alleged exposure to the company. The court dismissed the application, holding that administration is not an adversarial litigation process for determining individual creditors' claims. Rather, it is a collective process designed to protect the interests of the creditors as a whole. A creditor seeking to participate in the administration process should therefore submit proof of its debt to the administrator instead of seeking to join the proceedings.

This approach is consistent with the structure of administration under CAMA. Once an administrator is appointed, the process operates for the benefit of all creditors, regardless of which creditor initiated it. This distinguishes administration from receivership, where a receiver is generally appointed to realise assets for the benefit of a particular secured creditor.⁴

The Federal High Court reached a similar conclusion in the case of *Okafor Vivian Chidimma & Ors v. Mega Meal World International Ltd (In Administration)*.⁵ The Court held that, once an administrator has been appointed, creditors must channel their claims through the administration process rather than pursue them separately in disregard of the moratorium under section 480(4) of CAMA. Allowing individual creditors to pursue different administration proceedings could result in conflicting decisions and undermine the collective process established by the Act.



The Underlying Principle

Administration runs for the benefit of all creditors collectively — not for any one creditor's separate cause of action.

What This Means in Practice for Creditors

A creditor does not need to be joined as a party to the administration proceedings to protect its interests. It can submit proof of its debt to the administrator for consideration and, once admitted, participate in the administration and rank for any dividend.

Section 487 provides for a Creditors' Meeting, and *section 488* requires the administrator to provide every creditor whose claims and address are known to it with the administrator's statement of proposals within 30 days of the company entering administration. The notice must also invite creditors to an initial creditors' meeting, to be held within 42 days of the date the company enters administration.

Creditors may also establish a creditors' committee at the meeting. Under *section 492*, the committee may require the administrator to attend the meetings and provide information about his functions but cannot direct him or require him to follow its views. The committee therefore provides creditors with a practical way to stay informed and raise concerns during administration.

Where this is not sufficient, and further action becomes necessary, creditors whose debts amount to at least 10% of the company's total debts may require another creditors' meeting.⁶ A creditor may also apply to the Court where the administrator is acting unfairly or is not performing his functions as quickly or efficiently as reasonably practicable.⁷

Statutory Timelines · Built into CAMA

Statement of Proposals

30 *Days*

Under Section 488

Initial Creditors' Meeting

42 *Days*

From Date of Entering Administration

Statutory Remedies Against the Administrator

CAMA also provides creditors with remedies where the administrator's conduct is a concern. Under *section 511*, a creditor or member may apply to the court, claiming the administrator is acting, has acted, or proposes to act in a manner that unfairly harms the applicant's interests, or is performing his functions too slowly. The Court may regulate the administrator's conduct, require him to take or refrain from taking specific steps, order a creditors' meeting, or end his appointment.

A creditor may also seek relief under *section 512* where the administrator has misapplied company property, breached his duties or committed misfeasance. *Section 519* provides that a creditor may apply for the appointment to cease to have effect. However, the application must allege an improper motive on the part of whoever sought the administration order.

Section 511



511

Unfair Conduct

A creditor or member may apply where the administrator is acting, has acted, or proposes to act in a manner that unfairly harms the applicant's interests, or is performing his functions too slowly.

Section 512



512

Misfeasance & Breach of Duty

A creditor may seek relief where the administrator has misapplied company property, breached his duties or committed misfeasance.

Section 519



519

Cessation of Appointment

A creditor may apply for the appointment to cease to have effect — the application must allege an improper motive on the part of whoever sought the order.

These remedies are personal claims against the administrator's conduct, and do not make the creditor a party to the substantive administration. A creditor's standing to bring them does not conflict with the rule in *Ahmed Investments* that a creditor is not a party to the administration proceedings themselves.

Conclusion

Administration is designed to prevent a multiplicity of competing claims and to keep a distressed company's affairs managed in an orderly way for the benefit of all stakeholders. Permitting individual creditors to participate as parties whenever they assert an interest would undermine that process and frustrate the rescue objective.

For a creditor with exposure to a company in administration, the focus should be on participating effectively in the administration and effectively utilising the mechanisms provided by CAMA to protect its interests, rather than seeking to become a party to the proceedings.

Practical Steps for Creditors

A creditor should:

1 Submit Proof of Debt

Submit proof of debt promptly and ensure that its claim and contact details are properly recorded.

2 Attend the Meeting

Review the administrator's proposals and attend the initial creditors' meeting.

3 Join the Committee

Consider participating in the Creditors' Committee where appropriate.

4 Seek Section 511 Relief

Seek relief from the Court under section 511 where the administrator acts unfairly or fails to perform his functions within a reasonable time.

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Endnotes

1. Kerr & Hunter, Receivership and Administration (22nd edn, Sweet & Maxwell 2024)
2. Companies and Allied Matters Act 2020, s 480 (2), (3), (4) and (5).
3. Suit No. FHC/KN/CS/503/2025, Unreported, per Hon. Justice S.A. Amobeda.
4. Companies and Allied Matters Act 2020, s 556.
5. Suit No. FHC/L/CS/211/26, Unreported per Hon. Justice D.E. Osiagor.
6. Companies and Allied Matters Act 2020, s 493.
7. Companies and Allied Matters Act 2020, s 511, s 512.



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