



AN EXAMINATION OF THE DOCTRINE OF LIFTING THE VEIL AND ITS NATIONAL IMPLICATIONS FOR CORPORATE PERSONALITY

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ABSTRACT

The doctrine of lifting the corporate veil represents an important exception to the principle of separate legal personality, which constitutes a fundamental foundation of modern company law. Upon incorporation, a company assumes a legal identity distinct from that of its shareholders, stakeholders, directors and officers, thereby enabling it to own property, incur liabilities, enter into contractual relationships and institute or defend legal proceedings in its own name. While this principle promotes commercial certainty and protects members through the concept of limited liability, its rigid application may, in exceptional circumstances, permit the corporate personality to be employed as an instrument for fraud, illegality, evasion of legal obligations or other forms of corporate abuse. The Companies and Allied Matters Act 2020 (CAMA 2020) therefore recognize circumstances in which the protection afforded by separate corporate personality may be displaced and personal liability imposed upon persons responsible for the company's affairs. This work critically appraises the doctrine of lifting the corporate veil under CAMA 2020, with particular emphasis on its statutory and judicial exceptions. It further analyses the judicial approach to veil lifting in Nigeria, drawing from relevant Nigerian authorities and the persuasive development of the doctrine under English company law. The analysis demonstrates that Nigerian courts generally preserve the sanctity of separate corporate personality but will intervene where compelling circumstances establish fraud, illegality, sham or improper use of the corporate structure. The work argues that although CAMA 2020 has strengthened the statutory framework for corporate accountability, uncertainty remains regarding the precise boundaries of judicial veil lifting. This may create inconsistency in judicial reasoning and uncertainty for directors, shareholders, creditors and other stakeholders. It therefore recommends clearer statutory articulation of the circumstances warranting judicial intervention; the development of a coherent and consistent judicial test based on fraud, evasion of legal obligations and abuse of corporate personality; enhanced judicial education in contemporary corporate law; stronger corporate governance and compliance mechanisms; and greater regulatory oversight by the Corporate Affairs Commission. The work concludes that the effective application of the doctrine requires a careful equilibrium between preserving the commercial advantages of incorporation and ensuring that corporate personality is not manipulated to defeat legitimate legal obligations or undermine the administration of justice.

KEYWORDS: Corporate Accountability, Corporate Governance, Corporate Personality, Limited Liability, Veil Lifting.

1. INTRODUCTION

Upon incorporation, the company becomes a body corporate capable of exercising legal rights, assuming obligations, owning property, entering into contractual relationships, suing and being

sued in its corporate name. This principle of separate legal personality is statutorily recognised in Nigeria under the Companies and Allied Matters Act 2020 (CAMA 2020), which provides that, from the date stated in the certificate of incorporation, the subscribers to the memorandum and subsequent members become a body corporate with the capacities and powers of an incorporated company.¹ The doctrine represents the legal foundation upon which the concepts of limited liability, perpetual succession and corporate autonomy are constructed.²

The classic judicial foundation of separate corporate personality is the celebrated decision in *Salomon v Salomon & Co Ltd*, where the House of Lords established that an incorporated company possesses an identity separate from that of its shareholders, notwithstanding that one individual may exercise substantial control over its affairs.³ The significance of the principle cannot be overstated. It ensures that the property of a company belongs to the company and not to its shareholders, while the company's liabilities are ordinarily distinct from the personal liabilities of its members and directors.⁴ Consequently, shareholders are generally not liable for the debts and obligations of the company beyond the extent prescribed by the law and the nature of their membership. This separation encourages investment, facilitates commercial risk-taking and provides the certainty necessary for the effective operation of corporate enterprise.

Under CAMA 2020, the legislative framework governing corporate personality contains several provisions capable of producing consequences that substantially qualify the protection ordinarily associated with incorporation. For instance, section 43(2) imposes personal liability upon officers in default and members who vote for an unlawful political donation by a company. The Companies and Allied Matters Act further recognizes circumstances involving fraudulent conduct or forgery by an officer or agent of a company, thereby demonstrating that the corporate personality principle does not necessarily insulate the individuals responsible for particular unlawful acts.⁵ Similarly, section 118 imposes joint and several liability upon directors or officers of a public company or a company limited by guarantee which continues to carry on business with fewer than the prescribed minimum number of members beyond the statutory period.⁶

In *Marina Nominees Ltd v Federal Board of Inland Revenue*,⁷ the Supreme Court considered the circumstances in which the corporate personality of associated companies may be examined beyond the formal corporate structure. The doctrine of lifting or piercing the corporate veil consequently operates as an exceptional mechanism through which the court may look beyond the

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¹ Companies and Allied Matters Act 2020, s 42.

² P L Davies and S Worthington, *Gower's Principles of Modern Company Law* (10th edn, Sweet & Maxwell 2016) 166–168.

³ [1897] AC 22 (HL).

⁴ *Macaura v Northern Assurance Co Ltd* [1925] AC 619 (HL).

⁵ Companies and Allied Matters Act 2020, s 94.

⁶ *ibid*, s 118.

⁷ [1986] 2 NWLR (Pt 20) 48 (SC).



artificial personality of the company and where legally justified, attribute responsibility to the persons controlling or acting through it.⁸ The doctrine does not in principle destroy the separate personality of the company rather, it represents a limited exception applied where the circumstances recognized by statute or judicial authority warrant departure from the ordinary rule. Contemporary Nigerian scholarship similarly identifies the tension between the protection offered by corporate personality and the possibility that the corporate structure may be abused to perpetrate fraud or evade responsibility.⁹

2. CONCEPTUAL CLARIFICATIONS

2.1 Corporate Accountability

Corporate accountability refers to the obligation of a company, its directors, officers and, in appropriate circumstances, other persons exercising corporate power to account for the manner in which corporate powers and resources are exercised. It encompasses legal, financial, ethical and governance responsibilities.¹⁰ The concept is particularly important because the artificial nature of the corporation creates a practical accountability problem. A company cannot act physically by itself. Its decisions are made through directors, officers, employees and agents. If the law simply treated the company as an independent entity without imposing corresponding responsibilities upon those who control it, corporate personality could potentially become a mechanism for insulating individuals from the consequences of misconduct.

Corporate accountability therefore seeks to ensure that corporate power is accompanied by corresponding responsibility. It is reflected in statutory requirements relating to financial reporting, corporate records, disclosure, auditing, directors' duties, shareholder participation and regulatory supervision¹¹ CAMA 2020 establishes several mechanisms through which corporate accountability is promoted. The statutory framework regulates the conduct of directors and officers and provides circumstances in which persons responsible for corporate misconduct may incur personal liability. The winding-up provisions are particularly important because they allow courts to address fraudulent or reckless conduct and prevent individuals from using insolvency proceedings to escape responsibility.¹²

Corporate accountability is closely connected to the doctrine of lifting the corporate veil but should not be treated as synonymous with it. A director may be personally liable for breach of a fiduciary duty, negligence, fraud or a specific statutory obligation without the court necessarily piercing the

⁸ S C Udemezue and N A Iguh, 'Does *Salomon v Salomon* Still Reign? A Disquisition on Recent Case Law on Corporate Legal Personality and Lifting the Veil' [2020] 16(1) *UNIZIK Law Journal* 43, 44–46.

⁹ E A Udu, 'Analysis of the Impact of the Doctrine of Personae Juris of Incorporated Company in a Developing Economy' [2016] 4(1) *Nnamdi Azikiwe University Journal of Commercial and Property Law* 31–44.

¹⁰ M N Umenweke, 'The Corporate Veil Doctrine: Trends and Shifts in Nigerian Jurisprudence' [2025] 7(2) *Chukwuemeka Odumegwu Ojukwu University Journal of Private and Public Law* 45–58.

¹¹ *ibid.*

¹² CAMA 2020, s 672–674.

corporate veil. The objective is not to disregard the company's personality whenever a director has acted improperly rather, the law may impose personal liability because the individual has committed an independent wrong.¹³ This approach preserves the integrity of corporate personality while ensuring accountability. It also explains why modern company law increasingly emphasizes directors' duties and corporate governance alongside veil-lifting principles. Nigerian scholarship has specifically examined the interaction between directors' fiduciary duties, statutory obligations and personal liability within the CAMA 2020 framework.¹⁴

2.2 Corporate Governance

Corporate governance refers broadly to the structures, processes, principles and mechanisms through which companies are directed, managed, supervised and held accountable. It concerns the distribution of powers among shareholders, directors, management and other stakeholders, as well as the mechanisms through which corporate decisions are made and monitored.¹⁵ The Nigerian corporate governance framework is derived from several sources, including CAMA 2020, sector-specific legislation and regulatory codes.¹⁶ The Nigerian Code of Corporate Governance 2018 provides an important framework for promoting responsible corporate management, transparency, accountability and ethical corporate conduct. Academic analysis of the Nigerian Code identifies corporate governance as fundamentally concerned with the relationship between shareholders, directors and other stakeholders and with the structures through which corporations are controlled.¹⁷

Directors occupy a particularly important position. Although the company is an artificial person, it can only act through natural persons. Directors therefore constitute an important part of the mechanism through which the company's legal personality is translated into practical action. Their conduct must consequently be distinguished from their personal interests.¹⁸ Where directors treat company property as personal property, disregard statutory obligations or use corporate powers for improper purposes, corporate governance principles become directly relevant to questions of personal responsibility. Good corporate governance also reduces the circumstances that may lead to veil lifting.

2.3 Corporate Personality

Corporate personality is the legal status acquired by a company upon incorporation whereby the company becomes a person in law distinct and separate from the individuals who subscribed to its

¹³ Securities and Exchange Commission, Nigerian Code of Corporate Governance 2018.

¹⁴ M N Umenweke, Directors Liability for Corporate Misconduct in Nigeria [2025] 12(4) *Law and Social Justice Review* 33.

¹⁵ Monica Amujo-Akomolafe, 'Legal Framework for Corporate Governance in Nigeria: An Appraisal of the 2018 Code of Corporate Governance' [2018] 2(1) *ABUAD Private and Business Law Journal* 41–65.

¹⁶ *ibid.*

¹⁷ EA Udu, 'Exposition of the Concept of Lifting the Veil of Incorporation for Improved Corporate Management in Developing Countries: The Nigerian Perspective' [2017] 10(3) *Journal of Law, Policy and Globalization* 49.

¹⁸ *ibid.*



memorandum or subsequently become its members. Under Nigerian law, section 42 of the Companies and Allied Matters Act 2020 expressly provides that, from the date of incorporation stated in the certificate of incorporation, the subscribers to the memorandum and such other persons who subsequently become members shall be a body corporate capable of exercising all the powers and functions of an incorporated company.¹⁹

The significance of corporate personality is that the company is not merely an association of its members rather, it possesses an independent legal identity. Consequently, the company's property belongs to the company and not to its shareholders, while the company's debts and contractual obligations are ordinarily its own liabilities and not those of its directors or members. This principle was authoritatively established in *Salomon v A Salomon & Co Ltd*, where the House of Lords held that upon incorporation, the company became a person distinct from Mr Salomon, notwithstanding that he was substantially in control of the company's affairs.²⁰ The decision remains the classic authority for the separate legal personality doctrine and continues to influence Nigerian company law. Contemporary Nigerian scholarship confirms that the Salomon principle remains fundamental to the interpretation of corporate personality under CAMA 2020.²¹

The doctrine has several practical consequences. First, a company can own property independently of its shareholders. In *Macaura v Northern Assurance Co Ltd*,²² the House of Lords demonstrated that a shareholder has no proprietary interest in the assets of the company merely by virtue of holding shares. Secondly, the company can enter contracts in its own name and incur liabilities independently of its members. Thirdly, it possesses perpetual succession, meaning that changes in membership, death, bankruptcy or insolvency of individual members do not ordinarily terminate its existence. Fourthly, it can institute proceedings and be sued in its corporate name. Corporate personality also produces an important distinction between the company's rights and those of its members. In *Foss v Harbottle*,²³ the court established the principle that where a wrong has been done to the company, the proper claimant is ordinarily the company itself and not an individual shareholder. This principle is consistent with the independent legal identity of the corporation.

However, it is not intended to provide an unrestricted license for individuals to hide behind incorporation. Corporate personality is a legal construct created to facilitate legitimate economic activity and not a device for fraud or evasion of legal obligations. Nigerian academic literature has therefore recognised the tension between maintaining the sanctity of corporate personality and preventing its abuse.²⁴

¹⁹ Companies and Allied Matters Act 2020, s 42.

²⁰ *Salomon v A Salomon & Co Ltd* (n 3).

²¹ NME Prefa and MN Umenweke, 'An Analysis of the Impact and Continued Relevance of Salomon v Salomon on Nigerian Corporations Based on Recent Judicial Authorities and the New CAMA 2020' [2023] 5(2) *International Review of Law and Jurisprudence* 16.

²² [(n 4)].

²³ (1843) 2 Hare 461, 67 ER 189.

²⁴ E A Udu, (n 6) 56.

2.4 Limited Liability

Limited liability is another fundamental consequence of incorporation. It means that, subject to statutory and other recognized exceptions, the liability of members of a company is limited to the amount that they have undertaken to contribute to the company. In a company limited by shares, this will ordinarily relate to the amount, if any, remaining unpaid on the shares held by the member. Limited liability is closely related to, but conceptually distinct from, separate legal personality.²⁵ Separate personality means that the company is a legal person independent of its members while, limited liability concerns the extent to which members may be personally responsible for the company's liabilities and debts. A director cannot, for example, commit fraud personally and automatically escape liability merely because the act was performed in the context of a company. Similarly, where CAMA expressly imposes personal liability, the individual cannot rely on limited liability to defeat the statutory obligation. This distinction is crucial to veil-lifting jurisprudence. The objective of lifting the veil is not simply to make shareholders or directors liable whenever a company is unable to pay its debts. Insolvency alone is not sufficient justification for disregarding corporate personality. The principle also has a creditor-protection dimension. While shareholders benefit from limited liability, creditors ordinarily deal with the company on the assumption that its assets constitute the primary fund available for satisfaction of corporate debts.

2.5 Veil Lifting

The doctrine of lifting or piercing the corporate veil constitutes an exception to the general rule of separate corporate personality. It describes circumstances in which a court or statute permits an inquiry behind the artificial personality of a company so as to determine the persons responsible for particular conduct or, in appropriate circumstances, impose personal liability upon them.²⁶ The Nigerian position begins with the principle established in *Salomon v Salomon & Co Ltd*,²⁷ but CAMA 2020 provides statutory circumstances in which persons associated with a company may incur personal liability. Section 42 established the separate legal personality of a company, while the veil-lifting provisions operate as exceptions to that principle. Where a company carries on business for more than six months with fewer than the minimum number of members required by law, every member who knows of the situation and continues to participate in the business during the relevant period may become jointly and severally liable for debts contracted during that period.²⁸ The provision demonstrates that the benefit of incorporation may be restricted where members deliberately permit the company to operate outside statutory requirements.

A more significant example appears in the winding-up provisions. The Companies and Allied Matters Act, empowers the court, where it appears during winding up that the business of the

²⁵ B S Shoroye, 'Lifting the Corporate Veil for Directors and Shareholders' Liability: Matters Arising' [2022] 120 *Journal of Law, Policy and Globalization*

²⁶ S C Udemezue and N A Iguh, 'Does Salomon v Salomon Still Reign? A Disquisition on Recent Case Law on Corporate Legal Personality and Lifting the Veil' [2020] 16(1) *UNIZIK Law Journal* 43, 43–56.

²⁷ *Salomon v Salomon & Co Ltd* (n 3).

²⁸ CAMA 2020, s 118.



company has been carried on recklessly or with intent to defraud creditors or for a fraudulent purpose, to declare persons knowingly involved personally responsible for specified debts or liabilities of the company.²⁹ This provision is particularly relevant to the corporate society because it prevents directors or other principal officers of the company responsible for the fraudulent corporate operations from relying upon corporate personality as a complete defense.³⁰ CAMA also contains provisions concerning the liability of directors and officers for particular misconduct. These provisions demonstrate that personal liability does not necessarily arise only through the equitable doctrine of veil piercing. In some instances, the statute directly creates personal liability for specific conduct. This distinction is important in legal analysis because it is not in every instance in which a director is personally liable will amount to lifting the corporate veil.³¹

3. LEGAL FOUNDATION AND PRINCIPLES OF CORPORATE PERSONALITY AND THE CORPORATE VEIL UNDER CAMA 2020

The doctrine of corporate personality constitutes the jurisprudential foundation upon which modern company law is constructed. Its central proposition is that, upon valid incorporation, a company acquires a legal identity separate and distinct from the natural persons who establish, own, manage or control it. The company therefore becomes a person in contemplation of law, capable of acquiring rights, assuming obligations, owning property, entering contracts, instituting proceedings and being subjected to legal proceedings independently of its members.³²

The historical foundation of the principle is the celebrated decision in *Salomon v Salomon & Co Ltd*,³³ in which the House of Lords definitively established that an incorporated company is a person separate from the individuals who subscribe to its memorandum. The facts are instructive. Aron Salomon incorporated his previously established boot-making business as a limited liability company and became its dominant shareholder. When the company subsequently became insolvent, its unsecured creditors argued that the company was merely an extension or agent of Salomon and that he should personally bear its liabilities. The House of Lords rejected that argument and affirmed the legal independence of the company. Lord Macnaghten's famous reasoning was that the company, once duly incorporated, was 'at law a different person altogether' from the subscribers.³⁴

The Nigerian legal system has consistently recognized this principle. In *Marina Nominees Ltd v Federal Board of Inland Revenue*,³⁵ the Supreme Court affirmed the independent legal status of an

²⁹ *ibid*, s 672.

³⁰ B S Shoroye (n 26) 50.

³¹ O Omotoye, 'Rethinking the Doctrine of Lifting the Veil of Incorporation in Nigeria: Making a Case for a Streamlined Judicial Approach' [2023] 4(2) *Law and Social Justice Review* 13.

³² N M E Prefa and M N Umenweke, (n 13) 58.

³³ *Salomon v A Salomon & Co Ltd*, (n 3).

³⁴ *Salomon v A Salomon & Co Ltd*, per Lord Macnaghten.

³⁵ (1986) 2 NWLR (Pt 20) 48 (SC).

incorporated company and treated the company as a person distinct from its members. The principle has also been applied in *Dunlop Nigerian Industries Ltd v Forward Nigeria Enterprises Ltd*,³⁶ where the court recognised that an incorporated company is distinct from its members even where one individual or a small group exercises substantial control over its affairs. The significance of these authorities is that corporate personality is not dependent upon the numerical strength of the membership or the extent of control exercised by a shareholder. A company does not lose its separate identity merely because it is closely held, family-owned or dominated by a single shareholder. This is consistent with the broader jurisprudence emanating from *Lee v Lee's Air Farming Ltd*,³⁷ where the Privy Council recognised the legal possibility of an individual occupying separate legal positions as controlling shareholder, director and employee of the company.

The legal consequences of corporate personality are extensive. First, the property acquired by a company belongs to the company itself and does not constitute the personal property of its shareholders. This principle was firmly established in *Macaura v Northern Assurance Co Ltd*,³⁸ where the House of Lords held that a shareholder did not have an insurable interest in timber owned by the company merely because he was the company's principal shareholder. The case demonstrates that ownership of shares is fundamentally different from ownership of corporate assets. A shareholder owns shares in the company the company owns its assets. This distinction is particularly important in Nigerian corporate practice because the tendency to regard company property as the property of directors or shareholders may create precisely the type of corporate abuse against which the doctrine of the corporate veil operates.

Secondly, corporate personality means that corporate debts are ordinarily the debts of the company. A creditor who enters into a contract with a company ordinarily obtains a claim against the company and its assets rather than against the personal assets of its shareholders. This is closely connected with the principle of limited liability, although the two doctrines should not be treated as identical. Separate legal personality answers the question: who is legally responsible for the company's obligations? Limited liability answers the different question: to what extent may members be personally exposed to the company's liabilities? The former is foundational, while the latter is one of its principal economic consequences.

Thirdly, corporate personality gives the company perpetual succession. The death, bankruptcy, retirement or transfer of shares by individual members does not ordinarily terminate the company. The corporation continues until it is dissolved in accordance with law. This feature enables companies to undertake long-term commercial activities without their existence being dependent upon the continued participation of particular natural persons.

³⁶ (1996) 6 NWLR (Pt 457) 149.

³⁷ [1961] AC 12 (PC).

³⁸ [1925] AC 619 (HL).



Fourthly, a company possesses procedural personality. It can sue and be sued in its corporate name and can enforce its contractual and proprietary rights independently of its members. This is closely related to the rule in *Foss v Harbottle*,³⁹ under which a wrong done to a company is ordinarily a wrong to the company and should be pursued by the company itself. The rule reinforces the idea that the company is not merely a collective expression of its shareholders. Where corporate rights are infringed, the legal claimant is ordinarily the corporation, subject to recognised exceptions such as derivative actions and personal shareholder claims.

The corporate veil performs a protective and functional role by preserving the independence of corporate personality and enabling individuals to conduct business through an entity without automatically exposing their private assets to every corporate obligation. The protection afforded by the corporation veil is, however not absolute. This is where the doctrine of lifting or piercing the corporate veil becomes relevant. Veil lifting describes circumstances in which the law, either through statutory intervention or judicial determination, permits the separation between the company and the persons behind it to be disregarded for a particular legal purpose.

The distinction between true veil and the imposition of personal liability through ordinary principles of law is particularly important. A director who commits fraud, breaches a fiduciary obligation or personally commits a tort cannot necessarily rely upon the company's personality to avoid responsibility. Similarly, where a company is established as an agent of another person, ordinary principles of agency may produce personal consequences without requiring the court to disregard the company's separate legal personality. Modern English authority, particularly *Prest v Petrodel Resources Ltd*,⁴⁰ has emphasized the narrowness of genuine veil piercing and the need to distinguish it from situations in which ordinary legal principles independently determine liability. This analytical distinction is valuable to Nigerian jurisprudence because it prevents the expression 'lifting the veil' from becoming an imprecise description of every situation in which an individual associated with a company incurs personal liability.

Corporate personality also has significant implications for corporate governance. A company can only act through human beings, yet the law treats the resulting conduct as corporate conduct in appropriate circumstances. This creates an important governance challenge the individuals who control corporate decision-making must exercise their powers consistently with the interests and legal obligations of the corporation. Where governance mechanisms are weak, corporate assets may be treated as personal assets, statutory requirements may be disregarded, and corporate structures may be manipulated for private purposes. Effective corporate governance therefore reinforces the corporate veil by maintaining the distinction between corporate affairs and personal affairs.

³⁹ 1843) 2 Hare 461; 67 ER 189.

⁴⁰ *Prest v Petrodel Resources Ltd*, (n 16).

Conversely, serious governance failures may provide the factual circumstances in which statutory or judicial intervention becomes necessary.

4. CONTEMPORARY ISSUES AND EMERGING CHALLENGES IN THE APPLICATION OF THE DOCTRINE OF LIFTING THE CORPORATE VEIL UNDER CAMA 2020

The doctrine of lifting the corporate veil remains one of the most delicate areas of Nigerian company law because it requires the courts to reconcile two competing objectives: the preservation of separate corporate personality and limited liability on the one hand, and the prevention of fraud, evasion, abuse and corporate irresponsibility on the other. Section 42 of the Companies and Allied Matters Act 2020 (CAMA 2020) establishes the company as a legal person distinct from its members, thereby preserving the fundamental principle in *Salomon v Salomon & Co Ltd*⁴¹, the contemporary difficulty is that corporate structures have become increasingly sophisticated, while commercial activities are no longer confined to conventional physical businesses. Consequently, the circumstances in which individuals may attempt to exploit the corporate personality to avoid personal responsibility have become more complex. Recent research observes that the courts have traditionally approached veil lifting cautiously, but contemporary disputes increasingly require a purposive approach to corporate accountability.⁴²

1. Abuse of the Corporate Form for Fraud and Evasion of Liability: One of the most persistent contemporary issues is the use of companies as vehicles for fraud, debt avoidance, concealment of assets and evasion of pre-existing legal obligations. The commercial attractiveness of incorporation lies partly in the protection offered by separate personality and limited liability; however, that protection may become problematic where controllers deliberately manipulate the corporate structure to defeat legitimate claims. CAMA 2020 addresses fraudulent and reckless corporate conduct, particularly during winding up. Section 672 permits the court, where the business of a company has been carried on recklessly, with intent to defraud creditors or for a fraudulent purpose, to declare persons knowingly involved personally responsible for specified debts or liabilities of the company.⁴³ The challenge is not merely whether fraud has occurred, but whether the evidence sufficiently establishes the connection between the individual and the fraudulent use of the corporate vehicle. Excessive judicial willingness to pierce the veil could undermine commercial certainty, while excessive reluctance may enable sophisticated corporate fraud to flourish.

2. Uncertainty and Inconsistency in Judicial Standards: A major doctrinal challenge is the absence of a single, comprehensive judicial test governing veil lifting in Nigeria. Nigerian courts have recognised different circumstances, including fraud, sham or façade arrangements, agency and evasion of legal obligations, but the boundaries between these categories are not always clearly defined. Omotoye argues that Nigerian jurisprudence has not developed a sufficiently streamlined

⁴¹ *Salomon v Salomon* (n 3).

⁴² MN Umenweke, (n 38).

⁴³ CAMA 2020, s 672.



approach comparable to the restrictive modern position in England.⁴⁴ The absence of a consistently articulated test may result in uncertainty for directors, shareholders, creditors and commercial advisers. Nigerian courts therefore face the continuing challenge of developing a principled test that preserves the Salomon rule while responding effectively to abuse.⁴⁵

3. Distinguishing Genuine Veil Piercing from Personal Liability for Independent Wrongdoing: Another emerging issue is the tendency to describe every situation in which a director or shareholder becomes personally liable as an instance of lifting the corporate veil. This is doctrinally problematic. A director may be personally liable for fraud, breach of fiduciary duty, negligence, tort or breach of a personal guarantee without the court disregarding the company's separate personality.⁴⁶ The critical challenge is therefore to distinguish genuine piercing of the veil from statutory or common-law principles that independently impose personal liability. Failure to maintain this distinction may produce conceptual uncertainty and lead courts to invoke veil lifting unnecessarily.

4. Corporate Groups and Complex Ownership Structures: Modern businesses frequently operate through parent companies, subsidiaries, holding companies and interconnected corporate entities. The existence of common ownership or control does not ordinarily destroy the separate personality of each company. Nevertheless, corporate groups can create practical difficulties where assets, employees, management functions and commercial operations are distributed across several entities.⁴⁷ The question becomes whether the subsidiary should be treated independently or whether the circumstances justify attributing responsibility to the parent or controlling company.⁴⁸ Nigerian courts must therefore ensure that commercial reality does not automatically displace legal personality while remaining alert to arrangements deliberately structured to evade legal obligations.

5. SUMMARY OF FINDINGS

1. Separate corporate personality remains the fundamental rule under CAMA 2020.

The research finds that section 42 of the Companies and Allied Matters Act 2020 preserves the principle that an incorporated company is a legal person separate from its members, shareholders and directors. This principle, rooted in *Salomon v Salomon & Co Ltd*, provides the foundation for corporate autonomy, perpetual succession and limited liability. The corporate veil therefore remains an essential protection for legitimate commercial activities and should not be disregarded merely because a company is closely controlled by particular individuals.

⁴⁴ O Omotoye, 'Rethinking the Doctrine of Lifting the Veil of Incorporation in Nigeria: Making a Case for a Streamlined Judicial Approach' [2023] 4(2) *Law and Social Justice Review* 20.

⁴⁵ J O Orojo, *Company Law and Practice in Nigeria* (5th edn, LexisNexis Butterworths 2008) 80.

⁴⁶ N C Uzoka, 'An Overview of the Companies and Allied Matters Act 2020: Prospects and Challenges' [2020] 7(2) *Nnamdi Azikiwe University Journal of Commercial and Property Law*, 38.

⁴⁷ F Oditah, 'The Doctrine of Corporate Personality and Lifting the Veil' [1995] 57(3) *Modern Law Review* 346-358.

⁴⁸ *Okpabi v Royal Dutch Shell Plc* [2021] UKSC 3.

2. CAMA 2020 provides significant statutory exceptions to corporate personality.

The findings reveal that CAMA 2020 does not treat the corporate veil as absolute. Provisions including sections 118, 316 and 672–674 impose personal consequences upon members, directors and officers in specified circumstances. In particular, fraudulent or reckless conduct and wrongful trading may justify personal liability. These provisions demonstrate the legislative intention to prevent individuals from using incorporation as a mechanism for fraud, evasion of legal obligations or prejudice to creditors.

3. Judicial veil lifting remains exceptional and requires a clear legal basis.

The research finds that Nigerian courts have generally adopted a cautious approach to lifting the corporate veil. Fraud, sham or façade arrangements, evasion of existing obligations and other recognised circumstances may justify judicial intervention. However, the mere fact that an individual controls a company, owns most or all of its shares, or that the company is unable to satisfy its obligations does not, by itself, justify piercing the veil. The principle of separate personality consequently remains the starting point, while veil lifting constitutes an exception.

4. There is a need for greater doctrinal clarity and consistency in Nigerian jurisprudence.

The findings indicate that Nigerian case law does not always provide a sufficiently precise and uniform test for determining when the corporate veil should be lifted. There is also a tendency to describe statutory personal liability, directors' liability for independent wrongdoing and genuine veil piercing under the single expression of 'lifting the corporate veil'. This creates conceptual uncertainty. A clearer distinction between genuine veil piercing and liability arising independently from statute, tort, agency or fiduciary obligations would improve the predictability of Nigerian company law.

5. Contemporary corporate structures create new challenges requiring stronger accountability mechanisms.

The research finds that complex corporate groups, beneficial ownership arrangements, digital businesses, insolvency, asset concealment and sophisticated methods of corporate restructuring increasingly complicate the application of the doctrine. While CAMA 2020 has strengthened corporate accountability, effective enforcement depends upon judicial consistency, accurate corporate records, beneficial ownership transparency and institutional capacity. The appropriate approach is therefore controlled intervention: the corporate veil should be respected as the general rule but lifted where a clearly established statutory or judicial exception, supported by compelling evidence of abuse, is present.

6. CONCLUSION

The doctrine of lifting the corporate veil occupies a significant position in Nigerian company law because it represents the point at which the fundamental principle of separate corporate personality encounters the equally important requirements of corporate accountability and legal responsibility.



The incorporation of a company under the Companies and Allied Matters Act 2020 (CAMA 2020) creates a legal person distinct from its members, shareholders and directors. This principle, firmly established in *Salomon v A Salomon & Co Ltd* and now given statutory recognition under section 42 of CAMA 2020, remains indispensable to the functioning of modern corporate enterprise. It enables companies to own property, enter contracts, incur liabilities, sue and be sued independently of their members, while providing the commercial certainty necessary for investment and entrepreneurial activity. The examination of the doctrine demonstrates, however, that corporate personality is not intended to constitute an absolute shield against personal responsibility. The Companies and Allied Matters Act 2020 recognize several circumstances in which persons associated with a company may become personally liable for conduct undertaken through the corporate structure. The statutory provisions dealing with fraudulent and reckless trading, wrongful trading, delinquent directors and other forms of corporate misconduct reflect a clear legislative policy that the privileges of incorporation must be accompanied by corresponding responsibilities. In this respect, the Act seeks to strike a balance between preserving the economic benefits of incorporation and preventing the corporate form from being employed as an instrument of fraud, evasion or injustice.

The analysis further establishes that judicial veil lifting remains an exceptional doctrine. Nigerian courts have traditionally respected the separate legal personality of companies but have recognised circumstances in which intervention may be justified, particularly where the corporate structure is employed for fraudulent purposes, to evade existing obligations or as a façade for improper conduct. The contemporary corporate environment further demonstrates the need for a flexible but controlled application of the doctrine. The increasing prevalence of corporate groups, complex ownership structures, beneficial ownership arrangements, digital businesses and sophisticated methods of asset protection has made it more difficult to determine the individuals who ultimately control or benefit from corporate activities. These developments may create opportunities for abuse of corporate personality, particularly where companies are deliberately structured to conceal assets, frustrate creditors or evade statutory obligations.

Ultimately, the doctrine of lifting the corporate veil under CAMA 2020 should be understood as a doctrine of controlled exception rather than routine intervention. The strength of Nigerian company law lies in preserving the benefits of incorporation while ensuring that those benefits are not abused. A balanced approach, founded upon statutory compliance, judicial restraint, corporate transparency and effective accountability, will enable the law to protect legitimate business enterprise while preventing the corporate form from becoming a vehicle for fraud and evasion. The continued development of this balance is essential to the credibility of Nigeria's corporate regulatory framework and to the promotion of confidence among investors, creditors and other stakeholders. The objective should therefore not be to weaken the corporate veil, but to ensure that where the law legitimately requires it to be lifted, it is lifted decisively, consistently and on a principled legal basis.

7. RECOMMENDATIONS

1. There should be a clearer and more coherent judicial framework for lifting the corporate veil.

Nigerian courts should develop a consistent and principled approach to the application of the doctrine of lifting the corporate veil under the Companies and Allied Matters Act 2020 (CAMA 2020). While judicial discretion remains indispensable in addressing novel forms of corporate abuse, such discretion should not be exercised on the basis of vague considerations of fairness, convenience or the mere fact that a company is closely controlled by an individual. Courts should expressly identify the statutory provision or established legal principle upon which the veil is being lifted and distinguish genuine veil piercing from other instances of personal liability. Such an approach would promote certainty, predictability and uniformity in Nigerian corporate jurisprudence while preserving the fundamental principle of separate corporate personality.

2. The statutory provisions on personal liability and veil lifting should be strengthened and clarified.

There is a compelling need for legislative clarification of the circumstances in which directors, shareholders, officers and other persons controlling a company may be held personally liable for corporate misconduct. Although CAMA 2020 contains important provisions addressing fraudulent trading, wrongful trading and related forms of misconduct, clearer legislative language would reduce uncertainty in their interpretation and application. The legislation should, where appropriate, expressly distinguish between genuine circumstances warranting the lifting of the corporate veil and circumstances in which liability arises independently from fraud, breach of fiduciary duty, tort, agency or statutory obligations. Greater precision would prevent both under-enforcement, which may facilitate corporate abuse, and over-enforcement, which could unnecessarily undermine the commercial protection associated with incorporation and limited liability.

3. Corporate governance and directors' accountability should be strengthened as a preventive mechanism against corporate abuse.

Greater emphasis should be placed on effective corporate governance as a means of preventing circumstances that may ultimately necessitate the lifting of the corporate veil. Directors should be subjected to rigorous compliance with their statutory and fiduciary duties, particularly in relation to the proper use of corporate assets, disclosure of conflicts of interest, maintenance of accurate corporate records and responsible decision-making when a company approaches financial distress. Regulatory authorities should equally strengthen monitoring and enforcement mechanisms against persistent corporate governance failures. A robust governance culture is preferable to retrospective veil lifting because it addresses corporate misconduct at its source and preserves the distinction between corporate affairs and the personal affairs of those entrusted with corporate management.



4. The regulatory framework for beneficial ownership, corporate transparency and complex corporate structures should be strengthened.

The increasing sophistication of corporate structures makes it imperative for the Corporate Affairs Commission and other relevant regulatory institutions to ensure effective identification and disclosure of persons who ultimately own or exercise substantial control over companies. Beneficial ownership information should be maintained accurately, regularly updated and made available to competent authorities for legitimate regulatory, judicial and enforcement purposes. Particular attention should be given to corporate groups, nominee arrangements, interconnected companies and transactions involving related entities. This is essential because the effectiveness of veil-lifting proceedings frequently depends upon the ability of a court or regulator to identify the natural persons exercising actual control over the corporate structure. Enhanced transparency would therefore make it considerably more difficult for individuals to conceal assets or evade legal obligations through layers of corporate entities.

5. Judicial and regulatory institutions should adopt a balanced approach that preserves legitimate limited liability while ensuring corporate accountability.

The ultimate objective of veil lifting should not be the erosion of the principle of limited liability, but the prevention of its abuse. Courts and regulatory institutions should therefore adopt what may appropriately be described as a principle of controlled intervention. Separate corporate personality should remain the general rule, and the veil should be lifted only where a clearly established statutory or judicial exception is supported by cogent evidence of fraud, evasion, abuse of the corporate form or other legally recognised grounds. At the same time, the existence of a corporate entity should never be permitted to immunize an individual from liability for his or her own independent unlawful conduct. This balanced approach would preserve investor confidence and the economic utility of incorporation while ensuring that corporate personality does not become a legal instrument for defeating the legitimate rights of creditors, employees, consumers, regulators and other stakeholders.