

***Flawed Reason(s) for the Judgement – Whether can Invalidate the Decision of Court***

In the Supreme Court of Nigeria  
Holden at Abuja  
On Friday, the 11<sup>th</sup> Day of April, 2025

**Before Their Lordships**  
Helen Moronkeji Ogunwumiju  
Tijjani Abubakar  
Chidiebere Nwaoma Uwa  
Haruna Simon Tsammani  
Habeeb Adewale O. Abiru  
*Justices, Supreme Court*

SC/110/2007

**BETWEEN**  
**STANDANRD ALLIANCE INSURANCE CO. LTD** **APPELLANT**

**AND**  
**FIRST CITY MONUMENTAL BANK LIMITED** **RESPONDENT**

*“It is settled law that an appellate Court is always preoccupied with the correctness of the decision appealed against and nor whether the reasons given for the decisions are correct. Insofar as the eventual decision is correct, the reasons given by the lower Court, however flawed they may be, are of no moment.”*

*(Lead judgement delivered by Honourable Habeeb Adewale Olumuyiwa Abiru, JSC)*

## **Facts**

This appeal arose from a dispute involving a Credit Guarantee Bond issued by the Appellant (an insurance company) in favour of the Respondent (a bank), guaranteeing a ₦150,000,000 (*one hundred and fifty million Naira*) overdraft facility granted to Fort Knox Investment Limited. The Respondent sued the Appellant for the outstanding sum on the bond after Fort Knox allegedly defaulted. At the trial court, the Appellant posited that its guarantee was limited to eight cocoa purchase contracts that had been fully settled, denying liability for newer contracts and disputing the interest rate claimed. The High Court of Lagos State initially declined jurisdiction on the basis that the dispute did not involve a direct banker-customer relationship under Section 251(1)(d) of the Constitution of Federal Republic of Nigeria, 1999 (as amended) (*“the Constitution”*). However, the Court of Appeal reversed this finding. The appellate court held that since Fort Knox (the bank’s customer) was joined as a third party, the case concerned a banker-customer dispute and therefore fell within the jurisdiction of the High Court of a State.

The Appellant has appealed this decision to the Supreme Court. The core issue is whether the High Court has jurisdiction over the claim given the guarantor’s relationship with the bank and the inclusion of the customer in the suit.

## **Issue for Determination**

The Appellant’ brief raised a sole issue for determination -

*Whether the lower Court was right when it held that the High Court of Lagos State has jurisdiction to entertain the substantive matter at the trial court.*

## **Arguments**

Counsel for the Appellant submitted that under Section 251(1)(d) of the Constitution, the Federal High Court has exclusive jurisdiction over banking matters, except where disputes arise from a banker-customer relationship. He criticized the decision of the Court of Appeal for relying on an alleged joinder of the borrower, in the absence of credible evidence and the fact of which is irrelevant to the claims before the trial court. Counsel contended that there was no banker-

customer relationship between the Appellant and Respondent, consistent with the statutory definition in Section 61 of the Banks and Other Financial Institutions Act 1991.

On jurisdiction, Counsel cited *MADUKOLU v NKEMDILIM (1962) 2 SCNLR 341* where the Supreme Court stressed that jurisdiction is fundamental and must be determined solely based on the claims before the court, without extraneous matters, as affirmed in *TUKUR v GOVERNMENT OF GONGOLA STATE (1989)* and *OGBIMI v OLOLO (1993) 7 SCNJ (Pt. 2) 447*.

Counsel urged the Supreme Court to allow the appeal, set aside the decision of the Court of Appeal, and restore the ruling of the trial court that the High Court of Lagos State lacked jurisdiction, in line with constitutional provisions that grant exclusive jurisdiction to the Federal High Court over banking matters except where disputes involve a banker-customer relationship.

For the Respondent, counsel adopted the sole issue for determination formulated by counsel for the Appellant and cited *MADUKOLU v NKEMDILIM (supra)* to underscore the essential elements of the jurisdiction of court. He referred to the finding of the lower court that the joinder of the borrower, Fort Knox Investment Ltd. as a party, meant the trial court had jurisdiction, noting that the Appellant did not appeal this point, making it binding on the parties. Counsel highlighted that there were three parties before the trial court – Respondent as Plaintiff, Appellant as Defendant, and the borrower as Third-Party Defendant. Counsel argued that the trial court erred when it held that it lacked jurisdiction, which mistake was corrected by the Court of Appeal.

He emphasized that the Respondent's claim was to enforce a contract of guarantee to recover the loan given to Fort Knox, which is a simple contract outside the exclusive jurisdiction granted to the Federal High Court by Section 251(1)(d) of the Constitution. Counsel referenced *NWANKWO v ECUMENICAL DEVELOPMENT CO SOCIETY (2002) 1 NWLR (PT 749) 518* on the definition of a guarantee contract and argued that even without the joinder of the borrower, the trial court can exercise jurisdiction. He urged the Supreme Court to dismiss the appeal and affirm the judgement of the Court of Appeal.

### **Court's Judgement and Rationale**

In its decision on the appeal, the Supreme Court began by stating the guiding principle that determines the jurisdiction of a court. Their Lordships held that *"it is the case of the plaintiff as endorsed on the writ of summons and elaborated in the statement of claim or any other originating process that determines the jurisdictions of the court."* The court cited **ELELU-HABEEB v ATTORNEY-GENERAL, FEDERATION (2012) 13 NWLR (PT 1318) 423**. Furthermore, in determining jurisdiction, *the court must not read facts into the statement of claim not contained there and/or take into considerations issues not arising therefrom*" The Supreme Court found that the lower court erred in law by considering the joinder of a third party in deciding the issue of jurisdiction, as neither the Appellant nor the Respondent made claims against the third party (Fort Knox Investment Limited), which was not even joined to the main suit. . The Court emphasized *that a third-party proceeding does not make the third party a party to the main claim*. This was supported by the case of **UNIVERSITY OF CALABAR v ASSET MANAGEMENT CORPORATION OF NIGERIA (2024) 4-5 SC (PT. 1) 133**.

Addressing whether the High Court of Lagos State or the Federal High Court had jurisdiction over the suit, the Supreme Court examined the provisions of Section 251(1)(d) of the Constitution. The Court *noted that "as a general rule, the Federal High Court possesses exclusive jurisdiction in matters that have to do with banking, banks, and other financial institutions, including any action between one bank and another, any action or against Central Bank of Nigeria arising from banking"* The Supreme Court relied on the decision in **FEDERAL MORTGAGE BANK OF NIGERIA v NIGERIA DEPOSIT INSURANCE CORPORATION (1992) 2 NWLR (PT. 591) 333** on this point. However, the general rule is not without qualifications, such as where an action is predicated on banker/customer relationship, which will fall under the concurrent jurisdiction of the both the State High Court and the Federal High Court. Also, *"where the cause of action is predicated on the tort of conversion, a non-customer, without an account in a bank, can maintain an action against that Bank in the State High Court notwithstanding that the facts of the conversion arose out of a banking transaction."* The court noted further that *where a matter is predicated on a simple contract, it is the High Court of State that has jurisdiction to entertain it* - **PETROLEUM**

**(SPECIAL) TRUST FUND v FIDELITY BANK PLC & 3 ORS. (2022) 9 NWLR (PT. 1836) 475.**

In this appeal, the Supreme Court reiterated that the case at the lower court involved a Credit Guarantee Bond issued by the Appellant to guarantee a credit facility on ₦150,000,000 (*one hundred and fifty million Naira*) advanced to a company known as Fort Knox Investment Limited by the Respondent, and by which the Appellant undertook to fully repay the said sum should the company default in repaying the facility. Relying on **PETROLEUM (SPECIAL) TRUST FUND v FIDELITY BANK PLC & 3 ORS** (*supra*), Their Lordships held that “*the case of the Respondent in this appeal is predicated on a simple contract and that it is the High Court of Lagos that possessed the requisite jurisdiction to entertain it.*”

Consequent upon the foregoing, the Supreme Court concluded that the Court of Appeal setting aside the ruling of the lower court was correct, albeit for wrong reasons. The Court stressed the settled principle that *an appellate court focuses on the correctness of the decision, rather than the correctness of the reasoning given by the lower court. Therefore, even if the reasons of the Court of Appeal were flawed, the correctness of its decision stands*, as established in the case of **PAN ASIAN CO. LTD v NICON (1982) 9 SC 1, NDAYAKO v DANTORO (2004) 13 NWLR (PT. 889) 189 AT 220**. The Supreme Court thereby dismissed the appeal and remitted the case to the Chief Judge of Lagos State for re-assignment to a judge for an expeditious determination of the case. Costs awarded against the Appellant in favour of the Respondent.

***Appeal dismissed.***

### **Representation**

Adebayo Ologe Esq. with Oreoluwa Adelakun Esq. for the Appellant.

Olugbenga Ajala, Esq. for the Respondent.

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