



Legalify Attorneys

UK Sanctions: Why Nigerian Businesses May Be At Risk



Introduction

For many Nigerian companies, UK sanctions may seem distant. After all, these are British Laws, made by British institutions, mostly in response to issues like the Russia-Ukraine war. But that assumption is no longer safe. The UK government has now made it clear that it will go after not only companies operating in the UK or owned by UK nationals, but also non-UK businesses anywhere in the world, including Nigeria, if they are seen to be directly, indirectly, intentionally or **unintentionally** helping others avoid the sanctions, even unintentionally shipping UK goods or services to Russia. **It should be noted that this is only in relation to specific actors contained in UK sanction list.**¹

The UK Foreign, Commonwealth & Development Office (FCDO), working with the Office of Financial Sanctions Implementation (OFSI), has issued new guidance² that makes one thing clear: a business based outside the United Kingdom can face serious consequences under UK sanctions if it is found to be involved, directly or indirectly, in efforts to bypass those restrictions. UK authorities have already started investigating and in some cases sanctioning companies located entirely outside their territory.

The legal basis comes from the UK Laws and Sanctions regulations, which gives broad powers not only to designate individuals and entities but to pursue those who facilitate or support sanctioned activities, even

¹ Paragraph 4.3 UK sanctions guidance for non-UK businesses guidance <https://www.gov.uk/guidance/uk-sanctions-guidance-for-non-uk-businesses>

² <https://www.gov.uk/guidance/uk-sanctions-guidance-for-non-uk-businesses>



UK SANCTIONS ON RUSSIA

FINANCIAL SANCTIONS



- Asset freezes on individuals and entities
- SWIFT restrictions on Russian banks
- UK banking restrictions
- Sovereign debt sanctions

TRADE SANCTIONS



- Export bans on specified goods
- Import bans on various products
- Service prohibitions

TRANSPORT & SHIPPING SANCTIONS



- Airspace ban on Russian officers
- Maritime ban on Russian companies

IMMIGRATION SANCTIONS



- Travel ban on Russian politicians, military officers, oligarchs

CORPORATE AND INVESTMENT RESTRICTIONS



- Ban on new UK investments in Russia
- Restrictions on UK subsidiaries and businesses

ENERGY SECTOR SANCTIONS



- Ban on Russian state media
- Advertising prohibition

DESIGNATION LISTS



- Over 1,700 individuals+ entities

if they are not themselves subject to the law in a strict geographical sense.

The problem is compounded by the increasing reliance on what the UK calls **“indirect involvement.”** In practical terms, this means that a business based in Lagos, Abuja, or Port Harcourt could find itself blacklisted by UK authorities, even though it has never traded directly with a Russian entity and doesn’t have an office in the UK. The foundational argument is that Russia may attempt to circumvent sanctions by using businesses registered in third countries. It can utilize them to re-export UK-restricted goods through deceptive practices. It may involve indirect shipping, falsified end-use claims, and evasion networks. These practices aim to obscure the Russian end-user from UK suppliers, banks, and shippers.

Hypothetical Scenario 1

A freight logistics company in Lagos has a long-standing west-Asian client. The client asks for assistance in shipping equipment to Armenia. The bill of lading says “industrial machinery”, nothing suspicious on the surface. The goods are sourced from suppliers in Europe and at least had contact with UK or its businesses before being moved to Nigeria.

What the Lagos company doesn’t realise is that the goods are being routed from Armenia into Russia, where they will be used by a firm linked to sanctioned defence manufacturing. Even if the Nigerian company had no knowledge of the final destination, UK authorities may consider it part of a supply chain that enabled circumvention of their sanctions.

If that company uses a UK-based insurer or trade finance bank at any point in the transaction, its activities come under direct UK jurisdiction. The UK company may withdraw from the deal, cancel the cover, and flag the Nigerian freight forwarder to OFSI (the UK Office of Financial Sanctions Implementation). Once flagged, reputational damage and service withdrawal may follow without warning.

Hypothetical Scenario 2

A Nigerian company that manufactures but imports UK energy-related components, now exports a set of gas valves to a Georgian contractor. There's a purchase order, a contract, and even an end-use declaration stating that the parts are for use in a local construction project. But later, it turns out that the Georgian company is a front. The components are being transferred to a Russian oil refinery that has been listed under UK sanctions since 2022. The Georgian firm isn't on the UK sanctions list, and neither is the Nigerian exporter, but the UK government sees this transaction as a deliberate or reckless facilitation of trade with a sanctioned entity. The Nigerian business may simply get locked out of UK markets and UK businesses, and its ability to receive payments through UK financial system is restricted.

Hypothetical Scenario 3

A procurement and consulting business in Abuja working on a supply contract for an International humanitarian project. Part of the project requires sourcing IT equipment from a UK company and delivering it to a humanitarian group operating in Central Asia. All of it looks legitimate, until it turns out that some of the supplied goods, classified as “dual-use” technology (meaning they have civilian and military applications), were diverted after delivery.

The problem: UK export regulations require strict control over dual-use goods. The Nigerian firm unknowingly became part of a diversion route that landed UK-origin or UK business items in a Russian-affiliated organisation. In this case, UK authorities may conclude that the Nigerian company failed to apply sufficient care, even if it acted in good faith.

If this happens, UK regulators can notify financial institutions and trading partners to cease relations with the Abuja firm.

What Has Changed and Why Nigerian Businesses May Now Be At Risk

The above examples mirrors the concerns directly raised in the UK's most recent guidance for non-UK businesses. The guidance, issued by the FCDO and published on the official UK Government platform³, outlines how companies in Third countries with international supply chains like Nigeria are now being monitored for direct or indirect potential involvement in circumvention.

This is especially important because many Nigerian businesses trade with and has the capacity to ship to Countries that may serve as intermediaries. Goods may pass through those countries and end up in Russia. Services such as consulting, finance, or logistics may also play a role, even if they don't appear directly connected.

The UK is watching for signs of concealment. That includes, unusual trade routes, complex or hidden ownership structures, mismatched documentation, intermediaries that appear only recently formed or that have unclear operations.

Where those patterns are seen, UK Government may treat them as warning signs that a business is either involved in evasion, or at least failing to prevent it.

³ <https://www.gov.uk/guidance/uk-sanctions-guidance-for-non-uk-businesses#context>

How UK Sanctions Can Affect Non-UK Nigerian Companies

UK SANCTIONS AND NIGERIAN BUSINESSES: WHAT YOU NEED TO KNOW

RISK AREA	EXPLANATION
 Third-Country Enforcement	UK sanctions apply even outside the UK, only when UK products, goods, services, or financial systems are involved. Nigeria is not exempt.
 UK-Origin Goods of Services	If a non-UK company re-exports goods previously imported from UK or from any UK businesses to a Russian entity or a Russian related entity; then such Nigerian company is at risk.
 Payments Through UK Banks	Even if just one transaction passes through a UK financial institution, then it can trigger UK law.
 Ownership or Control Test	If a sanctioned Russian person or entity directly or indirectly owns atleast 50% or controls your customer company or partner.
 Joint Ventures/ Brokers	Nigerian intermediaries facilitating deals between Russian buyers and UK-related goods/services may be held accountable.
 Civil Penalties	The UK Govt can impose asset freeze on such non-UK entity, and also ban all UK entities and its international partners from conducting any trade activities with such business.
WHAT THIS MEANS FOR YOU <p>The UK's sanctions regime is no longer just about domestic enforcement. It now targets foreign entities, including Nigerian companies, that unknowingly deal with sanctioned parties using UK origin or business resources. If your company has international supply chain, especially with exposure to the UK and Russian related entities, you must conduct enhanced due diligence.</p>	

The Consequences

1. Asset freeze designations

Asset freeze sanctions play a critical role in targeting individuals and entities that support Russia's military in its invasion of Ukraine, cutting them off from access to funds and business. Individuals and entities subject to an asset freeze are known as 'designated' or 'sanctioned' persons. If goods or services are to be supplied to persons based in third countries by a UK company, the UK supplier will want to be assured that these will not be passed on to, or be for the benefit of, a UK-designated person. Without adequate assurances, the UK supplier, including any UK banks involved, is likely to decline the business. Also, all UK banks must, and many international banks may, freeze any of your assets that they hold and would further refuse to provide you with any services

An asset freeze applies not only to those who are listed in the UK Sanctions List, but also to entities if:

- a. A designated person holds, directly or indirectly, more than 50% of the shares or voting rights in the entity
- b. A designated person has the right, directly or indirectly, to appoint or remove a majority of the board of directors of the entity or
- c. It is reasonable to expect that a designated person would be able to ensure that the affairs of the entity are conducted in accordance with their wishes. Details of how this may be interpreted are set out in the UK financial sanctions general guidance

Such entities may not be designated in their own right, so their names may not appear on the UK Sanctions List. But they must nonetheless be treated as subject to an asset freeze.

If two or more designated persons together hold more than 50% of the shares in an entity, but each one holds less than 50%, the entity is not generally considered to be owned by a designated person. However, if

there is evidence of a joint arrangement between them or the shares are held jointly, then the entity would be considered to be owned by a designated person.

2. The Concept of De-risking

Many non-UK businesses have found themselves subject to what is called “de-risking,” where UK banks, insurers, investors and logistics providers simply cut ties rather than risk being accused of sanctions breaches themselves. In practice, this means a company that is never formally listed as a sanctioned entity may still find it impossible to open a UK bank account, secure shipping insurance, get business deals, investments, or contract or get trade financing if there is any suspicion that it found to be involved, directly or indirectly, in efforts to bypass restrictions. So UK companies, financiers and international partners will de-associate themselves from such companies. Accordingly, some UK companies may take a cautious approach (sometimes termed ‘de-risking’) and refuse to do business with you on the grounds that, for example: a sanctioned person holds a minority interest in your company, You have links with sanctioned persons, They have any other concerns that they are unable to resolve to their satisfaction, They prefer to adopt a cautious approach on the basis of their internal policies

This means that:

- a. Banks may decline to process payments related to your company.
- b. Shipping agents may refuse to carry goods that pass through your warehouse or are associated with your brand.
- c. Insurers may cancel trade-related cover on short notice.
- d. And once this perception spreads, even non-UK companies may pull away to protect their own regulatory standing.

You or your business may be considered a high risk by UK suppliers

What Nigerian Businesses Should Do

If your company is active in logistics, procurement, construction, oil and gas, tech, manufacturing, cross-border finance, or plays in the field contained in sanction lists; you need to assume that your activities may be seen and monitored globally.

That means:

- a. Fully understand the industries and sectors under sanction.
- b. Know exactly where your goods are going, and who is ultimately receiving them.
- c. Review the jurisdictions you are dealing with, and cross-check them with the UK's published sanctions list.
- d. Identify whether any of the goods or services you are handling could be subject to restrictions, especially defence, aviation, energy equipment, or IT tools.
- e. If you engage UK-based suppliers, insurers, or banks, their rules may affect you, even though you're outside UK borders.
- f. Review the contracts you have with international partners. Many UK entities are inserting sanctions compliance clauses. If your activity breaches these, they may terminate the contract without consequence.
- g. Finally, if you have staff or agents in high-risk jurisdictions, ensure they understand the risks, and do not cut corners on documentation, shipment declarations, or licensing.


Legalify Attorneys assists Nigerian businesses in reviewing existing trade structures, tracing risks within the supply chain, reviewing counterparty exposure, and preparing documentation that demonstrates responsible conduct.

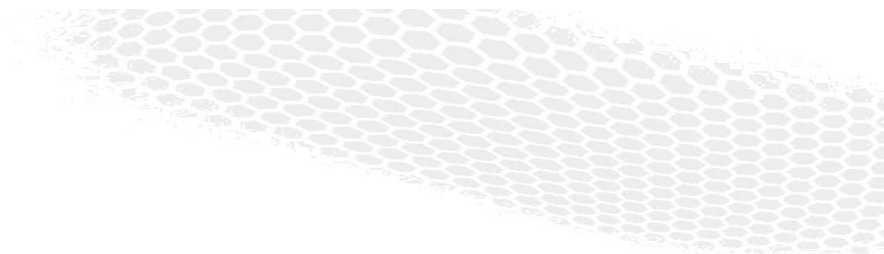
Conclusion

UK sanctions are no longer limited to UK actors. They are increasingly applied based on behaviour and traces, even outside the country's borders; and Nigerian businesses are not excluded.

In many cases, the legal exposure may not be criminal in nature but that such business may be locked out of financial and trade systems quietly, based on patterns of conduct that suggest sanctions avoidance, and its assets frozen. **Proactive measure is the safe measure. Your business must treat sanctions compliance as a real part of their international risk management and due diligence.** if your business has exposure to international routes, partners, or sensitive goods, you may consider now as the time to take this seriously.

Disclaimer

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