APPRAISING THE IMPACT OF DIGITAL CORPORATE GOVERNANCE ON THE INDOOR MANAGEMENT RULE UNDER NIGERIAN COMPANY LAW

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Abstract
The Indoor Management Rule is a fundamental principle in company law, which protects third parties dealing with companies from internal irregularities. However, the advent of the digital corporate governance has transformed the way companies operate and make decisions. Employing doctrinal research methodology, this paper appraised the impact of digital corporate governance on the indoor management rule within the framework of Nigerian Company Law. The paper examined whether digital governance mechanisms, such as electronic filings, virtual meetings, and automated compliance systems enhance transparency and reduce the reliance on the rule, or whether they introduce complexities that undermine its protective function. The findings of this paper revealed that digital corporate governance enhances transparency and accessibility, potentially reducing reliance on the rule but also raises concerns about authenticity and cybersecurity. The paper recommended among other things regulatory reforms to provide clearer guidance on the application of the Indoor Management Rule in the context of Digital Corporate Governance.

Keywords: Impact, Digital Corporate Governance, Indoor Management Rule, CAMA 2020, Nigeria.

1. Introduction

The landscape of corporate governance is undergoing rapid transformation with the advent of digital technologies. In the Nigerian corporate landscape, traditional governance structures have long relied on physical documentation, in-person meetings, and manual decision-making processes. However, the advent of digital technologies has transformed the way companies operate and make decision. Digital corporate governance, which refers to the use of digital technologies and platforms to enhance corporate governance, has become increasingly prevalent in recent years (OECD, 2020)[1]. This shift raises important legal considerations, particularly the continued relevance and application of established corporate law doctrines such as the indoor management rule. The indoor management rule protects external parties dealing with a company by allowing them to assume that internal regulations and procedures have been duly complied with, as enshrined in the company's constitution. However, the rise of digital governance introduces new complexities to this longstanding doctrine.

This study aims to appraise the impact of Digital Corporate Governance on the Indoor Management Rule under Nigerian company law. The study examines the provisions of CAMA 2020 and assess their implications for the Indoor Management Rule in the context of Digital Corporate Governance. It explores whether digitalization enhances corporate transparency or introduces new risks, and proposes legal reforms to ensure that corporate law remains effective in protecting third-party interests in a rapidly digitalizing business environment.

2. The Indoor Management Rule

The Indoor Management Rule is a fundamental principle in company law, which shields a company's internal management and decision-making processes from external scrutiny. [1] This rule, also known as the "rule in *Royal British Bank v Turquand*" states that outsiders dealing with a company

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[1] P L Davies & L C B Gower, *Gower & Davies : The Principles of Modern Company Law* (London: Sweet & Maxwell, 2008)

are not bound to ensure that all the internal regulations of the company have in fact been complied with as regards the exercise and delegation of authority; but they are entitled to assume that all acts of internal management have been properly carried out in accordance with the maxim "omnia praesumuntur rite et solemniter esse acta" - "all things have been done properly and solemnly which ought to have been done". In essence, it prevents companies from invalidating transactions on the basis of internal procedural irregularities unknown to the third party.

The indoor management rule otherwise presumption of regularity means that if a person in good faith deals with a board of directors or any other representative body of the company while exercising powers of and directing the business and affairs of the company, that person is not affected by any defects in internal procedure or by its failure to fulfil conditions which are required by the company's memorandum or articles to be fulfilled before the act or transaction is effected. This rule has traditionally functioned as a safeguard against corporate misconduct and undue repudiation of contractual obligations. The rule also serves as an exception to the doctrine of constructive notice, which presumes that individuals transacting with a company are aware of the provisions contained in its publicly available documents, such as the Memorandum and Articles of Association.[2] While constructive notice could unfairly burden outsiders, the indoor management rule offers protection by allowing them to rely on the company's representations.

The rule was first established in *Royal British Bank v Turquand* [3]**,** In this case, the Royal British Bank sued the company's liquidator, Turquand, for repayment of a loan taken by the company's directors. According to the company's memorandum and articles of association, the directors are only empowered to borrow money subject to approval by an ordinary resolution of the members in general meeting. The resolution was in fact passed but it had not specified the amount the directors could borrow. The company contended that under its articles of association, directors are only empowered to borrow certain amount authorised by resolution of simple majority of members in its general meeting. It was held that the bond was valid and enforceable; as such the plaintiff can legally enforce its terms. The Court further held that the plaintiff bank is by law, permitted to assume that the resolution permitting the directors to borrow the amount pursuant to the articles was duly held and allowed, it was not in position to know or enquire about the internal formalities of the company. The defendant company was therefore liable. According to the court:

> …We may now take for granted that the dealings with these companies are not like dealings with other partnerships, and that the parties dealing with them are bound to read the statute and the deed of settlement. But they are not bound to do more. And the party here, on reading the deed of settlement, would find, not a prohibition from borrowing, but a permission to do so on certain conditions. Finding that the authority might be made complete by a resolution, he would have a right to infer the fact of a resolution authorizing that which on the face of the document appeared to be legitimately done. It is clear that by the judicial decision above, a third party is still having some little problems in the sense that the rule only obviated him from the cumbersome and burdensome inquiries into the internal affairs of a company to which the doctrine of constructive notice hitherto, made no reference.

This principle has since been widely applied in many jurisdictions, including Nigeria, where courts have reaffirmed the doctrine in several decisions to protect third parties dealing with companies. [4]Statutorily, the indoor management rule came to light in Nigerian legislation when Companies and Allied Matters Act was promulgated in 1990.

[2] Constructive notice has been abolished via section 92 of CAMA 2020.

[3] (1856) 6 E&B 327

[4] Such as *Metal Construction (W.A.) Ltd. v Aboderin* (1998) 6 NWLR (Pt. 554) 563; *Pool House Group (Nigeria) Ltd. v African Continental Bank Ltd*. (1969) N.M.L.R. 347; *African Development Corporation Ltd. v Lagos Executive Development Board & Anor* (1978) NSCC 220; *Trenco (Nigeria) Ltd. v African Real Estate and Investment Co.,* (1978) 3 S.C.9, (1978) 1 L.R.N. 146; *Metalimpex v A.G. Leventis and Co. (Nig.) Ltd*(1976) 2 S.C.91; (1976) 1. All N.L.R. Pt. 1. 94 8; *UBA Plc v Jargaba* (2007) 11 NWLR (Pt. 1045) 247**,** etc.

Adoption of the rule followed abolition of application of the doctrine of constructive notice with respect to the company's memorandum and articles of association under section 68.[5] Accordingly, section 92 CAMA 2020 provides that except as mentioned in section 223 of this Act, regarding particulars in the register of particulars of charges, a person is not deemed to have knowledge of the contents of the memorandum and articles of a company or of any other particulars, documents, or the contents of documents merely because such particulars or documents are registered by the Commission or referred to in the particulars or documents so registered, or are available for inspection at an office of the company. CAMA further provides that where a person deals with a company or with someone deriving title under the company, that person is entitled to assume that certain acts of the company are in line with its constitution and the company and those deriving title under shall be estopped from denying its truth subsequently.[6]

This provision directly applies the indoor management rule by ensuring that third parties dealing with a company are not required to verify internal approvals, resolutions, or authorizations before completing a transaction. If an officer of a company enters into a contract on behalf of the company, the third party can assume that the officer has obtained the necessary internal approval, unless the third party had actual knowledge of the irregularity or there is evidence of fraud.[7] However, it would appear that this rule cannot be upheld in all cases involving the authority of company employees. Its application or otherwise depends on a particular circumstance of each case including the status of the company official. This principle could be seen in the case of *Onuh v United Nigeria Insurance Co. Ltd.*,[8] the court held that the rule was inapplicable and the company was not bound to a third party on the basis of a letter written by a clerk who did not sign even in a representative capacity. The court held that the plaintiff was under a duty to find out what position the person who signed the letter that emanated from the company; he was not entitled to assume that a company clerk is an authorized official. The unavoidable conclusion is that if an employee or agent of a company does not hold a position where they would typically have the authority to bind the company in a specific transaction, the company will not be bound unless the individual has actual authority or has otherwise been represented as having such authority.

2.2 Exceptions to the Indoor Management Rule

The Indoor Management Rule has gained significance in today's world where companies play a central role in economic and social life. However, it has evolved to accommodate certain exceptions, ensuring it does not favour outsiders to the detriment of companies. Some of these exceptions are:

A. Cases of Actual Knowledge

A person will not be allowed to rely on the rule where he is aware of non-compliance or irregularities within the company.[9] Knowledge of any irregularity may arise from the fact that the person contracting was himself a party to the inside procedure. The rationale for this is that such a person lacks good faith and should not be allowed to presume in his own favour that things are rightly done when he is aware that they are irregularly done. In *Afolabi v Polymera Industries (Nigeria) Limited,*[10] the plaintiff claimed that he had been appointed a sole agent by the defendant to sell their products. He based his action, for money due as commission and damages for breach of contract, on a letter written by Mr Okusanya, a subordinate employee of the company, purporting to appoint the plaintiff as defendant's agent. The court found that neither the managing director, nor

[5] Now section 92 CAMA 2020.
[6] CAMA, s 93.
[7] Proviso to section 93 CAMA, s 94.
[8] (1974) 3 A.L.R. Comm.
[9] Proviso to section 93 of CAMA 2020.
[10] (1961), (2) A.L.R. Comm, 205.

any other director had proposed the terms set out in the letter to plaintiff; that Mr Okusanya was not directed to write such a letter. The court further found that "the plaintiff was maintaining a rather sinister association with some members of the defendant's staff and was wielding a somewhat unwholesome influence on them and that such led to the issue of the letter looks like fraud". It was held that no contract existed between the parties. This is because the plaintiff knew of the internal irregularity and therefore lacked good faith.

B. Transactions of Unusual Nature or Suspicious Circumstances

In certain cases, parties dealing with a company cannot simply assume that all actions have been properly authorized. The rationale for this exception is that a person will not be allowed to presume in his own favour that things are rightly done if he refuses to make inquiry which ought to have revealed to him that the things were wrongly done. In *A.L. Underwood Ltd. v Bank of Liverpool and Martins*,[11] the sole director and main shareholder in a company paid cheques, drawn in favour of the company, into his own account. It was held that the bank was put upon inquiry and for failure to make the necessary inquiry under these circumstances, the bank was not entitled to rely on the director's ostensible authority and could not rely on the 'indoor management rule' and it was not entitled to presume that the director had the authority to pay the company's cheques into his own account.

C. Lack of Knowledge of the Contents of the Memorandum and Articles

This exception essentially restates the negative effect of the doctrine of constructive notice. The rationale is that if a person dealing with a company is unaware of a power granted by the company's memorandum or articles of association, they cannot later rely on that unknown power to validate the transaction. In *Ajayi v Lagos City Council*,[12] the articles of association allowed powers to be delegated to a director of the company. The plaintiff entered into a contract with a director who had no power to do so. But the plaintiff was not aware of the delegation of powers contained in the articles of association. It was held that the plaintiff who had no knowledge of the articles could not rely on those articles as conferring ostensible or apparent authority on the director and that the company was not estopped from establishing that there was no authority in the director to enter into the contract or agreement with the plaintiff on behalf of the company. Also, in *Houghton and Co. v Nothard Lower and Wills Ltd*.[13] , a director of the defendant company purported to commit his company to certain contracts with the plaintiff company although he had no actual authority to do so. Under defendants articles of association the Board was empowered to delegate its functions to a single director, but the plaintiff had no knowledge of the articles. The Court of Appeal reversed the decision of the lower court and held that the plaintiff could not enforce the contract against the defendant company. According to the court:

> In a case like this where that power of delegation had not been exercised, and where admittedly (the plaintiffs) had no knowledge of the existence of that power and did not rely on it, I cannot for myself see how they can subsequently make use of this unknown power so as to validate the transaction. They could rely on the fact of delegation, had it been a fact, whether known to them or not. They might rely on their knowledge of the power of delegation, had they known of it, as part of the circumstances entitling them to infer that there had been a delegation and to act on that inference, though it were in fact mistaken one. But it is quite another thing to say that the plaintiffs are entitled now to rely on the supposed exercise of a power which was never in fact exercised and of the existence of which they were in ignorance at the date when they contracted.

[11] (1924) 1 K.B. 775.
[12] (1967) (3) A.L.R. Comm. 213.
[13] (1927) 1 K.B. 246, at p. 266 (per Sargent J.)

D. Cases Involving Insiders

Under this exception, a director or a purported director or someone so closely related to the company as to have been taken to know of the internal irregularity would not be allowed to rely on the rule.[14] In *Howard v Patent Ivory Manufacturing Co*.,[15] debentures had been issued for an amount which under the articles required authorization by resolution of the general meeting. No such resolution had been passed. All the debenture holders who were directors of the company were not allowed to rely on the rule by the Court since they must be taken to have known that the internal requirements of the company had not been observed and the debentures were invalid. Also, in *Morris v Kanssen,*[16] C. whose appointment as director had ceased, and S., who had never been appointed a director, purported to hold a board meeting and appoint M. a director. Then all three purported to allot shares to M. M. sought to rely on the rule to validate his appointment and the allotment of shares to him. It was held that the rule would not apply since M. purported to act as a director in the transaction. Giving the rationale for this decision, Lord Simonds said:

> It is a rule designed for the protection of those who are entitled to assume, just because they cannot know, that the person with whom they deal has the authority which he claims … It is the duty of directors, and equally of those who purport to act as directors, to look after the affairs of the company, to see that it acts within its powers and that its transactions are regular and orderly. To admit in their favour a presumption that that is rightly done which they have themselves wrongly done is to encourage ignorance and condone dereliction from duty …[17]

E. Cases of Forgery or non-genuine Transactions

The rule does not cover situations where documents or authorizations relied upon by third parties are forged. It does not apply when an outsider relies on a document that is forged in the name of the company.[18] A company cannot be held liable for forgeries committed by its officers. The rule is designed to cover mere irregularities in a genuine transaction, not a case of forgery. Nigerian courts have consistently excluded fraud from the scope of the indoor management rule. In the case of *Ruben v Great Fingall Consolidated,*[19] the appellants in good faith advanced a sum of money to the secretary of the respondent company for his own purposes. They relied for security on a share certificate of the company's register of shareholders as transferees of the shares. The seal had been fixed, without authority, by the secretary who had also forged the signatures of the two directors required to sign by the articles. The House of Lords held that the company was entitled to decline to register the appellants as owners of the shares, and that they could not rely on the rule. Similarly, in *Okonkwo v Cooperative Bank Ltd*,[20] the Nigerian courts refused to enforce a transaction where a company's officer had engaged in fraudulent activities.

3. Digital Corporate Governance under CAMA 2020

In Nigeria, the enactment of the Companies and Allied Matters Act 2020[21] introduced significant reforms that support the digitalization of corporate governance.[22] It emphasizes digitalization

[14] Proviso to s 93 CAMA

[15] (1883) 38 ChD 156

[16] (1946) AC 459.

[17] Ibid. 475-76, 592-93. But see *Hely-Hutchinson v Brayhead Ltd*. (1968) 1 Q.B. 549, where a director was allowed to rely on the rule where he was acting wholly as an individual (outsider) in a way which, the court said, had nothing to do with his duties and obligations as a director of the company when he entered into the contract with his company.

[18] CAMA, s 94.

[19] (1906) A C 439.

[20] (1997) 6 NWLR (Pt. 507) 48.

[21] Hereinafter refer to as CAMA.

[22] Digital corporate governance refers to the use of digital technologies and platforms to facilitate the governance of companies. This includes the use of electronic means for meetings, decision-making, and communication among stakeholders.

through various provisions. These reforms align with global trends in corporate management and aim to modernize business operations, reduce bureaucracy, and improve access to corporate information. One of the most significant provisions of CAMA is section 860, which recognizes the validity of electronic documents. This provision reduces the reliance on physical documents, thereby facilitating the adoption of digital record-keeping practices by Nigerian companies.

Another important reform introduced by CAMA is the recognition of virtual meetings for private companies.[23] Before the enactment of CAMA 2020, corporate governance practices required physical board and shareholder meetings, making it difficult for companies to make swift decisions, especially in a rapidly evolving business environment. With the CAMA 2020, private companies can hold virtual meetings, enabling decision-making in remote or hybrid work environment. It also enhances accessibility and reduces costs associated with physical attendance. This provision is particularly beneficial in a digital age where geographical limitations can hinder participation. However, this also raises legal concerns regarding the verification of quorum, authenticity of decisions made during online meetings, and the risks of digital fraud. Courts may need to interpret how decisions made in virtual environments align with existing principles of corporate authority and governance.

Additionally, section 101 of CAMA 2020 permits electronic signature. This allows for secure and efficient execution of contracts and other legal documents. It reduces the need for physical paperwork and speeds up business processes. The Act also encourages the use of electronic instruments for share transfers, streamlining processes and reducing paperwork.[24]

Moreover, the adoption of blockchain technology in corporate governance has significant potential to transform corporate governance by providing tamper-proof systems for maintaining records and ensuring transparency. For instance, companies can adopt blockchain to record shareholder resolutions, board decisions, and voting outcomes securely and immutably, building trust among stakeholders.

Artificial intelligence (AI), another digital governance tool is also significantly transforming digital governance by enhancing regulatory compliance monitoring, risk detection, and strategic decision-making. AI-powered systems can proactively identify potential non-compliance or fraudulent activities, aligning with corporate governance objectives. For instance, AI algorithms can analyze complex financial data to detect irregular patterns, facilitating timely corrective measures. [25]This integration of AI into governance frameworks not only streamlines compliance processes but also bolsters organizational accountability and transparency.

In summary, the drive towards enhanced transparency and accountability has catalyzed the adoption of digital corporate governance practices. By embracing technological solutions, companies can offer stakeholders improved access to critical corporate information, fostering trust and confidence. This extends to utilizing online platforms for sharing financial details and other important information.

4. Impact of Digital Corporate Governance on the Indoor Management Rule

The impact of digital corporate governance on the indoor management rule is a complex interplay of technological advancement and legal adaptation. The indoor management rule which operates as a safeguard for external parties who act in good faith, ensuring that they are not unduly prejudiced by internal irregularities within a company. It ensures that a company's internal management and decision-making processes are not subject to external scrutiny, as long as they are conducted in good faith and in accordance with the company's constitution[1]. However, the advent of digital corporate

[23] CAMA, s 240(2)
[24] Ibid, s 175(1).
[25] T Ehret, 'Where AI will Play an Important Role in Governance, Risk & Compliance Programs', < https://www.thomsonreuters.com/en-us/posts/corporates/ai-governance-risk-compliance-programs/?utm_source=chatgpt.com> accessed 20 March 2025.

governance has raised questions about the continued relevance and application of the indoor management rule. In essence, the integration of digital corporate governance has introduced new dimensions to this rule, necessitating a reevaluation of its application in the Nigerian context.

One significant impact of digital corporate governance on the indoor management rule is the enhancement of transparency and accessibility. Under section 865 of CAMA 2020, companies are allowed to file documents electronically with the Corporate Affairs Commission. This provision enhances information transparency and accessibility. It ensures that corporate information, including resolutions, financial records, and statutory registers, is readily accessible to stakeholders. This increased accessibility can blur the line between "insiders" and "outsiders," and thus, erode the presumption of ignorance, potentially diminishing the protection afforded by the indoor management rule. For instance, if third parties have access to internal company information through online platforms, they may be expected to conduct more thorough due diligence, reducing their reliance on the presumption of regularity. Thus, by leveraging digital tools, third parties can verify the authenticity of corporate documents and ensure compliance with procedural requirements, thereby reducing third-party dependence on the indoor management rule.

Moreover, the integration of blockchain technology into corporate governance has enabled real-time, tamper-proof records of corporate actions, thereby allowing external parties to verify whether internal procedures were followed correctly. Blockchain, with its decentralized and immutable nature, ensures that records such as board resolutions and shareholder approvals are secure and verifiable. This development reduces the need for the traditional protections offered by the indoor management rule, as third parties no longer have to rely solely on presumptions but can access verifiable records through distributed ledger systems.[26] As such, this integration strengthens the reliability of digital governance tools by allowing third parties to verify internal compliance through electronic records rather than mere assumptions.

Furthermore, section 240(2) of CAMA 2020, allows private companies to hold virtual general meetings. This provision is particularly beneficial in a digital age where geographical limitations can hinder participation. However, the allowance of virtual general meetings complicate the application of the indoor management rule. While it promotes accessibility, it also necessitates clear procedures for authentication, voting, and participation. For instance, in traditional settings, third parties could rely on physical documentation and in-person confirmations of corporate actions. Virtual meetings introduce potential ambiguities, as third parties may not have direct access to the digital platforms or meeting records to verify internal compliance. If a resolution passed in a virtual meeting is later challenged on grounds of non-compliance with internal procedures, third parties relying on the indoor management rule may face uncertainties.

Perhaps, the rule traditionally assumes that internal procedures were followed in physical meetings. However, virtual meetings require digital verification, raising questions about the reliability of electronic participation and voting records. As such, if a company's articles specify certain requirements for conducting virtual meetings, a third party may assume that the company has complied with these requirements. However, if a company fails to adhere to these requirements, and a third party is negatively impacted, the indoor management rule may be challenged.

Moreover, digital corporate governance plays a pivotal role in mitigating unauthorized transactions, which are central to the application of the indoor management rule. By adopting digital governance practices, companies strengthen internal controls, reducing the likelihood of unauthorized transactions. This enhancement aligns with the principles of the indoor management rule, ensuring adherence to internal procedures and reinforcing external trust in corporate governance. As a result, technological advancements help preserve the integrity of internal processes, making the rule’s application more effective.

Additionally, automated compliance systems and AI-driven governance mechanisms further transform the application of the indoor management rule by minimizing the occurrence of unauthorized

[26]D Yermack, ‘Corporate Governance and Blockchains’, (2017) 21 (1) *Review of Finance,* 7.

corporate transactions. AI-driven contract management systems, for instance, ensure that only duly authorized individuals can enter into transactions on behalf of the company.[27] Consequently, reliance on the indoor management rule diminishes, as digital governance significantly reduces the risk of unauthorized transactions occurring in the first place.

Furthermore, automated decision-making tools embedded within corporate structures reinforce this shift by ensuring that all approvals, resolutions, and internal procedures are met before a transaction is finalized. These mechanisms make it more difficult for unauthorized agents to act beyond their authority, further reducing the necessity of invoking the indoor management rule as a protective measure.

5. Challenges in Implementing Digital Corporate Governance in Nigeria

Digital corporate governance has introduced revolutionary changes in corporate operations and regulatory compliance. However, its implementation in Nigeria faces several challenges that impact its effectiveness, particularly in relation to the indoor management rule.

One primary challenge in integrating digital corporate governance with the indoor management rule lies in the issue of verification. Digital governance relies heavily on the availability and accessibility of accurate and up-to-date corporate records, often stored on online platforms or databases. While this technological approach can theoretically simplify the process of verifying a company's compliance with internal rules, it also introduces risks. For instance, digital governance introduces complexities regarding the verification of electronic approvals**.** If a contract or transaction is executed using an electronic signature, can third parties still assume that it was properly authorized?

Perhaps, determining the authenticity of digital authorizations can be complex, especially in the absence of standardized digital verification systems. Third parties may struggle to ascertain whether electronic approvals genuinely reflect the company's internal consent, thereby undermining the protection traditionally offered by the indoor management rule.

Another significant challenge is cybersecurity. Digital platforms are susceptible to cybersecurity threats, including hacking, data breaches, and unauthorized alterations. For third parties, this raises concerns about the reliability of the company's digital representations. If internal digital processes are compromised, third parties who rely on digital corporate documents may face legal uncertainties. For instance, if a fraudulent director gains access to a company's digital platform and executes an unauthorized contract**,** can the company later deny liability by claiming internal irregularities? Traditionally, the Indoor Management Rule would hold the company liable for its officer's actions, but in a digital setting, third parties may face difficulties proving they acted in good faith without knowledge of the cyber breach.[28] As such, courts may need to reconsider the balance between protecting innocent third parties and ensuring corporate accountability in an era where digital records can be manipulated despite security measures.

The need for robust cybersecurity measures, including data encryption, access controls, and regular security audits, is therefore paramount. However, many Nigerian companies, particularly small and medium-sized enterprises (SMEs), may lack the resources and expertise to implement adequate cybersecurity protocols.

Additionally, the adoption of digital corporate governance requires digital literacy among corporate officers. Directors, officers, and employees must acquire the necessary digital literacy to navigate electronic governance systems effectively. This digital literacy gap hinders the effective application of digital corporate governance, thereby undermining the indoor management rule.

Legal and regulatory challenges also come to the fore. The Nigerian legal system, like many others, is rooted in traditional governance concepts and may not yet be fully equipped to address

[27] M Fenwick, W A Kaal, & E P M Vermeulen, 'Legal Technology: The Future of Legal Work?' (2019) 23 (4) The *Journal of Management and Governance,* 937.

[28] B Hannigan. (2018). *Company Law*. Oxford University Press.

the complexities introduced by digital corporate governance. For example, questions arise about the evidentiary status of digital records in court proceedings, especially when disputes involve the indoor management rule. Are digitally stored records deemed as credible and authoritative as traditional paper documents? What legal mechanisms exist to resolve conflicts arising from discrepancies in digital information? Additionally, the validity of smart contracts, blockchain-based voting in shareholder meetings, and AI-generated corporate resolutions remains largely untested in Nigerian courts. The lack of judicial clarity creates uncertainty for companies and investors, who may be reluctant to adopt fully digital governance mechanisms due to fears of legal disputes without clear legal interpretations. These questions therefore highlight the need for legislative and judicial adaptation to ensure that the integration of digital governance with established legal doctrines does not create ambiguity or erode the rule's protective intent.

The challenge of weak enforcement mechanisms further compounds the problem. Effective digital corporate governance therefore requires robust regulatory frameworks to oversee the implementation and operation of digital tools. However, Nigeria's regulatory landscape is still struggling to keep pace with the rapid evolution of technology. Inadequate resources, lack of technological expertise among regulators, and corporate resistance to change may also affect regulatory agencies in effectively monitoring and enforcing compliance with digital governance standards. This regulatory deficit can erode the trustworthiness and reliability of digital governance systems, leaving third parties uncertain about the applicability of the indoor management rule in digital contexts.

Cultural attitudes and institutional context of Nigeria plays a significant role in the adoption of digital corporate governance. Traditional business practices and a culture of informality can create resistance to the adoption of formal digital processes. The adoption of digital corporate governance requires a cultural shift toward embracing technology as a central component of corporate administration. Resistance to change, coupled with skepticism about the effectiveness and reliability of digital tools, can hinder the successful integration of digital practices with the indoor management rule. For example, some stakeholders may prefer to rely on personal relationships or verbal assurances rather than digital records, potentially negating the benefits of digital governance in promoting transparency and accountability.

Finally, the lack of adequate technological infrastructure poses a practical challenge. Despite the increasing penetration of digital technologies, many companies, especially small and medium-sized enterprises (SMEs), struggle with limited access to high-speed internet, unreliable power supply, and outdated technological systems. Nigeria’s digital infrastructure remains underdeveloped, particularly in rural areas, creating barriers to the widespread adoption of digital governance tools. This challenge impedes the practical application of provisions such as section 240(2) of CAMA 2020, which permits virtual general meetings. While the law allows such meetings, the lack of reliable internet access in many regions makes compliance difficult. Moreover, establishing secure and reliable digital platforms requires significant financial investment, which may be prohibitive for many Nigerian companies, particularly SMEs. The costs associated with training employees, upgrading infrastructure, and ensuring compliance with regulatory standards can further complicate the issue of effective implementation. These financial constraints can result in uneven adoption of digital governance practices across the corporate sector, creating inconsistencies that complicate the application of the indoor management rule.

6. Conclusion and Recommendations

The impact of digital corporate governance on the indoor management rule is both complex and multifaceted. Digital corporate governance enhances transparency and accessibility to corporate records, making it easier for third parties to verify a company’s compliance with its internal regulations. This reduces reliance on the indoor management rule, as third parties can independently confirm the legitimacy of corporate actions. Consequently, the advent of digital corporate governance has introduced new dimensions to this rule, necessitating a reevaluation of its application in the Nigerian context. However, integrating digital governance also presents significant complexities such as cybersecurity risks, which can compromise the integrity of digital records, raising concerns about their reliability. Additionally, legal and regulatory challenges creates uncertainties regarding the application of the indoor management rule in a digital environment. To address these challenges, it is essential for courts and lawmakers to adapt the indoor management rule to accommodate modern corporate practices. Clear guidelines on the use of digital platforms for corporate governance would help align the indoor management rule with contemporary technological realities.