

JURISDICTIONAL POWERS OF THE FEDERAL AND STATE HIGH COURTS IN NIGERIA IN CASES ARISING FROM SIMPLE CONTRACTS

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1.0 INTRODUCTION

Where a Court lacks the requisite jurisdiction to entertain a suit, the proceedings are and remain a nullity however well conducted and brilliantly decided they might otherwise have been on grounds that a defect in competence is not intrinsic but extrinsic to adjudication.[1] Jurisdiction is the authority a Court has to decide matters before it or take cognizance of issues presented in a formal way for decisions. [2] Jurisdiction can be classified into territorial, subject matter, and personal jurisdiction.

A court's jurisdiction is established by law, granted by both the Constitution and the statute that creates the court.[3] This forms the very basis for any legal proceeding, serving as the pillar upon which every part of the judicial process is built.[4] Without this jurisdiction², no matter how properly a proceeding is conducted, it is entirely invalid.[5]

Therefore, the courts have consistently emphasized that jurisdiction must be resolved before delving into the substantive matter of a case. In *The Attorney General of Lagos State v. The Hon. Justice L.J. Dosunmu*, it was stated per Honourable Justice Oputa J.S.C. (as he then was) that:[6]

“When a court’s jurisdiction is challenged, I think it is neater and far better to settle the issue one way or another before proceeding to the hearing of the case on its merits. The reason is that jurisdiction is a radical and crucial question of competence”.

[1] *Madukolu v Nkemdili*, 1962 2 SCNLR 341 [2] *Ndaeyo v Ogunaya* 1977 1 SC 11 [3] K. Ibe and I. Olateru-Olagbegi, ‘Determination of the Jurisdiction of the Federal High Court Over Contractual Matters- A Review of the Supreme Court Decision in *Crestar V SPDC*’ *The Gravitas Review of Business and Property Law* (2021) 12 (3) <1 For the purpose of convenience, the terms ‘Local Government’, ‘Local Government Council’ and ‘Local Government Area’ will be used interchangeably. 2 Ameh E. (2022): ‘Why Supreme Court nullified Buhari’s Executive Order 10’ *Premium Times*, 12 February. Available at: <https://www.premiumtimesng.com/news/headlines/510954-why-supreme-court-nullified-buharis-executive-order-10.html?tztc=1> (Accessed: 12 July, 2024).> accessed 2nd February 2025

[4] *ibid* [5] *ibid* [6] 1989 1ANLR 504 at 512

The determination of jurisdiction goes beyond examining the statutes granting Courts their authority to the Claimant's claims (cause of action) as outlined in the Writ of Summons or Statement of Claim. The cause of action encompasses the facts or combination of facts recognized by law that give the Claimant the right to seek legal redress. It consists of two key elements: the Defendant's alleged wrongful act and the resulting harm to the Claimant.[7]

This article examines the scope of the jurisdictional powers the Federal and State High Courts have over simple contracts and possible exceptions to such jurisdiction.

2.0 DISTINCTION BETWEEN SIMPLE AND FORMAL CONTRACTS



Tobi, J.C.A. defined a contract as an agreement between two or more parties that creates reciprocal legal obligations to do or not do particular things.

Contracts are categorized as either simple or formal, depending on the legal requirements for their formation and validity.

A simple contract has been defined as a contract other than a formal contract or contract required to be under seal.[8] A simple contract is therefore a contract made orally or in writing, or both as opposed to a contract made under seal or by deed.

Simple contracts require consideration to be valid, however, they may be implied from the conduct of parties bound by the contract.[9] Simple contracts, written or oral, are legally binding if they fulfil basic contract requirements. For a simple contract to be considered complete, there must be present, an offer, acceptance, consideration, and an intention to create legal relations between the parties involved.

[7] *Savage v Uwaechia* 1972 ANLR 255

[8] *Ascot Flowliness Ltd v. Bv Integrated Projects Ltd* (2015) LPELR-25680(CA)

[9] David M. Walker; *The Oxford Companion to Law* 1144 (1980) (describing a "simple contract" as a "contract made not under seal, but orally or in writing").

On the other hand, formal contracts must follow specific formalities as required by law, such as being written, signed, sealed, or notarized, and these formalities are essential for the contract to be legally valid.[10] Formal contracts, also referred to as contracts under seal or deeds, are contracts that are required to be in writing and to possess the seal of whoever is to execute the contract.

Simple contracts, often used in casual settings for straightforward agreements which are quickly formed and generally outline the basic intent of the offer, lack detailed provisions for dispute resolution or contingencies.[11] Although generally straightforward, several legal issues may arise from simple contracts, such as whether there was a proper offer, acceptance, consideration, or adequate consent, non-performance and breach of contract generally, can result in claims for damages or other remedies.

Formal contracts are designed for complex transactions with significant risk, offering greater protection through detailed specifications of obligations, timelines, payment terms, and dispute procedures.[12] This added complexity requires a detailed drafting process, typically including legal review and thorough negotiation to ensure enforceability and minimize ambiguity.[13]

3.0 DETERMINING THE JURISDICTIONAL POWERS OF THE FEDERAL AND STATE HIGH COURTS OVER SIMPLE CONTRACTS

3.1 Legal Framework for Jurisdiction of Federal and State High Courts

In the Nigerian legal system, the State and Federal High Courts are considered courts of equal jurisdiction.[14] This means that both courts are on the same hierarchy level and as such, neither court has the constitutional power to act as an appellate Court to review or overturn the decisions of the other.[15] A distinctive feature of a court of equal jurisdiction is exclusivity over specific subject matters upon which another court of the same jurisdiction cannot adjudicate.

The Federal High Court has exclusive and original jurisdiction over civil matters listed under section 251(1) of the Constitution.[16] For example, the Federal High Court has jurisdiction over matters involving the Federal Government of Nigeria, taxation, banking, companies, intellectual property, customs, and admiralty, among others.[17] Section 7 of the Federal High Court Act has similar provisions.[18]

The State High Court, on the other hand, has jurisdiction over civil matters provided for in section 272(1) of the Constitution which provides as follows:

“Subject to the provisions of section 251 and other provisions of this Constitution, the High Court of a State shall have jurisdiction to hear and determine any civil proceedings in which the existence or extent of a legal right, power, duty, liability, privilege, interest, obligation or claim is in issue...”

[10] M. Lobb, 'Difference Between Simple Contracts and Formal Contracts', 2024, < <https://www.lobbblewe.com/blog/difference-between-simple-contracts-and-formal-contracts/> > accessed 2nd February, 2025

[11] *ibid* [12] *ibid* [13] *ibid* [14] C. C. Ani, C. S. Nwakoby, G. E. Ngwu, 'Delineating Jurisdictional Indicators in Air-Carrier Liability Suits in Nigeria: The Simple Contract and Aviation Contract Perplexities' (2021) NAUJILJ 12 (2), 119-128, 119 [15] *ibid* [16] Constitution of the Federal Republic of Nigeria, 1999 as amended (CFRN). [17] Section 251 (1) (a-s) CFRN 1999

[18] Section 7 (1) (a-d) Federal High Court Act

3.2 Simple Contract as an Exception to the Exclusive Jurisdiction of the Federal High Court

Despite the original and exclusive jurisdiction of the Federal High Court over matters under section 251(1) of the Constitution, it does not have exclusive jurisdiction over matters not expressly listed under section 251 (1) of the Constitution. In other words, the jurisdictional powers of the Federal High Court terminate where the matter before the Court relates to simple contracts and State High Court assumes jurisdiction. The jurisdictional power of the State High Court over simple contracts is not subject to the fact that the matter before the court pertains to any of the matters listed under Section 251 (1) of the Constitution. Therefore, any matter before the Court which arises from a simple contract falls under the jurisdiction of the State High Court to the exclusion of the Federal High Court.



The Supreme Court in *TSKJ (Nig) Ltd v. Otochem (Nig) Ltd* held: [19]

“In the instant case, since disputes founded on contracts are not among those included in the additional jurisdiction conferred on the Federal High Court, that Court therefore had no jurisdiction to entertain the appellant's claim. The lower Court therefore acted rightly in its decision that the Federal High Court lacked jurisdiction to entertain the claim...The action that gave rise to this appeal is a case of simple contract which is within the civil jurisdiction of the Rivers State High Court.”

The facts of this case at the trial court are as follows. The Respondent – a marine construction and leasing company – and Appellant, were both incorporated limited liability companies. It was the Respondent's case that in February 1997 it entered into a contract with the Appellant for the supply of a houseboat for the temporary use of its staff, with an alleged advance payment of N6,288,000.00 representing hire rentals at N100,000 per day for two months, in addition to costs for transporting the boat from Warri to Bonny and modifications to be made before delivery. The Respondent contended that following delivery, upon the Appellant's request to upgrade the houseboat to European executive standard, further modifications costing N12m were carried out, but the Appellant subsequently refused or neglected to settle the bill, retaining the houseboat for 148 days until forced to retake possession. The Appellant, however, denied these claims, arguing non-delivery due to the Respondent's failure to meet the delivery deadline and required standard. Consequently, the Respondent instituted an action before the High Court of Rivers State seeking N14,800,000.00 for hire rentals, N12,000,000.00 special damages, and N40,000,000.00 general damages. At trial, judgment was entered in favour of the Respondent. On appeal, the award of N12m special damages was set aside. The Appellant further appealed to this Court, raising amongst others, the issue of whether the High Court of Rivers State had jurisdiction to entertain the suit. In support of this issue, counsel for the Appellant invoked Section 251(1)(g) of the Constitution and relevant provisions of the Admiralty Jurisdiction Act, contending that as the houseboat falls within the definition of a ship and the agreement for its hire is for a ship, the Respondent's claim falls within the exclusive admiralty jurisdiction of the Federal High Court. Counsel further argued that, by comparing Sections 272 and 251 of the Constitution, the Rivers State High Court lacked the requisite jurisdiction, urging this Court to declare the proceedings in the Rivers State High Court a nullity and strike out the appeal.

It was the Respondent's argument that the appeal was a simple case of debt owed which arose from breach of contract of hire of a houseboat. The Supreme Court observed that the claim was not a maritime claim and as such did not oust the jurisdiction of the state High Court.

In determining the jurisdiction of a Court, the apex Court stated that the two important determinants or factors which confer jurisdiction on a Court include:

- a.the Constitution or statute or law that creates the Court and;
- b.the nature of the case/suit/claims giving rise to the subject matter for litigation.

The action filed at the trial Court was for the recovery of accrued and unpaid hire rentals for a houseboat let to the Appellant by the Respondent and damages for breach of the contract. The fact that Section 26 of the Admiralty Jurisdiction Act, 1991, Cap. A5 of the Laws of the Federation of Nigeria, 2004, defines a ship as a vessel of any kind used or constructed for use in navigation by water, however, it is propelled or moved and includes a large, lighter, or other floating vessel, cannot convert an agreement for hire of a houseboat into an admiralty agreement. The Court further stated that the mere fact that a ship is involved in a simple contract does not automatically make that simple contract subject to jurisdiction in admiralty matters. The Court held that the subject matter of the case – debt recovery – arose out of a simple contract that was within the civil jurisdiction of the Rivers State High Court and that the trial Court properly assumed jurisdiction on the matter. The issue of jurisdiction was resolved against the appellant and in favor of the respondent.



In *Anazodo v. Pazmeck Intertrade (Nig) Ltd & Anor*,^[1] the Appellant being a Customs Licensed Clearing Agent in the Lagos Ports was engaged in 1999 to clear forty feet container of goods at the Lagos Ports for the Respondents, who were importers. The Respondents were charged N700,000 and paid same and agreed that the goods would be delivered within 2 weeks. When after 4 weeks the goods were not delivered, the Respondents went to ascertain the cause of the delay in the Lagos Ports. They were then informed that the Appellant allegedly forged some of

[1] (2023) LPELR-59879(SC)

the documents and receipts used in clearing the said container, which caused the container to be seized.

All efforts to secure the release of the container failed. The Respondents instituted the suit in the Nnewi High Court claiming N5 million damages as special and general damages. One of the issues for determination was the State High Court had jurisdiction to entertain the suit in spite of the issues pertaining to the revenue of the Federal Government and operations of the Nigerian Customs Service. The trial Court and the Court of Appeal delivered judgment in favour of the Respondents, hence the appeal to the Supreme Court by the Appellant. The Supreme Court held that:



"It has also been firmly settled by this Court that matters of simple contract do not fall within the exclusive jurisdiction of the Federal High Court. In the instant case, as ably demonstrated in the lead judgment, the claim before the trial Court was founded on breach of contract, for which an award of damages would be the appropriate remedy. There is nothing in the pleadings of either party to suggest that the subject matter of the suit has anything to do with customs and excise duties and/or export duties, nor does it relate to the management and control, executive or administrative decision of the Board of Customs and Excise or any of its agencies. Although the Appellant is a licensed customs agent, the dispute between him and the Respondent is clearly contractual. The Court below was therefore right when it held that the Anambra State High Court had the requisite jurisdiction to entertain the claim."

The case bothers on breach of contract which is generally an issue arising from simple contract, with damages as the remedy sought. Although one of the parties is a licensed customs agent, the claim or pleadings do not raise any issues related to customs, excise duties, export duties, or the administrative decisions of the Board of Customs and Excise. Therefore, because the subject matter of the suit concerns a simple contract matter, and not specialized areas like customs and excise, the State High Court had the proper authority to adjudicate the case.

Thus, where an agency of the Federal Government is a party in a matter, the question of jurisdiction becomes two dimensional, i.e., Party Jurisdiction and Subject Matter Jurisdiction which the Courts are bound to determine. Therefore, where the subject matter of the suit comes within the provisions under Section 251 (1), the Federal High Court has exclusive jurisdiction. However, if the subject matter falls outside the provisions of Section 251 (1), then a State High Court will be vested with jurisdiction notwithstanding that the party involved is a Federal Government agency.

4.0 IMPORTANCE OF DETERMINING JURISDICTION

In determining the appropriate court to file a case, several complex and legal factors are taken into account:

1.The nature of the dispute or claim. By assessing the nature of the contract, i.e., if it is a simple or formal contract, it would become clear the exact court that has jurisdiction.

2.Review of applicable laws and statutes that grants courts their jurisdiction to ascertain exclusivity or otherwise.

3.The location and parties. Factors such as the residence of parties, location where the contract was entered into or breached and generally where the events took place are import in determining the right court.

4.The specific claims and reliefs sought also determine the appropriate court. For example, a claim for debt recovery and damages arising from a breach of contract indicate that the State High Court has jurisdiction over that matter.

5.Case law and legal precedents. The attitude and stance of the courts from recent decisions indicate that in cases or disputes of simple contracts, the State High Court reserves jurisdiction.

6. Where a court determines that it lacks jurisdiction to entertain a matter, the case may be dismissed or transferred to the appropriate court with jurisdiction. This upholds the rule of law, deters abuse of the judicial process, and directs cases to courts with specialized knowledge, ensuring fair, consistent, and lawful resolution of disputes. It is therefore important that jurisdiction be determined properly before filing matters to ensure that matters are brought before the appropriate court with the requisite authority and expertise, safeguarding litigants' rights, promoting judicial efficiency, and preventing waste of resources.

5.0 CONCLUSION

Nigerian courts have increasingly prioritized subject matter jurisdiction over party-based jurisdiction, even when Federal Government agencies are involved. This marks a departure from the previous practice where the mere inclusion of a Federal Government agency automatically conferred jurisdiction on the Federal High Court, even in cases beyond the scope of Section 251(1) of the Constitution.

While the Federal High Court has concurrent jurisdiction in specific contractual matters outlined in its enabling laws—such as banking, foreign exchange, and customs and excise—it generally lacks jurisdiction over simple contracts or contracts outside these categories. The exclusive jurisdiction of the Federal High Court is limited to matters expressly listed in Section 251(1), making disputes arising from simple contracts an exception.

The mere involvement of a Federal Government agency in a case does not automatically confer jurisdiction on the Federal High Court; the court must also assess the subject matter of the dispute. When disputes involve individuals or corporate entities, subject matter remains the key determinant in deciding whether the State High Court or the Federal High Court has jurisdiction.

Therefore, subject matter jurisdiction is paramount and takes precedence over all other considerations in determining a court's authority. Hence, it is important to note that disputes arising from contracts between individuals, corporate entities, and government agencies fall under the exclusive jurisdiction of the State High Court.

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