ANTI MONEY LAUNDERING LAW ALERT:

UGANDA HIGH COURT CLARIFIES LIMITS TO FINANCIAL INTELLIGENCE AUTHORITY'S ACCOUNT-FREEZING POWERS UNDER THE ANTI-MONEY LAUNDERING ACT

In a judicial review application brought on behalf of a MMAKS Advocates client, BMS General Trading, against the Financial Intelligence Authority ("**FIA**") (Uganda's Financial Intelligence Unit) and the Attorney General, the High Court of Uganda (Civil Division, Teko J.) has clarified the due process limits to the FIA's power to issue directives for the freezing of bank accounts based on Uganda's Anti Money Laundering statute.

The Court has held that while the FIA has power to freeze bank accounts based on suspected anti money laundering activity, it must do so based on objective material (evidence) that is demonstrable and sufficiently reasonable and that the FIA must thereafter promptly seek a court order sanctioning the continuation of the freeze, thereby ensuring judicial oversight.

Within the judicial proceedings to sanction the continuation of the freeze, the affected party has an opportunity to be heard.

While the ruling does not specify the exact period within which the FIA must seek the courts' sanction for the continuation of its freezing directive, the reference to prompt action implies that this must be done without any undue delay. The ruling is commendable for articulating procedural limits on the FIA's sweeping authority.

The Facts

In 2024, the Applicant, BMS General Trading ("**BMS**"), sold grain worth USD 221,000 to a customer, for which payment was deposited on BMS' bank account.

More than a year later in October 2025, the FIA directed BMS' bankers to freeze its bank account on purported suspicion of money laundering based on a warning received from the Office of the Director of Public Prosecutions.

In January 2026, BMS questioned its bankers and the FIA on the legal and factual basis for the freeze but received no satisfactory response.

BMS therefore filed a judicial review application challenging the legality of the freeze, arguing that the FIA had acted illegally, irrationally and with procedural impropriety when it ordered the freeze without a reasonable basis for its alleged suspicion and judicial sanction in form of a court order and further for maintaining the freeze without according BMS any opportunity of being heard.

The FIA opposed the Application on the basis that it had reasonable grounds for its suspicion and that it acted within its statutory powers under the Anti Money Laundering statute.

The Court's Ruling

The Court found in favour of BMS, agreeing that the FIA indeed acted illegally, irrationally and with procedural impropriety when it: (i) ordered and indefinitely maintained the freeze without objective material (evidence) that was sufficiently reasonable and demonstrable to ground the suspicion, and (ii) failed to promptly seek judicial sanction of the continuation of the freezing order, thereby depriving BMS of its property for an inordinate period without affording it the opportunity of being heard on the validity of the freeze.

Commenting further on the absence of reasonable and demonstrable objective material (evidence) to found or sustain the FIA's suspicion, the Court noted the FIA's failure to controvert BMS' court-adduced evidence of a legitimate source for the frozen funds by way of invoices and receipts for the sale of grain, and the FIA's further failure, despite months of investigations, to either substantiate the suspicion or cause the bringing of criminal charges against BMS. In short, there was no logical nexus between the FIA's grounds for suspicion and the decision to freeze the account and maintain the freeze for months on end.

The Court also noted that the FIA subsequently moved to obtain a parallel court order freezing the same bank account but did so belatedly only upon BMS' commencement of its judicial review action.

Importantly, the Court does not clarify within what period the FIA must "promptly" seek judicial sanction of an FIA AML freezing directive. However, it can be inferred that such judicial sanction must be sought without any undue delay.

The Court clarified that while the affected holder of a frozen account is not entitled to prior notification as this would interfere with the investigatory and preservative objective, prompt judicial oversight is necessary after the freeze to protect the affected party's due process, property and other rights.

In the instant case, BMS had not been provided this opportunity and the actions of the FIA were therefore procedurally improper.

Lastly, the Court noted that national security and financial system integrity concerns do not override the need for the FIA to act in a manner that is "proportionate, transparent to the extent permissible, and subject to prompt judicial control."

On the whole the Court found that the actions of the FIA were irrational, procedurally improper, illegal and unsupported by demonstrable evidence, were taken in disregard of mandatory procedures, and further affected BMS' right to fair administrative treatment.

Conclusion

The Court's decision is a critical step toward balancing, on the one hand, the FIA's extensive powers intended to support its statutory role and on the other, the reasonable protection of the public's property and fair hearing rights. The FIA does not have free reign to freeze an individual's bank account capriciously and indefinitely without judicial oversight.

BMS General Trading was represented by our Litigation Partner, Isaac Walukagga, and Associate, Hussein D. Gulam.

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