



RAMA UNIVERSITY

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FACULTY OF COMMERCE & MANAGEMENT

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NAME OF FACULTY: DR. H. L. BHASKAR

Lecture-10



Unit II

Lien of shares:

A lien is the right to retain possession of a thing until a claim is satisfied. In the case of a company lien on a share means that the member would not be permitted to transfer his shares unless he pays his debt to the company. The articles generally provide that the company shall have a first lien on the shares of each member for his debts and liabilities to the company. The right of lien is not inherent but must be clearly provided for in the articles. The articles may give the right of lien over share either for unpaid calls or for any other debt due by the member of the company. The company may have lien on fully paid-up shares. The lien also extends to the dividends payable on the shares.

The death of a shareholder does not destroy the lien.

The right of lien can be exercised even though the claim has become barred by law of limitation. Where the liability of the shareholder towards the company is disputed by him, it does not deprive the company of its right of lien on the shares. But a company will not be able to exercise its right of lien where the shareholder has mortgaged his shares before he has incurred any liability to the company and the company has notice of it. Similarly, a company will lose its lien if registers a transfer of shares subject to the lien.

Lien: In law, a **lien** (UK or US word) is a form of security interest granted over an item of property to secure the payment of a debt or performance of some other obligation. The owner of the property, who grants the lien, is referred to as the *lienor* and the person who has the benefit of the lien is referred to as the *lienee*.

The etymological root is Anglo-French *lien, loyen* "bond", "restraint", from Latin *ligamen*,

from

ligare "to bind".

In the United States, the term lien generally refers to a wide range of encumbrances and would include other forms of mortgage or charge. In the USA, a lien characteristically refers to *non-possessory* security interests (see generally: Security interest—categories).

In other common-law countries, the term lien refers to a very specific type of security interest, being a passive right to retain (but not sell) property until the debt or other obligation is discharged. In contrast to the usage of the term in the USA, in other countries it refers to a purely *possessory* form of security interest; indeed, when possession of the property is lost, the lien is released. However, common-law countries also recognize a slightly anomalous form of security interest called an "equitable lien" which arises in certain rare instances.

Definition of 'Lien'

The legal right of a creditor to sell the collateral property of a debtor who fails to meet the obligations of a loan contract. A lien exists, for example, when an individual takes out an automobile loan. The lien holder is the bank that grants the loan, and the lien is released when the loan is paid in full. Another type of lien is a mechanic's lien, which can be attached to real property if the property owner fails to pay a contractor for services rendered. If the debtor never pays, the property can be auctioned off to pay the lien holder.