



**FACULTY OF JURIDICAL SCIENCES**

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## **Relationship of Banker and Customer:**

The relationship between a banker and a customer depends on the type of transaction.

In this banker and customer relationships; both parties have some obligations and rights.

The relationship between banker and customer is not only that of a debtor and creditor.

However, they also share other relationships.

## **Banker**

The term banking may define as accepting of deposit of money from the public for the purpose of lending or investing investment of that money which are repayable on demand or otherwise and with a draw by cheque, draft or order.

## **Features of Banking**

1. The definition of banking describes the following features of banking.
  - A banking company must perform both of the essential functions.
  - Accepting of deposit.
2. Lending or investing the same: The phrase deposit of money from the public is significant. The bankers accept a deposit of money and not of anything else. The world public implies that a banker accepts a deposit from anyone who offers his/her money from such purpose.
3. The definition also implies the time and made to withdraw the deposit. The deposit money should be repayable to the depositor on demand made by the letter or according to the agreement reached between the two parties.

## **Customer**

A person who has a bank account in his name and for whom the banker undertakes to provide the facilities as a banker is considered to be a customer.

To constitute a customer the following requirements must be fulfilled;

1. The bank account may be savings, current or fixed deposit must be operated in his name by making a necessary deposit of money.
2. The dealing between the banker and customer must be of the nature of the banking business. The general relationship between banker and customer:

## **Types of the Relationship between Banker and Customer**

The relationship between banker and Customer are categorized into three;

1. Relationship as debtor and creditor.
2. Banker as a trustee.
3. Banker as an agent.
4. Other special relationship with the customer, obligations of a banker

## **Relationship as Debtor and Creditor**

On the opening of an account, the banker assumes the position of a debtor. A depositor remains a creditor of his banker so long as his account carries a credit balance.

The relationship with the customer is reserved as soon as the customer account is overdrawn.

Banker becomes a creditor of the customer who has taken a loan from the banker and continues in that capacity till the loan is repaid.

## **Banker as a Trustee**

Ordinarily a banker is a debtor of his customer in the report of the deposit made by the letter but in certain circumstances, he acts as trustee also.

A trustee holds money or asset and performs certain functions for the benefit of some other person called the beneficiary.

For example;

If the customer deposits securities or other values with the banker for the safe custody, the letter acts as a trustee of his customer.

## **Banker as an Agent**

A banker acts as an agent of his customer and performs a number of agency functions for the conveniences of his customer.

For example, he buys or sells securities on behalf of his customer, collects check/cheques on his behalf and makes payment of various dues of his customer.

## **Special relationship with customer/obligation of a banker:**

Through the primary relationship between a banker and his customer is that of a debtor and a creditor or vice versa, the special features of this relationship as a note above impose the following additional obligations on the banker.

## **The obligation to honor the Check/Cheques**

The deposit accepted by a banker is his liabilities repayable on demand or otherwise. The banker is therefore under a statutory obligation to honor his customer's check/cheque in the usual course.

According to section 31 of the negotiable instruments. Act 1881 the banker is bound to honor his customer's check/cheque provided by following conditions are fulfilled:

- Availability of sufficient funds of the customer.
- The correctness of the check/cheque.
- Proper presentation of the check/cheque.
- A reasonable time for collection.
- Proper drawing of the check/cheque.

## **The obligation to maintain the secrecy of the customer accounts**

The banker is an obligation to take the utmost care in keeping secrecy about the account of his customer.

By keeping secrecy is that the account books of the bank will not be thrown open to the public or government, officials if the following reasonable situation does not occur,

1. Discloser of information required by law.
2. Discloser permitted by bankers' practice and wages. The practice and wages are customary amongst bankers permit disclosure of certain information and the following circumstances.
  - With express or implied consent of the customer.
  - Banker reference.
  - Duty to the public to disclose.

## **MCQS**

1. The relationship between a banker and customer is.....

- a) That of a debtor and creditor
- b) That of a creditor and debtor
- c) Primarily that of a debtor and a creditor
- d) (a) and (b) together

2. The banker has a lien on.....

- a) Bonds given for collection
- b) Bonds given for safe custody
- c) Bonds left by mistake
- d) (a) and (b) together

3. In executing the standing instructions, there exists a relationship of.....

- a) debtor and creditor
- b) Trustee and Beneficiary
- c) Bailee and Bailor
- d) Agent and Principal

4. To constitute a person as a customer.....

- a) There must be frequency of transactions
- b) There must be a dealing of a banking nature
- c) There must be some sort of an account
- d) There must be a single transactions of any nature

5. The banker has a statutory obligation to.....

- a) Honour customers' cheque
- b) Exercise lien
- c) Maintain secrecy of his customers' accounts
- d) Honour customers' bill