

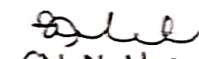
ANDHRA CHRISTIAN COLLEGE :: GUNTUR
(Day, Evening & P.G.)
NOTICE

Date : 02.12.2021

All the 1st year B.A. students are hereby informed to submit their names for the certified course on "*STUDENTS AND BASICS IN BANKING*" for the academic year 2021-22 to the H.O.D., Department of Economics on or before 10.01.2022. The Course will commence from 03.01.2022 and the duration of the course is 30 days.


H.O.D. (N. Bhagavath)

Dept of Economics


(N. N. Mridula)
Course coordinator


PRINCIPAL

Copy to:

1. The Co-ordinator, IQAC, Andhra Christian College.
2. The Office Manager, Andhra Christian College.

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ANDHRA CHRISTIAN COLLEGE GUNTUR

Department of Economics

Certificate Course

STUDENT AND BASICS IN BANKING

2020-2021

AIMS:

- The aim of the Certificate Course is to create an awareness of the students in Banking.
- To create an interest in making savings
- To create an interest in opening bank account
- To create a knowledge that saving can be made even in small amounts

Objectives:

- To create confidence in the students .
- To create investments.
- To create awareness in taking any loan
- To create financial discipline in the students.

ANDHRA CHRISTIAN COLLEGE GUNTUR

Department of Economics

Certificate Course

STUDENT AND BASICS IN BANKING

2020-2022

Syllabus :

- I. Introduction to Banking
- II. Opening of an account
- III. Provision of various Financial services to students

Shil
(N. N. Moudale)
Course Co-ordinator

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Themen und Schwerpunkte

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In view of Lord Dunedin, who delivered the judgement of the case.

Commissioner of Taxation Vs. English, Scottish Australian Bank

"The word customer signifies a relationship in which duration is not of essence. A person whose money has been accepted by the bank on the footing that the bank undertakes to honour cheques upto the amount standing to his credit, is a customer of the bank irrespective of whether his connection is of long or short standing."

According to Justice Bailhache in *Ladbroke Vs. Todd Case*. "The relation of banker and customer begins as soon as the first cheque is paid in and accepted for collection not merely when it is paid."

Commenting upon the case.

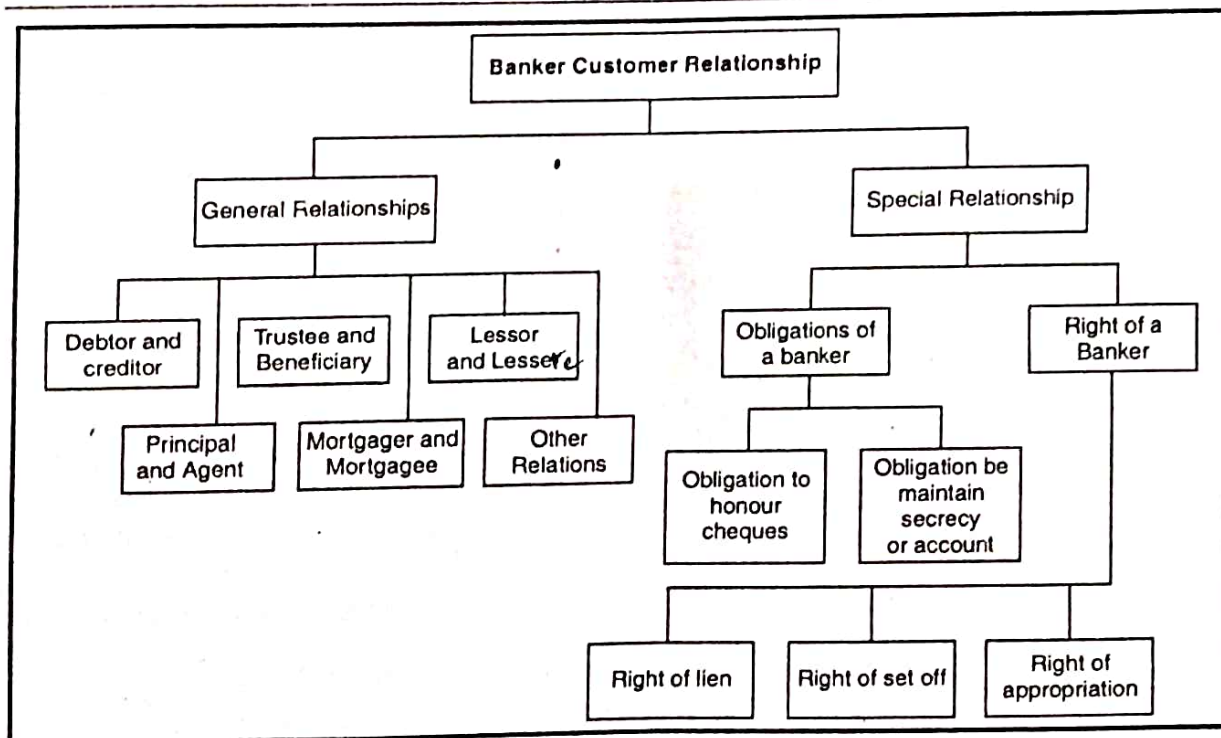
Lord Chorpely Observed, "by accepting a request to open an account, the bank enters into a contract with the offeror in which it is considered that such a continuous relationship is implicit."

On the basis of above definition, it is concluded that in order to constitute a customer, a person should satisfy the following condition :

- (i) Person should have a bank account in his own name
- (ii) The dealing between banker and the customer should be related to banking business.

A human being, firm, joint stock company, society or any separate legal entity may be a customer of a banker.

10.5 RELATIONSHIP BETWEEN A BANKER AND A CUSTOMER



I. General Relationship

The general relationship between banker and customer includes :

1. Debtor and Creditor Relationship

The real relationship between banker and customer is that of a debtor and creditor. When a person deposits some money to open an account, the banker assumes the position of a debtor and customer becomes a creditor. But on the other hand, when a customer avails the facility of overdraft, the relationship of debtor creditor is reversed i.e. banker takes the position of a creditor and customer becomes his debtor. The respective position depends upon the state of account. On opening an account, banker undertakes to receive money which is repayable on demand. When a customer deposit money in his account, it is infact not a deposit but a borrowing by the banker who is liable to discharge the debt by paying over an equal amount with interest. Banker is entitled to use the deposited money. He is only liable to return the amount in accordance with the terms and conditions. The customer has a right to claim back his money. But it not necessary for the banker to return the same currency notes or coins which were originally deposited by the customer.

A depositor is an unsecured creditor. Customer has no charge over the assets of the banker. But banker becomes a secured creditor of his customer when a loan is advanced to him against some securities.

Special Features of Debtor and Creditor Relationship

No doubt, the primary relationship of a banker and customer is that of debtor and creditor but it differs from the similar relationship arising out of ordinary commercial debts due to following ways :

1. Demand for Payment is Necessary. In case of a deposit in a bank, banker the debtor is not needed to repay the amount of his own. Customer the creditor must make a demand for the repayment of deposit in proper manner. But in commercial debts, debtor is liable to pay the amount due on a specified date or earlier and demand for payment is not needed. In other words, the customer must demand from the banker to pay his money. Demand for payment is essential in case of debt due from a banker.

2. Demand must be made only at proper place. Demand to repay the amount made by customer must be at proper place i.e. at the branch of the bank where the customer has the account. The credit balance of customers account is payable only at a branch where the account is kept. Customer has only option to make a demand on specified branch of a bank. Modern banks have a large network of branches. A customer enters into contract only with a specified branch on opening an account and not with the bank as a whole. He is the customer of a branch not a bank. But in an ordinary commercial debt, debtor can pay the money to creditor at any place.

3. Demand must be made only at proper time. The demand to repay the amount must be made by customer only within banking hours. Bankers undertake to pay amount in banking hours. Section 65 of the Negotiable Instruments Act, 1881 specified that presentation for repayment must be made within banking hours on a working day of a bank. A banker is not liable to pay a cheque if not presented in banking hours on a working day of bank. Banking hours may differ at different places depending upon the local custom and trade. But in case of an ordinary commercial debt time is not an essential element.

4. Demand should be made in proper manner. The demand to repay the amount must be made in proper manner by the customer i.e. by way of a cheque or an order, drafts or otherwise. The oral instructions or a telephonic demand is not sufficient to withdraw money from a bank.

2. Trustee and Beneficiary

When the banker accepts securities and other valuables for safe custody, he acts as a trustee for his customer. Banker as a trustee retains money or other assets and performs for the benefit of his customer called beneficiary. Customer continues to be the owner of his assets deposited with banker. As a trustee, it is the duty of banker to take care of the lockers and their contents. The position of a banker as a trustee or as a debtor depends upon the circumstances e.g. when a cheque or bill is deposited with the bank for collection, banker acts as a trustee of cheque or bill till its is not collected. Once the cheque or bill is collected and amount is transfer to customer s account, banker becomes debtor of the customer. Trustee and beneficiary relationship between banker and customer depends upon the specific instructions given by customer to banker for the purpose for which the money is used or documents entrusted to banker. The banker holds the position of trustee not the debtor on the special instruction given by customer to the banker at the time of deposit.

3. Principal and Agent

Banker also acts as an agent of his customer. It performs a number of agency functions like buying and selling of securities on behalf of customers, collection of cheque and makes payment of various dues on behalf of his customer. There are large number of agency functions discussed earlier performed by banker in the recent time. Hence, a banker performs as agent of his customer who becomes principal while rendering an agency function.

4. Mortgagee and Mortgager

When the customer effects a mortgage deed of his immovable property in favour of bank or deposits the title deed of his property with banker as security for a loan, the mortgage and mortgager relationship is established between customer and banker. Banker become mortgagee and customer becomes mortgager.

5. Lessor and Lassees

The relationship between a banker as lassee and his customer as lessor is established when a customer kept his valuable ornaments and article in a locker in bank for safe custody, the banker undertakes to take necessary precaution for the safety of the goods placed in the locker.

6. Other Relations

Banker acts also merchant when he advices the customers on financial matters and help in issue of new capital. Banker also assumes the role of a guarantor by issuing letter of credit to customer.

II. Special Relationship Between Banks and Customer

The special features of banker customer relationship are grouped into Obligations and Rights.

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I. Obligation of a Banker

II. Rights of a Banker.

I. OBLIGATIONS OF A BANKER

The provisions of Negotiable Instruments impose the following special obligations on the bank :

1. Obligations to Honour Customer's Cheques

The bank has an obligation to honour customer's cheque as and when they are presented as long as sufficient funds are available at credit in customer's account. According to the bank's primary contract is to repay the money received for his customer's account usually by honouring his cheques.

This obligation arises out of two implied situations between the parties:

- ✓ The banker should repay the borrowed fund whenever the customer demands it in writing at the branch where he holds the current account.
- ✓ The customer's credit should not be damaged by the banker by dishonouring the cheques except on reasonable grounds.

Section 31 of the Negotiable Instrument Act, 1881, states that, the drawee of a cheque having sufficient funds of the drawer in his hands, properly applicable to the payment of such cheque, must pay the cheque when duly required to do so, in default of such payment, must compensate the drawer for any loss or damage caused by such a default. Thus, a banker must honour the customer's cheques drawn on him provided:

(a) **There are sufficient funds of the customer in his hand.** The obligation of a bank to honour customer's cheque arises only when it has sufficient fund in customer's account atleast equal to or more than the amount of cheque. A bank's obligation to pay a cheque is subject to the amount available in the deposit account. If there is no sufficient balance, the bank is justified in overriding his obligation.

(b) **Correctness of the Cheque.** The obligation to pay a cheque depends upon the correctness of the cheque. All the required particulars like date, name of the payee, amount in words and figures and the signature of the drawer ought to have been correctly filled in.

(c) **Proper drawing of the Cheque.** The cheque will be honoured only when it is drawn according to the requirement of the law. It must be drawn on a printed form supplied by the bank and it should not contain any request, to pay the amount.

(d) **Proper application of the funds.** The bank will honour a cheque only when the funds are meant for its repayment e.g. if the trust funds are withdrawn by a cheque for private use, the banker will not honour it.

(e) **Proper Presentation.** The bank will undertake to honour cheques provided they are presented at the branch where the account is kept and during the banking hours. If the cheques are presented after six months from the date of issue, they will be regarded as Stale Cheques and they will not be honoured. So this obligation of the bank to honour cheques is conditioned by the proper presentation of cheques.

(f) **Reasonable Time for Collection.** A customer cannot impose on the bank a condition that the bank should pay his cheques blindly even when they are drawn against cheques sent for collection before they are collected.

(g) **Existence of Legal Bar.** A bank is relieved from his statutory duty of honouring his customer's cheques if there is any legal bar like Garnishee order attaching the customer's account.

Garnishee Order

A garnishee order is an order issued by a court addressed to banker instructing to stop or withhold payment of money belonging to a specified person who has an account with the bank and who has committed a default in satisfying the claim of his creditors. The creditor on whose request the order is issued is called judgement creditor and the person to whom it is issued is known as the garnishee.

On receiving the order, the account of customer becomes suspended. Banker is under an obligation not to make any payment from the account attached to Garnishee order.

There are two stages of Garnishee order :

(a) **Order-Nisi.** It is an order issued by competent court of law addressed to a banker not to make any payment from the account until further orders are issued.

(b) **Order-Absolute.** In this order, court specifies how much amount from the account is to be kept separate.

Cases Where Garnishee order is not Applicable

The garnishee order served on the bank does not apply when :

- (i) Debt is not actually due to customer.
- (ii) Account is in the joint names of customer and other persons whereas order is in the name of customer only.
- (iii) Banker is entitled to set-off the balance against debt due to it from the judgement debtor (customer).
- (iv) Money in account is held by customer as a trustee or is impressed with trust.
- (v) Name of customer as appearing on garnishee order is wrong or inaccurate.
- (vi) Account is overdrawn.

Attachment of Bank Account Under Income-Tax Act

Section 226(3) of the Income Tax Act, 1961, authorises an Income-tax Officer to attach the credit balance in the account of the customer if he makes a default in the payment of the tax due from him. This Section authorises an Income-tax Officer to enquire by notice in writing any person from whom (a) money is due or may become due to the assessee, (b) any person who holds or may subsequently hold money for or on count of assessee, to pay the Income-tax Officer an equal amount of the of tax or the whole amount, if it is equal to or less than the amount such arrears. Thus, the order of the Income-tax Officer may attach

- (i) any debts due and payable,
- (ii) debts due but not payable on the date of the receipt of the notice; and