



TRINITY COLLEGE FOR WOMEN NAMAKKAL

PG & Research Department of Commerce

Banking Theory law and Practice

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Relationship between Bankers and Customer:

Definition of Banker

According to Dr. Herbert L. Heart “ A banker is one who in the ordinary course of his business honours cheques draw upon him by persons from and for whom he receives money on current accounts”.

Definition of Customer

According to John Paget “to constitute a customer, there must be some recognizable course or habit of dealing in the nature of regular banking business”.

Relationship of Debtor and Creditor

Banker accepts deposits of money from his customers for the purpose of lending and investment and repays it on demand as per the terms of the contract of deposit. In fact, deposit accepted by the bank is technically money loaned out to the bank from the depositors. **The depositors are creditors and the bank is the debtor.**

Relationship of Trustee and Beneficiary

When a banker accepts items like securities or documents for safe custody or maintains escrow accounts of the customers, the relation between the banker and customer is a Trustee and the Beneficiary (Trustier). The bank is the Trustee and the customer is the beneficiary.

Relationship of Lessor and Lessee

Similarly, when a customer hires a safe deposit locker from the bank, the relation between the bank and the customer is lessor and lessee. The bank is the lessor (licensor) and the hirer of safe deposit locker is the lessee (licensee/tenant).

Relationship of Principal and Agent

When a bank collects cheques, bills and other instruments for customers, the relation between the bank and customer is that of Principal and Agent. The bank also makes regular payments of insurance premium rent etc. as per standing instruction received from the customer.

Relationship of Assigner and Assignee

An assignor is a person who transfers his security rights to a lender as collateral to the money borrowed by him. The transfer of Life Insurance Policies, National Saving Certificates, Supply bills etc. in the name of the bank is examples of assignment. The bank on whose name security rights are transferred by the assignor is called as assignee.

Relationship of Bailor and Bailee

Bailment refers to delivery of goods by one person to another for some purpose under a condition that the goods to be returned to depositor when the purpose is accomplished or otherwise disposed of according to the directions of the person while delivering the goods (Sec 148 of contract act). The person delivering the goods is known as bailor and the person to whom goods are delivered is called bailee.

Special Types of Customers

Minor

lunatic

Illiterate Persons

Drunkards

Insolvents

Married Woman

Joint Account

1. Minor:

In India as per Section 3 of the Indian Majority Act, a minor is one who has not completed 18 years of age and in case where a guardian is appointed, a minor is one who has not completed 21 years of age. When accounts are opened for a minor, the banker can allow the account as long as it is in credit balance.

Lunatics

When a customer of a bank has become of unsound mind, the banker cannot allow him to continue as the customer of the bank. In order to confirm the lunacy of the customer, the banker can seek medical advice.

Illiterate Person

A person who cannot read and write is considered as an illiterate person. The banker while opening an account in favour of an illiterate person.

The illiterate person will have to be introduced by an existing literate account holder of the branch.

The left hand thumb impression has to be attested by a judicial officer or by any witness who is also the account holder of the bank.

Drunkards

It is impossible for a banker to find out whether a customer has drinking habits. However, if the person who wishes to open the account is fully drunk and is unable to distinguish anything, the banker should not open account for such a person.

Insolvents

A person is adjudicated as insolvent when he does not have sufficient assets to discharge his liabilities in full. As soon as the court adjudicates him as insolvent, his bank account will be closed, and the official assignee appointed by the court will take over the operation of the account.

THANK YOU

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