

NET LIQUIDITY RATIO(NLR)

- In 1964 RBI introduced a system of sliding scale of interest on borrowing from RBI on the basis of NLR

NET LIQUIDITY RATIO(NLR)

- **NLR is the ratio of total of:**
- 1.Cash balance with RBI
- 2.cash bal. with other notified banks
- 3. balance in the current a/c of other banks
- Investment in govt. & other approved securities **Minus (-)** borrowing from RBI , SBI & IDBI **to its**

Total demand & time liabilities

NET LIQUIDITY RATIO(NLR)

- Originally NLR was fixed at 28%- every % drop increases borrowing rate from RBI by $\frac{1}{2}\%$
- In 1970 NLR was raised to 32% & every % drop invited an increase of 1% in RBI lending rate
- NLR was abandoned in 1971

BANKING SECTOR REFORMS

- **Tremendous progress after nationalisation**

1. **Deposit mobilisation**

2. **Total loans & advances**

3. **Branch expansion**

4. **Rural penetration**

5. **Divesification of services/activities**

BANKING SECTOR REFORMS

Behind the rosy pictures

1. Huge decline in productivity
2. Low profitability
3. Mounting NPA

July 1991-A High Level committee on Financial system- *Narasimham committee*

Examine all aspects- structure, organisation, procedures of financial system

BANKING SECTOR REFORMS

- **Report on Nov.1991**
- **Started implementation from 1991**
- **Committee On Financial Sector Reforms-
to review the implementation**
- **Report on April 1998**

BANKING SECTOR REFORMS

major recommendations

1. Prudential accounting standards

For Asset classification, income recognition & provisioning for bad debts (imple. 92-93)

To provide transparency in the accounting & reporting procedures- true financial position

BANKING SECTOR REFORMS

- *A. income recognition*
- Classified into performing & non performing
- Banks to identify NPA and ensure that interest on them not carried to P&L a/c
- Performing- accrual basis- earned
- Non performing- Cash- received
- If an asset becomes NPA already credited interest to be cancelled via reverse entry

BANKING SECTOR REFORMS

- *B. Asset classification*
- Banks to classify assets into
 1. Standard assets
 2. Sub standard assets- NPA- 12 months
 3. Doubtful assets- Sub std. for 12 months
 4. Loss assets- auditor identify but not written off

BANKING SECTOR REFORMS

- *C. provisioning requirements*
- Banks are asked to keep adequate provision for each type of assets
- Substandard- 10% PROVISION
- Doubtful assets- to the extent of debt not covered by realisable value of security-100% provision
- For secured portion – according to period – doubtful.(<1-20/ 1-2-30/>3- 50%)

BANKING SECTOR REFORMS

- *2. capital adequacy norms*
- *To strengthen the capital base capital adequacy norms laid down by RBI from 1992.*
- *All India banks to attain*
- *CAR -4% by march. 1993*
- *8% by mar. 1996*
- *9% by march 2000*
- *Suggested according to Basel II norms-*
- *Committee on regulation & supervisory practice(basel committee)*

BANKING SECTOR REFORMS

- **CAR= Share capital/ Risk adjusted value of assets X 100.**
- **3. Privatisation of (p) sector bankres**
- **To comply CAR (P) sector banks to be allowed to raise capital from public**
- **Govt reduces its share holding in public sector banks to 51% and in 2000. to 33percent**

BANKING SECTOR REFORMS

- Narasimham II : for RBI to own a bank is inconsistent with principle of effective supervision
- 29 jun 2007, govt bought all shares of SBI
- **4. EST. of debt recovery tribunals**
- Recovery of Debt due to banks & Financial Institution Act 1993 passed
- Estd. Debt Recovery Tribunals in Major places

BANKING SECTOR REFORMS

- DRT- To clean up the balance sheet of banks – NPA
- To expedite the adjudication & debt recovery
- *5. Entry of Private Sector banks*
- To improve efficiency in banking services & competition- RBI guidelines for new private sector banks
- Can raise capital from private parties, fin. Institutions, NRI etc

BANKING SECTOR REFORMS

- **New banks- HDFC bank, ICICI bank, UTI bank, centurian bank**
- ***6. Branch rationalisation***
- **Freedom to open branches in areas with gwt. Potential- & to close unremunerative ones.**
- **Condition CAR 8%, profits last 3 yrs, NPA <15%, min. owned funds 110cr.**

BANKING SECTOR REFORMS

- ***7. consortium advances***
- Consortium of scheduled ComBs headed by a lead bank – to large borrowers
- Leave it after 2 yrs
- ***8. board of fin. Supervision***
- For strengthening super vision – Board of Fin. Supervision was set up in jul 1994
- Supervise banks, fin institutions to ensure- they follow rules

BANKING SECTOR REFORMS

- **9. Internal control- A committee under the chairmanship of a senior executive**
- To strengthen internal control & supervision
- ***10. Disclosure on defaulting borrowers***
- In Apr. 1994, RBI asked all banks to disclose information about all borrowers having outstanding of 1 cr or more
- To improve recovery- ensure payment discipline

BANKING SECTOR REFORMS

- **11. Department of supervision**
- 1993, a separate dept to supervise all ComBs
- Investigate fraud & other malpractices
- **12 .Entry of banks into insurance sector**
- Banks allowed if min networth of 5cr. Sufficient CAR etc- SBI, ICICI

BANKING SECTOR REFORMS

- **13 . Banking ombudsman scheme**
- BOS implemented in 1995 but revised in 2002 & 2006
- Redressal of grievances of public against banks reg. service deficiency, loans & advances & other matters
- All scheduled combs, RRBs, Scheduled primary Coop. Banks.

BANKING SECTOR REFORMS

- **Ombudsman – a fulltime officer appointed by RBI to look into banking related complaints from the customers.**
- **Has knowledge in law, banking, financial services, public administration etc.**
- **Term 3yr-2yr-65**

BANKING SECTOR REFORMS

- **Non payment/undue delay in the collection & payment of checks**
- **Non issue of drafts**
- **Non compliance with working hrs**
- **Non acceptance of small denomination notes**
- **Complaints related to saving, current a/cs etc**
- **Complaints of exporters- delay in the collection of export proceeds, bills etc**
- **Complaints relating to NRI remittances etc**

NEW GENERATION BANKS- EMERGING TRENDS

- Banks started functioning in the post reform era.
- Started functioning on a fully computerised platform
- Hi-tech banks

NEW GENERATION BANKS- EMERGING TRENDS

- 1. HDFC BANK
- 2. ICICI BANK
- 3. AXIS BANK (former UTI Bank)
- 4. IDBI BANK
- 5. INDUSIND. BANK
- 6. YES BANK
- 7. KOTAK MAHINDRA
- 8. DCB

NEW GENERATION BANKS- EMERGING TRENDS

- OLD PRIVATE SECTOR BANKS
- 1. Bank of Rajasthan
- 2. CSB 3. CUB 4. Dhana lakshmi
- 5. Federal Bank 6. Karur vysya 7. J&K
- 8. Karnataka 9. Laxmi Vilas

NEW GENERATION BANKS- EMERGING TRENDS

- **Hi-tech Banking**
- **1. use of electronic communication & technology in the delivery of banking services & products**
- **2. use of mobile technology & internet in delivery of services-cash withdrawal, fund transfer, bill payment, etc**
- **3. traditional banking service provided through branches replaced by anywhere & anytime banking**

EMERGING TRENDS IN BANKING

- **E- BANKING**
- **Electronic banking has brought about revolutionary changes in the products and services provided by banks**
- **Made possible by wide spread usage of computer, internet, mobile phones etc**
- **Services- ATMs, tele banking, internet banking, credit &debit cards, fund transfer etc**

EMERGING TRENDS IN BANKING

- **Delivery of banking services at the office & home of consumers**
- **Delivery of banking service to a customer at his office or home by using electronic technology can be termed as e-banking**
- **Doing banking transactions through various e channels like ATM, Credit /debit cards, internet banking ,tele banking ,mobile banking, EFT etc**

EMERGING TRENDS IN BANKING

- **Any time any where banking**
- **BENEFITS**
- **1. Convenience- 24 hrs/7days a week/365days a yr.**
- **Easy acquisition of information/high speed**
- **Banking outside Branch opening hrs**

EMERGING TRENDS IN BANKING

- **2. reduced costs**
- **No costly paper processing- less employee involvement- reduce cost**
- **ATM does the same work of a human teller at the counter at half a cost at great speed & accuracy**
- **Reduce the burden of branch net works & staff overheads**

EMERGING TRENDS IN BANKING

- **3 accuracy**
- **Computerised information processing highly efficient**
- **No possibility for human error**
- **Up-to-date information & quick response**
- **4.healthy competition**
- **Increases competition b/w financial institutions- pushes down prices**

EMERGING TRENDS IN BANKING

- **5. time saving**
- **A time saving method of banking transactions**
- **No need to visit a branch**

EMERGING TRENDS IN BANKING

- **ATM CARDS**
- **ATM-Computerised banking terminal operated by the customer himself using a video display unit & a key board**
- **ATM Machines at busy places- service**
- **24 hrs a day**
- **Linked to a server of the bank**
- **Plastic card – ATM Card-name -PIN**

EMERGING TRENDS IN BANKING

- **ATM CARDS**
- **Only customer knows PIN**
- **Magnetic code strip- details-identify customer (CHIP)**
- **EVM- Chip cards- now-integrated circuits vs magnetic stripes**
- **Enter pin**

ATM CARDS

- Useful to both banks & customers
- 1. service 24x 7x365
- 2.quick customer service
- 3. self operated – not to wait for service
- 4.no human error
- 5.service in areas having no branches
- 6. relieved of Q in the counter
- 7. immediate updating of a/c to bank
- 8. reduce work pressure on bank staff
- 9.privacy 10. more cusstomers

DEBIT CARDS

- A plastic card which provides an alternative payment method to cash while making purchases
- Better than cash/ cheque
- Also to withdraw cash
- Spend only the balance in the a/c
- More acceptable to merchants- instant payment

DEBIT CARDS vs CREDIT CARD

- **CREDIT CARD**
- 1. borrowing from bank
- 2. uses money he does not have
- 3. buy now, pay later
- 4. makes payment at month end – not at the time of purchase

- **DEBIT CARD**
- 1. drawing from on a/c
- 2. uses money in his a/c
- 3. buy now & pay now
- 4. payment at the time of purchase

TYPES OF DEBIT CARD

- **1. Direct debit card**
- **Needs electronic authorisation for each transaction balance reflected in card holders a/c**
- **Only online transaction-electronic transfer**
- **2.Deferred Debit Card**
- **Allows offline transactions- merchant terminal reads & creates a debit against holder- 2/3 days to reflect. logos Visa, MasterCard, pos**

DEBIT CARD ADVANTAGES

- Less credit worthy customers- not eligible for credit card can get
- No overspending/ fin. Indiscipline
- Accepted with less identification/ scrutiny
- No need to carry cash / check book
- Useful for foreign travel- no need to carry cash or travellers check
- No interest, late fee
- can be used for ATM withdrawals

CREDIT CARDS

- One of the recent innovations in banking
- Can do transactions without cash / checks
- Enables holders to avail credit facilities for specified period of time without any security to the issuing bank
- Pay hotel bills,, hospital bills ,railway tickets & buy goods and services using the card
- Card issuing bank has tie ups with hotels, petrol pumps, dept. stores- accepting cards- ***PLASTIC MONEY***

CREDIT CARDS

- A credit card any card, plate or device that may be used from time to time and over and over again to borrow money or to buy goods & services on credit.
- A mechanism enabling card holders to make purchases without immediate cash payment
- Issue credit card to customers depending on income, creditworthiness, reputation etc.
- Give details of income, assets etc at the time of application

CREDIT CARDS

- **Features**
- **1. can buy when there is no balance in the a/c- like a customer loan- American express, diners card, MasterCard, visa**
- **2. payment through card is limited to credit limit**
- **3. can be used to withdraw cash up a sanctioned limit**
- **4. when credit availed is paid off- credit limit is auto. renewed**

TYPES OF CREDIT CARDS

GENERAL PURPOSE

- Accepted by merchants
- Bears logos of MasterCard, visa etc

PROPRIETARY

- Tied to the retailer issuing the card not acceptable elsewhere

PRIVILEGES TO CARD HOLDER

- 1. cash withdrawals through ATMs
- 2. special discounts- hotels, airlines etc with which bank has arrangements
- 3. nomination facility- can be used by person other than the holder
- 4. issue of draft & pay orders- just inform the bank over the phone & give card no.
- 5. insurance coverage

PRIVILEGES TO CARD HOLDER

- **6. flexible repayment options – after paying the min. amount balance can be carried over to the next billing cycle**
- **7. other privileges- holiday packages, encashable, value points etc**

OPERATION OF CREDIT CARDS

- **Purchase--- Card To Merchant--- Swipe On The Point Of Sale System--- Enter Pin-----link With Bank (Credit Lt)--- Authorise Transaction– Sign Receipt– Bill(interest, Amount Due)**

ADVANTAGES TO CUSTOMERS

1. No burden of carrying cash – easy shopping
2. Convenience & security
3. No pick pocketing
4. No need to approach bank now and then for credit
5. Business trip, foreign travel- worldwide acceptance
6. Enhances pp of card holder
7. No interest if paid within specified period
8. No burden to visit bank- settle once a month
9. Travel –without carrying Foreign currency
10. Fabulous discounts by international brands

DISADVANTAGES

- *Overspending*- buy less urgent items-living beyond means
- *Financial indiscipline*- use many cards with high credit lt. –debt trap
- *High interest*- if bill not paid within stipulated period
- *Risk of fraud*- stealing cards, details- fraud transactions

INTERNET BANKING

- Method of banking that allows customer to perform banking transactions through banks website hosted in the internet
- Brings bank to his computer
- Transactions like money transfer, balance checking, a/c statements, bill payments, requests

INTERNET BANKING

- **Two types**
- **Transactional – can do all transactions**
- **Non transactional- no transactions**

INTERNET BANKING- FEATURES

- 1. Uses internet for delivery of banking products & services
- 2. helps to manage finances quickly – no paper processing
- 3. any time anywhere banking- day / night
- 4. increases geographical reach & serve millions at same time
- 5. secure encryption – max limits

INTERNET BANKING- FEATURES

- **6. quick & speedy information on banking products & services**
- **7.no costly paper processing**
- **8. obtain services a/c to convenience**
- **9. increase efficiency and profitability of banks**
- **10. minimize staff strength & OH cost**

CORE BANKING

- **Service provided through by a group of networked branches**
- **Avail banking service from any branch**
- **Banks customer – not branch's customer**
- **All branches connected & information is centrally stored & accessed by all branches**

CORE BANKING

- 1. balance enquiry
- 2. cash withdrawal/ remittance
- 3. deposit cheque for collection
- 4. statements
- 5. fund transfer

MOBILE BANKING

- **Mobile & wireless markets growing fast-banking channel**
- **Mobile banking is performing banking business by using mobile phones**
- **Two methods- sms/internet**
- **Fund transfer while travelling/ balance checking /stock updates/trading**
- **Refer text**

REAL TIME GROSS SETTLEMENT (RTGS)

- Fastest method of money transfer through banking channels
- Transfer fund from one bank to another on real time & gross basis
- Real time & designated time settlement
- Designated time- settlement occurs at specified hrs/ time
- Real time – settle at the moment of transfer

REAL TIME GROSS SETTLEMENT (RTGS)

- Net settlement- difference of credit or debit settled
- Gross settlement- settlement on transaction by transaction basis
- FEATURES
- 1. RTGS –transfer on real time & gross basis
- 2. large value transactions 1 lakh & above
- 3. no restriction on maximum amount

REAL TIME GROSS SETTLEMENT (RTGS)

- 4. no core banking required
- 5. remitting bank is given message reg. amount credited to receiving bank's a/c
- 6. for customers from 9hrs -16 hrs on week days & 9-12 on Saturdays

PAYMENT BANKING

- **Committee on Comprehensive Financial Services for Small businesses and Low Income Household- Nachiket Mor Committee- 2014**
- **Payment banking service- Limited banking services but easy- online**
- **Maximum Deposit- 1 Lakhs**
- **Current a/c & SB A/c**
- **No loans- No credit card**
- **ATM Cards, Debit Card/ Net Mobile banking**

PAYMENT BANKING

- **Airtel Payment Bank Limited- first**
- **Aditya Birla Idea Payment Bank**
- **India post Payment Bank**
- **Jio Payment Bank**
- **Paytm Payments Bank**
- **Fino Payments Bank**
- **Vodafone**
- **Citrus pay**

MICR CHEQUES

- Magnetic Ink Character Recognition cheque – a major technological innovation in banking
- Developed in 1950s
- To address the problem of manual processing of cheques and for effective fund transfer
- Developed by a group of experts from American Banks Association & Stanford university

MICR CHEQUES

- Developed a 14 character font called E13BMICR font
- Printed on cheques with magnetised ink
- When magnetized emits magnetic signals which helps to read the information
- RBI introduced first in Mumbai ,Kolkata ,Chennai & Delhi –extended to other areas

MICR CHEQUES

- Banks issue cheques printed on spl. Quality paper
- There is a code line at the bottom –information printed in magnetic ink for mechanical processing



PAYABLE AT PAR AT ALL BRANCHES OF HDFC BANK LTD

A/C PAYEE ONLY

Weekly Holiday on Sunday
Preferred
Date 2009 OCT 11

PAY Sample Payee Company

~~XXXXXXXXXX~~

RUPEES Forty Six Thousand Four Hundred Fifty

Dollars and Fifty Cents Only

Rs. *** 46,450.50 ***

A/c No. 3742320000114

HDFC PLUS

For YVMS EMRC CENTRE IVD SSC PVT LTD

HDFC BANK LTD,
725-1, Airport Road, Chikalla, Goa
Vasco-da-gama-403711, Goa
RTGS / NEFT IFSC : HDFC0000374
507501207

Sample

Authorized Signature

⑆ 186783⑆ 403240010⑆ 002512⑆ 29

MICR CHEQUES

- 1. first 6 nos- cheque no
- 2. next 3- city code
- 3. next 3 bank code
- 4.. Next 3 branch code
- 5. next 4 numerals after a space – you're a/c no. maintained with RBI
- 6. then after a space there is transaction code- is SB/Current a/c
- Don't fold and staple/ pin magnetic code area

TELE BANKING

- **Voice processing facility in bank computers**
- **Banks computer linked to telephone line via modem**
- **Voice processing facility responds to customer queries**
- **Can also use voice mail facility**

TELE BANKING

- ENQUIRIES
- 1. General enquiry- can be used by both customers & non customers
- Interest rates, various products
- 2. Specific enquiry- customers
- 1. balance enquiry
- 2. status of cheques issued/ deposited
- 3ch. Book requests 4. a/c statements 5 request for drafts

ELECTRONIC FUND TRANSFER (EFT)

- All banks interlinked through computer-helps remittance of funds within & outside
- Banks all over the world are interlinked by a satellite of SWIFT-
- Society For World Wide International Financial Telecommunication
- In India Gate Way Mumbai maintained by Computer Maintenance Corporation Of India is its agent

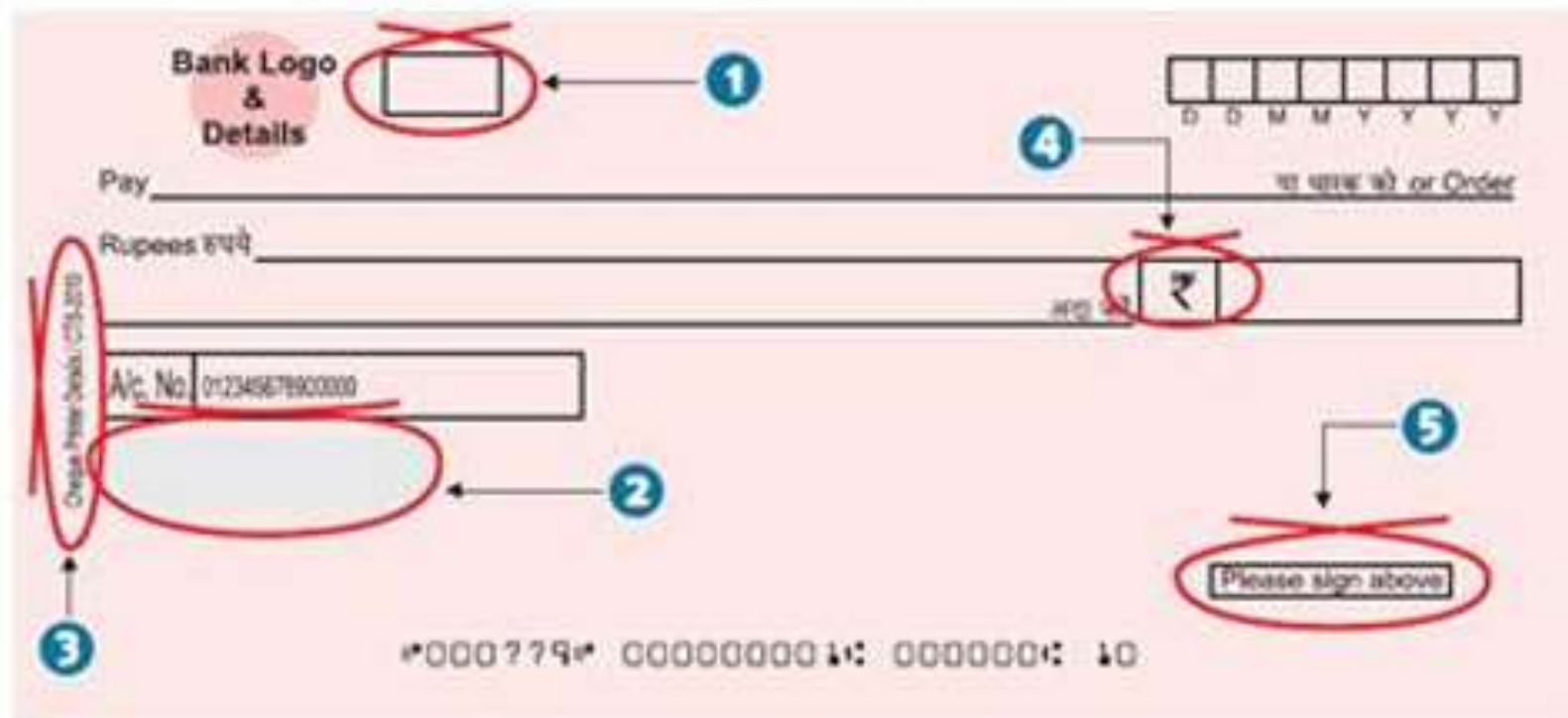
ELECTRONIC FUND TRANSFER (EFT)

- Banks want to use the facility can open swift centers with gateway to get interlinked
- Within a moment information is given to payee bank
- Electronic fund transfer = **PAPERLESS BANKING**
- *Electronic fund transfer is defined as any transfer of funds initiated through an electronic terminal, telephone instrument, or computer or magnetic tape so as to order , instruct or authorise a fin. Institution to debit/ credit an a/c*

CHEQUE TRUNCATION

- A new process for faster clearing of cheques
- Recommended by R.D. Burman, ex-direc of RBI
- Collecting banker keeps checks- electronic record created via image processing-digital image mailed to drawee bank- drawee bank verifies signature etc electronically—returns after identification

A Cheque in New Format



1 Bank's logo printed with invisible ink (ultra-violet ink)

2 VOID pantograph

3 Cheque printer details/CTS-2010

4 ₹ symbol

5 Signature space indicator


Circle K
 Family & Primary Health Care Physicians
 1740 Mountain Road North, Suite 201
 Winston, MD 21226
 Tel: 301-870-2000 Fax: 301-870-2008

Name _____ Age _____
 Address _____
 Date _____

R

VOID

May Substitute
 No substitution
 Fill _____

Signature _____

Original


Circle K
 Family & Primary Health Care Physicians
 1740 Mountain Road North, Suite 201
 Winston, MD 21226
 Tel: 301-870-2000 Fax: 301-870-2008

Name _____ Age _____
 Address _____
 Date _____

R

VOID COPY

VOID COPY

VOID COPY

May Substitute
 No substitution
 Fill _____

Signature _____

Photocopy

E-PURSE

- **A state of the art cash on card solution**
- **Cash electronically stored in a microchip**
- **Payment made by inserting card at Point of Sale system**

PRACTICAL BANKING

- **Difficult to define a bank**
- **1. diversified services are provided**
- **2. ever expanding scope of banking business-
new areas**
- **Banking Regulation Act- banking company is
a company doing banking business in India**
- **Banking – accepting deposits for the purpose
of lending and invst. repayable on demand**

PRACTICAL BANKING

- **CUSTOMER.**
- **No statutory definition in India or England**
- **A person having some sort of a/c in a bank or some sort of relationship with a bank**
- **John Paget – a person having frequent transaction with a bank- duration theory**
- **Court judgments – single transaction is sufficient for a person to be a customer**

CUSTOMER

- 1. He must have some sort of a/c with a bank
- 2. even a single transaction makes him a customer
- 3. frequency of transaction is anticipated & not insisted upon
- 4. dealing must be of banking nature

RELATIONSHIP B/W BANKER & CUSTOMER

- Any dispute can be settled only if the nature existing relationship is known
- Two types of relationship-
- 1. general relationship
- A. debtor creditor
- B. agent- principal
- C. trustee beneficiary

RELATIONSHIP B/W BANKER & CUSTOMER

- **2. SPECIAL RELATIONSHIP**
- *A. obligations & duties*
- I)Honour cheques ii) maintain secrecy
- *B. rights of a banker*
- **1. right of general lien**
- **2. right to combine a/cs**
- **3. right of appropriation**
- **4. to get interest, commission, incidental charges**

RELATIONSHIP B/W BANKER & CUSTOMER

- I). DEBTOR & CREDITOR
- Relationship b/w banker & customer- debtor creditor
- Money is not deposited for safe custody- obligation to honour checks
- Debtor creditor differs from the same in the case of ordinary commercial debt
- 1. Name -creditor- vs depositor
- Amount due- debt vs. deposit

RELATIONSHIP B/W BANKER & CUSTOMER

- *2. demand for repayment*
- To be paid on due date- comm. Debt
- Demand for repayment- deposit
- *3. direction to repay any time*
- Com. Debt – no right- only on due date
- Deposit- any time depositor can ask repayment

RELATIONSHIP B/W BANKER & CUSTOMER

- 3. place of repayment- branch/anywhere
- Time –working day
- 4. demand in proper manner
- Com-writing, orally or any way
- Bank- in writing, check, withdrawal form
- 5. security com- secured/ unsecured
- Deposit- unsecured
- 6.Closing- com- debtor close anytime
- Bank can't close deposit a/c

RELATIONSHIP B/W BANKER & CUSTOMER

- **II. TRUSTEE & BENEFICIARY**
- **Creditor- Debtor relationship**
- **Some times trustee beneficiary**
- **1. valuables received for safe custody**
- **2. deposit money with specific instructions or asked to hold till further instructions**
- **3. when check or bill deposited for collection- when collected , debtor – creditor**
- **4. money deposited for spl. Purpose- to buy shares**

RELATIONSHIP B/W BANKER & CUSTOMER

- **III) AGENT & PRINCIPAL**
- **When bank performs agency functions**
- **Collects checks, drafts ,bills, dividends, purchase & sale of securities**
- **1. bank has to act a/c to written instructions**
- **2. whole income should be credited to customer a/c as an agent**

RELATIONSHIP B/W BANKER & CUSTOMER

- II. SPECIAL RELATIONSHIP
- They are mutual obligations & rights against one another
- OBLIGATIONS
- 1. Obligation to honour cheques if
 - a. sufficient balance = amount or OD
 - b. complete
 - c. presented in time – not stale
 - d. no prohibitory court order-garnishee
 - e. fund properly applicable- not trustee

RELATIONSHIP B/W BANKER & CUSTOMER

- 2. obligation to maintain secrecy of a/c
- Balance in the a/c, parties to whom check is issued or received not reveal to third parties
- *Can be revealed under spl. Situations*
- By compulsion of law
- Income tax act 1961-compel to produce a/c of customers
- Companies act 1951- papers & a/c books for inspection

RELATIONSHIP B/W BANKER & CUSTOMER

- RBI Act- if RBI demands details
- BRA- 1949- A/C REMAINING UNOPERATED
- BOOK EVIDENCE ACT-COURT
- 2.at the consent of the customer
- On the written consent of a customer-
information to an authorised person-
reference

RELATIONSHIP B/W BANKER & CUSTOMER

- *3. disclosure in public interest*
- 1.if customer engages in anti national activity
- 2.if customer a/c violates laws
- *4.disclosure on banks interest*
- To legally protect the interest
- 1.to guarantor-if bank wishes to recover loan amount from guarantor.
- 2.exact position of customer a/c to lawyers for its own interest

RELATIONSHIP B/W BANKER & CUSTOMER

- *5. disclosure when enquiry from another bank*
- **Honest & correct information but only general- not actual figures**
- **Get written permission**

RIGHTS OF A BANKER

- **1. Right of general lien**
- **2. right to combine a/cs or right to set off**
- **3. Right of appropriation**
- **4. right to charge interest , commission/incidental charges**

RIGHTS OF A BANKER

- **RIGHT OF GENERAL LIEN**
- Lien is the right of a creditor to retain possession of the property of the debtor till certain demands of the person are satisfied
- Right to retain possession – not to sell unless such a right is conferred expressly by statute, custom/ usage

RIGHTS OF A BANKER

- LIEN
- Two types : 1. General lien 2. particular lien
- *Particular lien* is a right of a creditor to retain possession of properties/goods in respect of which debt is due.
- it is restricted to those goods in respect of which the debt is due(tailor- shirt)

RIGHTS OF A BANKER

- **LIEN**
- **General lien**
- **General lien is the right of a creditor to retain possession of any goods belonging to the debtor until all debts due from the owner of properties retained are paid off**

RIGHTS OF A BANKER

- LIEN
- Indian Companies Act – bankers, factors, policy brokers etc have the right of general lien
- Banks lien- general right of lien- banks can possess any security of customer until debts are cleared

RIGHTS OF A BANKER

- LIEN
- 1. The property has come in possession of bank in the capacity as a banker (deposited as security of a loan)
- 2. property shall not be entrusted for special purpose- locker
- 3. banker should have obtained possession properly

RIGHTS OF A BANKER

- LIEN
- 4. NO AGREEMENT CONTRA
- 5. Debt should be due for payment
- LIEN INAPPLICABLE
- 1. Articles for safe custody- locker
- 2. deposits 1. not security 2. dep –banks own property

RIGHTS OF A BANKER

- LIEN
- 3. Money or instrument for specific purpose
- 4. Checks for collection, items with specific instructions
- 5. Documents left with bank by mistake

RIGHTS OF A BANKER

- II. Right to set off
- Banker has the right to set off debit balance in one a/c with credit balance in another
- Bank can set off / combine two a/cs

RIGHTS OF A BANKER

- II. Right to set off
- CONDITIONS
- 1. No agreement contra
- 2. serve formal notice reg. the intention to combine
- 3. capacity of a/c holder same in both a/cs
- 4. used only after debt has become due

RIGHTS OF A BANKER

- II. Right to set off
- CONDITIONS
- 5. bank has the option to use- customer cannot ask for that
- 6. amount must be certain
- 7. can exercise even after the garnishee order is made

RIGHTS OF A BANKER

- **3. RIGHT OF APPROPRIATION**
- **A customer may have a no. of debts in a bank. If he pays an amount to the bank without specifying to which a/c it shall go, the question is to which a/c it shall be applied.**
- **Here bank follows some rules of appropriation**

RIGHTS OF A BANKER

- 1. person making payment has the right of appropriation
- 2. If the customer does not specify, the banker has the right of appropriation but the customer should be informed
- 3. Clayton case – appropriation in the order of time / date
- 4. if two dates occurs at the same time appropriation should be proportional

RIGHTS OF A BANKER

- **4. RIGHT TO CHARGE INTEREST, COMMISSION, INCIDENTAL CHARGES**
- **Right to get interest on all amounts due**
- **Commission on all services rendered**
- **Incidental charges on unremunerative a/cs**