

Principles and Practices of Banking

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Letter of Transmittal

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Dr. Md. Main Uddin,
Chairman
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Dear Sir,

Attached herewith is the report as assigned, entitled *Principles and Practices of Banking*.

We are delighted to be able to prepare our term report based on the problems assigned to us by our honorable course teacher of course, B-101. This report gave us an opportunity to practically implement laws and enhance problem day-to-day problem-solving skills regarding the banking industry.

We are thankful to you for your continuous support and patience that you have provided us throughout our course of preparing the report despite your busy schedule. We are submitting our report to you for your kind assessment. We, once again, thanking you for your kind supervision, direction, communication, and cooperation.

Sincerely yours,

Team 01
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DECLARATION

We do hereby solemnly declare that the work presented in this Term Report has been carried out by our group (Team 01) and has not been previously submitted to any other University/College/Organization for an academic qualification/certificate/diploma or degree.

The work we have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for a degree or otherwise.

We further undertake to indemnify the Department against any loss or damage arising from breach of the foregoing obligations.

.....
Signature of the student (Team Supervisor)

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.....
Date

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We would hereby heartily appreciate each team member for their effort to assemble the parts and give suggestions regarding the task “Principles and Practices of Banking”.

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Section I

1.0 Introduction

Banking in simple terms refers to the overall procedure, laws and practices related to the banking industry. A bank's initial duty is to take a certain sum of money from the customers as deposits, for a certain amount of time against a dedicated interest rate. Then, in order to circulate the money, banks give away the money as loans and advances to the customers in need of money in the forms of cheques, bonds, and other negotiable instruments against a certain rate of interest rate. During this whole procedure, the bankers has to deal with a wide range of challenges. Properly handling those challenges as well as keeping a good relationship, a relationship of trust and good faith with the customers is a banker's one of the primal jobs. This report merely represents our solutions regarding the challenges a banker faces in his day to day life with his customers. Our aim is to identify the core problems and come up with the most adequate solutions as per the scenario. While discussing about the solutions, we may need to be very careful with the overall relationship between the bank and the customer. Properly handling the scenario may prove to be the best probable outcome.

1.1 Objectives of the Study

Our objective is to get to identify a vast range of challenges and discuss about the most appropriate solution regarding a scenario, a banker may face with his/her customers. Its's a banker's obligatory duty to maintain a good relationship with his/her customer as well as satisfy them with his/her service to secure the banks greater interest.

1.2 Rationales of the Study

The reasons behind the study is to get an insight of a banker's day-to-day life challenges and how to cope up with them to secure the banks greater interest and serve its customer with utmost importance. It is a paramount duty of a banker to provide greater service, this report represents some of the challenges and their solutions for maximum gain to be made on the banker's part.

1.3 Limitations of the Study

When we are discussing about the challenges a banker has to go through on a day to day basis, we need to agree on the fact that it is quite impossible to simply identify all the problems at once. As a beginner in this course, our whole report has been done on the solutions of problems provided in the book entitled, “*Banking Law and Practice by P. N. Varshney*” – provided by our course teacher, Md, Nazmul Hasan. Because, this book contains few scenarios regarding the challenges of a banker, our report will provide solutions to the same. This is a huge limitation in terms of providing service to the customer. Besides, we are exposed only to the theoretical aspects of the scenario but in the practical life, circumstances may differ. So, to be very specific, our solutions may not be wholly applicable on the real-life scenarios due to the certain limitations of the report.

1.4 Significance of the Study

There are two primary groups that may benefit from this study. The first group, consisting of bankers and people related to providing service in the banking industry. The bankers may learn to identify their personal level challenges. Identifying the problems may help them to enhance communication skills amongst themselves as well as the customers, which may also prove to be helpful in the forthcoming days. By the provided solutions, bankers can maintain a healthy working environment which will improve their work ethic as well as the relationship with their customers. The second group that may benefit from this study is the customers of the bank, who are at the gaining side of the service rendered. This study focuses on the improvement between banker and customer to improve the service to be performed as well as enhance in-between cooperation of the two parties related to the service.

1.5 Structure of the Study

Primarily, we focused on analyzing the problems provided in “*Banking Law and Practice by P. N. Varshney*”. Team Valkyrie (Team 01) then gave solutions to the problems and challenges given in textbook. The solutions are based on the laws and principles we studied on the chapter entitled: “Relationship Between Banker and Customer”. After that, we have given a befitting conclusion in accordance to our overall study of the report.

Section II

2.0 Case Analysis

2.1 Question number 01

A, a solicitor, has two current accounts at your branch: the first in his name, and the second also in his name with addition of the words 'Clients account' as required under the court's rules. He has drawn a cheque on the clients account in favor of a third party. Before the cheque is presented for payment, the bank is served with a garnishee order in respect of a decree against A. How will you act?

Solution: A has two accounts in the bank, the first one is his personal account and the latter being the clients account. Before we proceed, a definition of both the terms, Garnishee Order and Client Account needs to be mentioned.

Garnishee Order: A garnishee order is a common form of enforcing a judgement debt against a creditor to recover money. According to the mentioned order, the court instructs the bank to stop monetary transactions from that account as per the direction of the court.

Client account: A bank account that a person keeps for a customer in order to keep the customer's money separate from their own account.

Garnishee order is not applicable to certain circumstances, viz:

- ❖ If the person is a joint account holder
- ❖ If the identity of the judgement debtor is doubtful
- ❖ Account of the person is held by him in the capacity of a trustee
- ❖ If the person has previously made an official assignment of his balance in favor of a third party and the banker is informed about it in the writing.
- ❖ If the person's account reveals a debit balance.

In this case, even though a garnishee order is placed on A, his prior current account

transaction is totally voidable but if he has drawn a cheque before the garnishee order, by law the bank must honor the cheque. Moreover, the second account is a separate account and a client account. So, cheque issued on that account should be honored for being a joint account. The court does not possess the right to void transactions for that account unless the order is placed on all the joint account holders.

Findings:

- ❖ In this scenario, the banker must accept and honor the cheque as it was drawn on the Client account.

2.2 Question number 02

B, who has a current account at your branch, remits cash, expressly to meet, on representation, a cheque which had been returned by your branch on the previous day with the remark “Refer to drawer, please represent.”

Solution: “Refer to drawer” means that the cheque you have presented to your banker has not been honored and you need to refer the issue to drawer of the cheque.

This happens when the drawer's bank account is short of funds and the cheque bounces due to insufficient funds. In this case if B presents the cheque to the banker, the banker will honor the cheque, if and only if the amount written on the cheque is in accordance with the account.

Besides the banker can offer an overdraft facility to the customer B, if the person has a good reputation. In this case, to maintain a good relationship with its customers, bank provide overdraft facility to current account holders if the lack sufficient funds in their accounts. But from a general viewpoint, the banker possesses the full right to dishonor the cheque if the amount does not meet the funds stored in the account written on the cheque.

Findings:

- ❖ The banker can honor the cheque if the accounts hold adequate fund,
- ❖ The banker can dishonor the cheque,
- ❖ The banker can offer Overdraft facility to maintain a good relationship with the customer if the customer obtains banks good faith.

2.3 Question number 03

On the day on which garnishee order is served on your branch in respect of the account of “C”, the proceeds of certain shares and securities belonging to him which, on his instructions, had been sold by the bank for the settlement on that day, have not yet come to hand. When the sell proceeds are received subsequently, are they attached by the garnishee order?

Solution: No, they are not attached by the garnishee order. The obligation of a banker to honor his customer`s cheques is extinguished on receipt of an order of the court, known as the garnishee order. Under this order the account of the customers with the banker, thus, becomes suspended and the banker is under an obligation not to make payment from the attached amount. But garnishee order does not apply to the followings:

- The amounts of cheques, bills, drafts etc. sent for collection by the customers, remain unclear at the time of receipt of the order.
- The sale proceeds of the customer`s securities, stocks, and shares in the process of the sale, which have not been received by the bank.

In such cases the banker acts as the agent of customer for the collection of Cheques or for the sale of securities and the amount in respect of the same are not debts due by the banker to the customer, until they are actually received by the banker and credited to the customer's account.

But if the amounts of such cheques or securities are credited to the customer's account, the garnishee order is applicable to the amount of such cleared cheques and securities.

Findings:

1. Only the existing amount in the customer's account can be attached by the garnishee order
2. If the proceeds are credited to the customer's account, the proceeds can be attached to the garnishee order.

2.4 Question number 04

Discuss the right of set-off in the following cases:

- i. There is a credit balance in the account of A. The banker wishes to set this off against an overdraft in the joint name A and B:

Solution: No, in this case banker cannot exercise this right. The mutual claims of debtor and creditor are adjusted together and only the remainder amount is payable by the debtor, this is called the set-off process, which is a right of banks, exercised by itself. For exercising this right, the banker should ensure that the accounts are in the same name and same right.

In the following case, since the name and right are not of a person, hence, the bank cannot exercise the right of set-off.

- ii. D is a guarantor for a loan granted by the bank to S. The loan has become sticky. There is a credit balance in D`s account. The bank wishes to set it off against D`s liability as a guarantor:

Solution: No, in this case banker can't exercise this right. The mutual claims of debtor and creditor are adjusted together and only the remainder amount is payable by the debtor, this is called the set-off process, which is a right of banks, exercised by itself. For exercising this right, the banker should ensure that the accounts are in the same name and same right.

In this case, since the accounts are in the two different names and rights, as a result the banker can't exercise this right. Because the two different accounts violate the fundamental rule of right of set-off.

- iii. There is a surplus of insurance policy amount available with the bank after adjustment of the balance in the deceased borrower R`s clean overdraft account:

Solution: Yes, the bank can exercise the right of set-off in this case. To exercise the right of set-off, the accounts must be in the same name and same right. Since the conditions of this case fulfilled the requirement for being set-off. Hence the banker can exercise this right.

- iv. X has an account with the bank which has remained overdrawn for long deposit many remainders. Meanwhile, X obtains legal representation to the estate of his deceased uncle Y, who too had a current account with the same bank. By virtue of such legal representation, x goes to bank to withdraw the credit balance in Y`s account, but the bank manager wants to set it off against the overdraft in x`s account:

Solution: Yes, in this case the bank can exercise this right. The mutual claims of debtor and creditor are adjusted together and only the remainder amount is payable by the debtor, this is called the set-off process, which is a right of banks, exercised by itself. For exercising this right, the banker should ensure that the accounts are in the same name and same right. But position may appear to be different if the account of other people is payable to the former or survivor, such an account is deemed to be primarily payable to the former and only after his death to the survivor. Thus, the former`s account can be set-off against the balance survivor account. In this case X obtained legal representation to the estate of his deceased uncle Y, hence the bank can exercise the right of set-off.

Findings:

1. To exercise the right, two accounts must be in the same name and same right.
2. It is a statutory right of a bank to combine two accounts in the name of the same customer and the banker may exercise this right without any prior agreement.
3. Though the accounts are not in the same name, it is possible to exercise this right when the account of other people is payable to the former or survivor.

2.5 Question number 05

An advocate has 3 separate current accounts in your bank: (O) Personal account. (10 account; and (I) Client account. In expectation of good balances in clients' account, your bank had allowed him a clean advance of Rs. 25,000 In his personal account. For some reasons, the bank grew unhappy with this arrangement and, therefore, recalled the advance. When the advocate failed to respond to the bank's notice to repay. It decided to take recourse against the other accounts for recovery of the outstanding balance of Rs. 25,000 in the personal account. The bank found that there was a credit balance of Rs. 15.000 in the client's account and also a credit balance of Rs. 2,000 in the office account. The advocate has also Safe deposit locker in your bank, In the Joint names of himself and his wife, with operations by Either or Survivor. He had a Fixed Deposit of Rs. 5,000 maturing after 4 months. He had also left some shares with the bank of the approximate value of Rs. 3,000 with instructions to sell them at or above a fixed price. The shares were still lying unsold. Consider the recourse which the bank can have on the balances and securities. etc., as detailed above for settlement of its dues in his personal account.

In this case, the customer has three accounts with the bank. They are, respectively,

- (a) Personal account
- (b) Office account
- (c) Client account

The bank recalled the given advance from the customer, but the customer failed to pay it. After that, the bank decided to take recourse against the other accounts. The bank found:

Account Titles	Amount
Client account	15,000
Office account	2,000
Fixed Deposit	5,000
Unsold shares with bank	3,000

In this case, the bank can recover the due money by closing the client account and the office account. The bank can also sell the shares to recover the due money. However, the bank is unable to close the fixed deposit and locker facilities. Because the locker is shared with his wife, the bank cannot recover the money from it.

2.6 Question number 6

On 19th May 1977, your branch receives a garnishee order attaching all sums owing by the Bank to your customer X. At the time of the receipt of the order. X has got the following accounts:

Case 1: A current account in the name of X with a balance of Rs. 3,000. Included in the balance, however, is a sum of Rs. 500 representing a cheque on another local bank which has been sent earlier in the day for collection through clearing, but which has not been realized

Solution: Here, balance 3000 is in the name of X. In which, 500 represents a cheque on another local bank. In this case, without the cheque money, the balance will be stable. The garnishee order does not apply to the amounts of cheques, drafts, bills etc. sent for collection by the customer, which remain unclear at the time of the receipt of the order.

Case 2: A fixed deposit of Rs. 5,000 deposited on 25th May 1976 for one year in the name of X and maturing for payment on 25th May 1977.

Solution: This is a fixed deposit of a sum of 5000. which is maturing for payment. This whole amount will be adjusted to the customer's account. This will be exercised under the garnishee order.

Case 3: A joint current account in the names of X and Y with a balance of Rs. 7,500.

Solution: The judgement debtor X has a joint account with Y. As a joint account is opened in the names of two or more persons, if only one of them is judgement-debtor the joint account cannot be attached.

Case 4: A current account in the name of 'X', executor to the estate of the late Mr. Z with a balance of Rs. 10,000.

Solution: Under no circumstances should a garnishee notice be served on the executor of the estate of a deceased individual. order in the partner's name as trustee, executor, liquidator, director of a company, etc., is not applicable to accounts in the name of a firm, trust, or company. In this case, the garnishee order is not applicable. Because the executor has a current account with the estate of the late Mr. Z,

Case 5: An overdue unsecured loan account in the name of X wherein he owes the Bank Rs. 1,000. In view of the garnishee order, explain.

Solution: The loan amount that customers fail to repay on time is known as the loan overdue amount. As it is clear from the name itself, the loan overdue amount is the amount left unpaid even after the due date of payment.

2.7 Question number 7

What is banker's lien? Can the right of lien be exercised in the following cases -

A lien is the right of a creditor in possession of goods, securities, or any other assets belonging to the debtor to retain them until the debt is repaid, provided that there is no contract, express or implied, to the contrary. A banker's lien is a general lien recognized by law. The general lien on the banker is regarded as something more than an ordinary lien; it is an implied pledge. The banker thus enjoys the privileges of a pledge and can dispose of the securities after giving proper notice to the customer.

Case 1: Gopal hands over dividend warrants to his banker for collection. He becomes Indebted to the bank.

Solution: Yes, the right of lien can be exercised in this case. The banker can exercise his power of lien if bonds and coupons belonging to customer deposited for collection.

Case 2: Y, who is indebted to the bank, has a current account jointly with Z

Solution: No, in this case right of lien cannot be exercised by the banker. Because Y, the debtor has joint account with Z.

Case 3: X, a customer, has deposited jewels worth Rs. 5,000 for safe custody. Subsequently he becomes indebted to the bank.

Solution: No, the banker cannot exercise this power lien in contents of safe deposit lockers belonging to the customer. There we can see; the debtor has deposited jewels for safe custody.

2.8 Question number 8

An open bearer cheque for Rs. 7,000 drawn by your customer is presented for payment. The balance in his account is Rs. 6,600. The presenter while talking to the ledger keeper comes to know that the balance is short by Rs. 500. He pays Into the account Rs. 500 by a pay-in-slip and informs the ledger keeper about the credit and gets his cheque for Rs. 7,000 passed. The drawer, when he comes to know of this, complains to the Manager and asks for a refund of the sum of Rs. 7,000. How will you as a banker deal with the situation?

In the flow chart below, we can see the sequences of the events.

An open bearer cheque for 7000 is presented which is drawn by the customer

Balance was 6,600 in the account of the customer

⇓

Balance was short by 500

⇓

Bearer pays 500 by a pay-slip

⇓

Finally, the bearer gets his check passed

In this case, the bank is being cheated by the bearer. So, as a banker, I am responsible for this event. A bank is also liable for this type of misunderstanding. So, the bank has to pay for this. So, I must compensate with my customer in this case.

2.9 Question number 9

An Income Tax Officer directly writes to you to disclose certain details regarding accounts of some of your customers. Draft your reply to the Income Tax Officer

In this case, an income tax officer directly writes to asks for disclosure of certain details of some customers. We must check if there is some official notice about it. Otherwise, a bank is not allowed to give any kind of information to anyone without the permission of the customer. If the customer gives permission, then it is okay to share the customer's information with the income tax officer. If the officer has legal permission, then the bank can share the information.

2.10 Question number 10

A. “The banker’s duty of secrecy is not absolute but qualified”- explained below with example.

Banks have a ritual of ensuring that all new employees sign an oath of secrecy. This is a very critical part of all orientation programs. The oath is always administered by a Legal Officer in the Bank and the signed documents securely filed for the records. Banking is also considered as one of the most risk sectors for privacy violations due to the sensitive and highly personal nature of information that is exchanged, recorded, and retained. Individuals must trust banks with personal identifying information, their financial records, the access information to their accounts, and their credit history. Examples of privacy violations in the banking sector.

Bank of America: An example of a very common privacy violation by Bank of America was reported by the Utility Consumers' Action Network. In the case Bank of America was charged for selling the personal information (social security numbers, bank account numbers etc.) of 35 million customers to marketers and third parties without informing individuals. Bank of America is now settling for \$14 million, and agreeing to change its privacy policies, its Web site, and its privacy procedures. Perhaps the most alarming element to this story is that Bank of America violated its own privacy policy.

Canara Bank: In the case of Canara Bank vs. Dist. Registrar and Collector the district Registrar, entered Canara's banks premise and inspected its books and documents. After inspecting the documents, they found an error, and seized the material. The bank argued that though the Registrar could inspect the documents, they did not have the authority to seize the documents without notice to the persons affected. The ruling of the case held that the exclusion of illegitimate intrusions into privacy depends on the nature of the right being asserted, and the way in which it is brought into play. This case demonstrates that context is a crucial element of protecting privacy and defining the right to privacy and raises the question of how privacy legislation should define context for the financial sector.

Banks are governed by the Information Technology Act 2000 as amended in 2008. The latter amendments contain provisions that enjoin banks to adopt reasonable security practices with respect to their databases. Customers of banks can, under the IT Act, obtain compensatory relief for losses arising out of data leakages as well as unauthorized disclosure of information by the banks for gain.

Thus, privacy violations are not taken lightly and heavily impact the individual whose privacy was violated. Ways in which a violation of privacy can take place in

the banking sector include: sharing personal information with third parties without consent for marketing purposes, stolen or lost banking number or card, sharing personal information or allowing access to third parties without informed consent, inadequate notification to an individual concerning what will be done with their data, collecting more personal data than is necessary, refusal to provide financial records upon request by client, incorrectly recording personal information, and loss of a client's personal data due to improper security measures.

B. How would you deal with the following situations as a banker?

Case1: You have a joint savings bank account in the names of Mr. and Mrs. M.N. Desai 'payable jointly'. Mrs. Desai approaches the bank to find out the balance in the account.

Solution: When two or more persons open an account jointly, it is called a joint account. Each owner has the full right to withdraw, deposit, and otherwise manage the account's funds. While some banks may label one person as the primary account holder, that does not change the fact everyone owns everything together. Joint savings bank accounts work like savings accounts, keeping your money safe and paying interest. In case 1, the joint savings account I have in the names of Mr. and Mrs. Desai 'payable jointly' also follows the rules of joint account. In any instance, if one of the parties of the account holder approaches the bank to know the balance or withdraw any amount from the account, the bank must honor the cheque.

Case2: An income tax officer approaches you and requests to let him know the balances in the accounts of three valuable customers of your Branch. He informs that he requires this information as the income tax department must recover arrears of tax payable by them.

Solution: Banks are obligated to disclose account information only if ordered by the court. In case 2, when the income tax officer informs that he requires this information as the income tax department must recover arrears of tax payable by them. Here if they have the order from the bank, the joint account holders are bound to let him know the balance of the account.

Case3: You have a current account in the name of Mrs. A.B. Patel & co. The account is operated by either of the two partners. Later, a minor son of Mr. A.B. Patel was admitted as a partner on 30th April 1990. On 1st May 1990, the minor son who is

admitted as a partner approaches you with a request to let him know the balance in the account.

Solution: According to Bangladesh contract act, a minor is considered as highly incompetent party to enter legal contracts. A banker can open a bank account in the name of a minor. But the banker must be very careful about it. Here in the case 3, a minor son of A.B. Patel is admitted as a partner of the account. In this situation the bank should check if the minor is introduced properly. He must be about 14 years of age and should be able to read and write. When the bank allows hi, to be a part of the account, the minor can request to let him know the balance of the account.

Findings:

1. Every action in a joint account should be taken with the permission of both parties.
2. The government party can take any action against the joint account if they have the court order.
3. Minors can be a part of opening a bank account with proper introduction. However, they cannot open a current account.

2.11 Question number 11

How would you deal with the following cases?

- I. An attachment order is received from the tax officer for impounding an amount of Rs. 10,000 in the account of A. A does not have an account in his name but also a joint account with B which shows a balance of Rs. 20,000.

Solution: The first case shows an attachment order is received from the income tax officer for impounding an amount of Rs. 10000 in the account of A. but A does not have an account in his own name but has a joint account with B, which shows a balance of 20000. Since A does not have an account in his name, he cannot pay any kind of amount to anyone. as well as for a joint account, no transactions can be made without the permission of the other account members.

- II. A has an overdraft of Rs. 10,000 with your Mumbai office. The overdraft has become sticky. Subsequently, A opened a savings bank account with your Calcutta branch. The balance in the account was Rs. 15,000. An amount of Rs. 10,000 was transferred by your Calcutta office from A's account to liquidate his overdraft account with your Mumbai office. Meanwhile, a cheque for Rs. 12,000 received at Calcutta office was dishonored for want of balance. A threatens to file a suit.

Solution: In case 2, A has a current account with the balance of 10000 in the Mumbai office. Since the overdraft has become sticky, A opened a savings account with the Calcutta branch whose balance is 15000. Meanwhile a cheque for Rs. 12000 was received at Calcutta office which was dishonored. As we know, if a current account makes any transaction, it has to give prior notice and it should have sufficient balance for transactions. without the prior notice and insufficient balance any kind of transaction would be cancelled. Here A (Mumbai) has an overdraft of 10000 but he wants to transact 12000 which is not possible. Also, the Calcutta branch can file a suit against the Mumbai office for defamation.

- III. A maintains an account in his sole name and enjoys an overdraft which he does not repay despite demands. The bank adjusts the overdrafts from the credit balance held in the account in the joint names of A and

B. B challenges such adjustments and demands restoration of the amount.

Solution: Scenario 3 shows that A has an account in his own name and also has a joint account with B. we know that, in the case of a joint account, all the member's permission is needed for any kind of action. But here A adjusts the overdrafts from the credit balance held in the joint account of A & B. In this situation B can demand for restoration of the amount and sue A.

IV. A court prohibitory/attachment order prohibiting the bank from paying away any money on a constituent's cash credit account in debit balance where sufficient drawing power is available is received.

Solution: A garnishee order is issued by a competent court of law addressed to a banker instructing him to stop or withhold payment of money belonging to a person who has committed a default in satisfying the claim of his creditors. Therefore, whenever a bank receives such an order, the banker has to obey it fully. Case 4 shows the exact situation.

V. A court prohibitory/attachment order prohibiting the bank from paying away any money on a constituent's cash credit account in debit balance where sufficient drawing power is available is received.

Solution: Here an attachment order is received from the income tax office for Rs. 5000 in the name of A. A has only one joint account with B & C and must pay an amount of 9000 which is not possible. For any kind of transaction, the account has to have enough balance. Otherwise the transaction will be cancelled.

Findings:

1. A joint account should be conducted jointly.
2. A current account cannot make any kind of deposit without giving a prior notice and insufficient balance.
3. In the case of a joint account, the members can demand for restoration if any of the members violates the rule.
4. Garnishee order warns the holder of money of judgement debtor not to make any payment out of it till the court directs.
5. Enough balance is necessary for making any kind of transaction.

Section III

3.0 Conclusion

Understanding the relationship between a banker and a customer is essential because it helps us understand the foundation of the entire banking system and what rights and responsibilities each party has. The type of transaction determines the relationship between a banker and a customer. Both parties have obligations and rights in this banker-customer relationship. The banker-customer relation is more than just a debtor-creditor relationship. The bank provides a wide range of services to its customers based on the overall reputation and condition of the customer. Relationships between banker and customer include Debtor-Creditor, Agent-Principal, Lessor- Lessee, Bailor-Bailee, Trustee-Beneficiary, Pledger-Pledgee, and Assignor-Assignee etc. Trust is the most vital aspect in developing a positive relationship between a banker and a customer. Both parties have responsibilities to one another that they must perform. Some of the obligations of bankers include honoring client cheques, maintaining account secrecy, receiving cheques and other instruments for collection, keeping all data of customer's transactions, and giving proper notice before shutting customer accounts. Customers' responsibilities include avoiding drawing cheques with insufficient funds, drawing cheques in such a manner that avoids any change or alteration, paying reasonable fees for services given, and making a claim on the banker for deposit repayment. The above instructions must be followed to maintain the banker-customer relationship. The relationship begins with the opening of an account and ends with the account closure. Without a doubt, we can determine that maintaining good banker-customer relationship is important.