



NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
SCHOOL OF LAW
MAY/JUNE 2012 EXAMINATION

LAW 431 - BANKING AND INSURANCE I
Time allowed: 3 Hours

INSTRUCTIONS: Attempt any five questions. All questions carry equal marks.

1. The root of the development of formal banking system in Nigeria is said to be imported. Discuss.

2. (a) Who is a banker? With the aid of statutory and judicial authorities draw a distinction between a bank and a banker if any.

(b) Mr. Johnson an ever busy successful businessman came to Success Bank to open an account. Mr Johnson who has an appointment with a customer approached the security man, Lodoja in the bank who agreed to assist him. Mr Johnson filled an account opening form given to him by Lodoja. He gave Lodoja the sum of one hundred thousand naira as first deposit. Mr. Johnson was instantly given an account number by Lodoja. Two weeks after Mr. Johnson came to make further deposit and was told by the cashier that he does not have account with the bank.

Identify the legal issues and advise the parties.

3. Using both judicial and statutory authorities elucidate on the relationship between bank and customers on account holding.

4. Mr. Gabby Iro, a seasoned engineer maintains a current account with Success Bank Plc. Mr. Gabby issued a cheque in favour of Tukayo Tabi. On presentation of the cheque to the bank by Takayo Tabi for payment, he was told that the bank lacked sufficient cash to honour the cheque. Mr Gabby is aggrieved and has approached you for an advice.

5. Mr. Cain Jack opened two separate accounts in his name with Zion Bank Ltd., in 2008 and 2009 respectively. In 2010, Mr. Cain took a loan of 50 million naira on the first account and in 2011 in order to foot his gubernatorial election took another loan of 200 million naira on the second account. He eventually lost the election to his opponent. The debt is due for repayment. Mr. Cain has raised the sum of 50 million naira and has issued a cheque in favour of the bank with an instruction that it be used to deflate the second loan but the bank is of the stand that the repayment should be used to offset the first loan been the first to be given and being of the same amount.

- a. Advise the parties on the above facts
- b. Would your answer be different if no instruction was given by Mr. Cain?

6. Briefly discuss the laws regulating the establishment of bank and banking business in Nigeria.

7. A banker does not allow a customer to overdraw his account but where overdraft facilities have been granted, the bank cannot unilaterally withdraw same. Discuss.

8. Bank-customer relationship is contractual and can be terminated. Discuss the various ways of terminating bank-customer relationship.

9. Write short note on the following:

- a. Bill of exchange
- b. Cheque
- c. Promissory note
- d. Bank customer
- e. Banking business.