

Module-2**Banker and customer****Types of relationship between banker and customer****1. General feature of the relation**

- Commencement of primary general relationship

The primary general relationship between a banker and a customer starts from the time the customer opens a bank account by depositing money.

- Contractual primary general relationship

The primary general relationship between a banker and a customer arises from a contract between the two. So, it is a contractual relationship. As it is a contractual relationship, it is governed by the various terms of agreement between the two parties.

- Nature of primary general relationship

When a banker receives deposits of money from a customer, he is neither a bailee nor a trustee nor an agent, but only a debtor of the customer. This view has been endorsed by several authorities on banking law and also confirmed by many court decisions.

- Not a bailee or depositories of customer's money

A banker is not a bailee or depository of customer's money. This is because a bailee accepts the bailment of certain things on the condition that the things bailed will not be utilized by him and the identical things will be returned. But a banker doesn't accept the money from the customer on the condition that the money deposited with him will not be utilized by him and that the identical money (i.e. the same currency notes or coins deposited with him by the customer) will be returned.

- Not a trustee of customer's money

A banker is not a trustee of the customer's money. This is because a trustee is required to use the trust money in accordance with the trust deed, render an account to the beneficiary for everything he does with the money and is bound to handover the profits earned from the use of trust money to the beneficiary. But a banker is not bound to employ the customer's money in accordance with the terms of any trust deed is not required to render an account to the customer for everything he does with the money and is not the use of the customer's money.

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- Not an agent in respect of customer's money

When a banker accepts deposits of money from a customer, he is not an agent of the customer. This is because an agent is bound to act according to the instructions of the principal, while investing the principal's money, render a detailed account for everything he does with the principal's money to the principal and is required to handover to the principal the incomes he earns from the use of principal's money.

- Only a debtor in respect of customer's money

The banker is just a debtor and the customer is a creditor when he accepts and has the deposits of the customer. Of course, in case the customer's account is overdrawn or the customer has taken loan or any other form of financial accommodation from the banker, the customer becomes the debtor and the banker becomes the creditor. So, one can conclude that the primary relationship between a banker and a customer is that of a debtor and a creditor and their respective positions are determined by the existing state of the bank account.

Subsidiary feature of the relationship

- Bailee and bailer relationship

When a banker accepts valuable and documents from a customer for safe custody, he becomes a bailee and the customer becomes a bailer.

As a bailee, the banker owes some duties and liabilities to the customer. They are:

- a) He is required to safeguard the safe custody deposits of the customer in his hands with reasonable care.
- b) If he fails to take reasonable care in the preservation of the safe custody deposits and the customer suffers loss as a consequence; he becomes liable to compensate the customer for the loss.

In this context, it should be noted that the banker is liable only for the losses arising out of his negligence and not for those losses arising out of reasons beyond his control, such as fire, burglary, etc. This is because, a banker is only a bailee and not an insurer of the safe custody deposits left with him.

- c) He is required to handover the safe custody deposits to the depositor, whenever he demands them back.

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- Trustee and beneficiary relationship

A banker becomes the trustee of his customer, when he is entrusted with some trust work. For instance, when a customer deposits a certain sum of money with the banker with specific instructions to use the same for a specific purpose, the banker becomes the trustee of the customer in respect of that money until that purpose is fulfilled.

- Agent and principal relationship

When a banker undertakes agency services such as collection cheques, drafts & bills, collection of interest and dividends on securities, payment of premium and subscriptions, purchase and sale of securities, etc, for a customer, he becomes the agent and the customer becomes the principal.

- As an agent the banker owes some duties to the customer they are:
- He is required to act in accordance with the instruction of the principal, i.e. the customer.

He is bound to return to the customer all the incomes which he earns as an agent of the customer.

Banker's obligation to customers

1. Obligation to honor his customer's cheques
2. Obligation to maintain the secrecy of the customer's account
3. Interest rate related complaints.

Banks responsibility

- Explain these in writing: give examples
 - ✓ How is interest calculated?
 - ✓ Fixed interest- what is the reset clause?
 - ✓ Floating rate- what is the benchmark used?
- Clearly state terms/ conditions in loan document.

Customer's responsibility

- ✓ Read before you sign
- ✓ Do not ignore your doubts-get them clarified
- ✓ Never sign in blank document

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4. Service charges

Bank's responsibility

- ✓ Display service charges
- ✓ Extend concessional rates to special category persons
- ✓ Have a cap on all charges including interest rate and panel charges
- ✓ Inform customers of changes; offer option to discontinue facility

Customer's responsibility

- Read all the material sent to you by the bank
- Remember
 - ✓ Banks have freedom to set interest rates/ service charges
 - ✓ You have option to choose the bank which offers best rate.
- Compare rates-make informed choice.

5. Loan documents, return of securities

Bank's responsibility

- ✓ Give customer a complete set of loan agreements and enclosures at time of sanction/disbursement.
- ✓ Return the securities as soon as the loan is repaid.

Customer's obligation

- ✓ Get a complete set of loan documents from banker
- ✓ Read the MITC (Most Important Terms and Conditions)
- ✓ Get securities back as soon as loan is repaid.

6. Recovery of bank dues

Banks responsibility

- ✓ Place list of recovery agent on website
- ✓ Ensure recovery agents follow code of conduct
- ✓ Record all conversations with customers

Customer responsibility

- Remember
 - ✓ All loans have to be repaid
 - ✓ Not to borrow beyond your repaying capability

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- ✓ Conversation you have recovery agent is recorded.
- Seek assistance of your bank if in problem.

7. Credit cards**Banks responsibility**

- ✓ Do not issue unsolicited cards-if activated and charged. Pay prescribed compensation without demur.
- ✓ Do not issue unsolicited products on cards
- ✓ Delivery of cards and PINs only to person concerned
- ✓ Stop lost cards immediately on report of loss.
- ✓ Consider insurance on lost cards
- ✓ Send statements on time; use e-statements, SMS alerts, etc to keep the card holder informed of payments, due dates, etc.

Customer's responsibility

- ✓ Keep your credit card safely
- ✓ Be present when card is used by merchant banker
- ✓ Do not use public computers for internet purchase through credit cards
- ✓ Keep credit card number and help line detail in hand
- ✓ Report immediately if you loss card the card
- ✓ If you don't want a card, cut it and send it back to the credit card issuing authority.

8. ATMs**Banks responsibility**

- ✓ Ensure ATMs are in working mode at all time
- ✓ Have CCTV in all ATMs
- ✓ Check audit trails periodically
- ✓ Check cash handling processes and procedures
- ✓ Check for quality of notes stacked in the ATMs.

Customer's responsibility

- ✓ Keep ATM cards safely
- ✓ Don't keep the PIN with the card

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- ✓ Inform discrepancy immediately if possible with the witness of the security guard.

9. Cheque drop facility

Banks responsibility

- ✓ Remember-cheque drop facility is only an alternate mode of cheque collection.
- ✓ Box should bear legend indication that it is an alternate mode and that customer can get acknowledgement if required.
- ✓ Install automatic cheque acknowledging machines which give receipt of dropping the cheque.

Customer's responsibility

- ✓ Insists and obtain acknowledgement for cheques if you want them

10. Cheque collection

Bank's responsibility

- ✓ Display bank's cheque collection policy
- ✓ Adhere to the displayed policy
- ✓ Levy charges as per RBI stipulations
- ✓ Compensate customer without waiting for request for any delay

Customer's responsibility

- ✓ Read the cheque collection policy
- ✓ Insist and obtain admissible compensation for delay.

Right of lien

The legal **right** of a creditor to sell the collateral property of a debtor who fails to meet the obligations of a loan contract. A **lien** exists, for example, when an individual takes out an automobile loan.

The condition of the right are:

1. The agent should be lawfully entitled to receive from the principal a sum of money by way of commission earned or disbursements made or services rendered in the proper execution of the business of agency.

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2. The property over which the lien to be exercised should belong to the principal and it should have been received by the agent. The property is considered to be sufficient in the possession of the agent where he has been dealing with it. Thus where an auctioneer was engaged to sell furniture at the owner's house, he was held to be sufficiently in possession to exercise lien for his commission. The property held by an agent for a special purpose implicitly excludes the right. Similarly, where possession is obtained without the principal's authority or by fraud or misrepresentation, there is no lien, briefly, the agent's possession must be lawful.

3. The agent has only a particular lien. A particular lien attached only to that specific-matter in respect of which the charges are due. No other property can be retained.

Right of Setoff

- Set-off means- that the bank can adjust the credit balance in a customer's account against a debit balance in another account maintained by the same customer.
- In an ongoing, situation, the right of set-off can be exercised by a banker- by serving a reasonable notice on the customer.
- The right of set-off can be exercised by the banker only when the relationship between the customer and the banker is that of- Debtor and Creditor.
- The banker can exercised the right of set-off only in respect of- debts due and determined.
- The following condition are required to be fulfilled before a banker can exercise the right of set-off- (a)The debt must be a sum certain and due immediately, (b) The debt must be due by and to the same parties and the in the same right, (c) There should be no agreement to the contrary.
- The right to set-off account arise immediately in the following cases- (a) On the death, mental incapacity or insolvency of a customer, (b) On the insolvency of a firm, or on the liquidation of a company, (c) On the receipt of garnishee order.
- The right of set-off is available to the banker only in respect of- credit balance held in a customer's account.
- In case of time barred debt- the bank can exercise the right of set-off provided the debts are due in the same sight.

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- Money held in a fixed deposit account may be set-off against an overdraft allowed to the same customer- only after the fixed deposit has matured for payment.
- For exercising the right of set-off- no document is required to be obtained from the customer.

Right of appropriation

1. The act of setting aside money for a specific purpose. A company or a government appropriates funds in order to delegate cash for the necessities of its business operations. This may occur for any of the functions of a business, including setting aside funds for employee salaries, research and development, dividends and all other uses of cash. Federal funds must be appropriated each year for government programs.

In business use, may also be known as "capital allocation."

2. The claiming of land or intellectual property by a company or organization, or otherwise marking ownership of previously unclaimed or contested property.

Banker's legal duty of disclosure and related matters

The banker's duty of confidentiality to the customer

It is an implied term of the contract between customers and their banks and building societies that these firms will keep their customers' information confidential. This confidentiality is not just confined to account transactions – it extends to all the information that the bank has about the customer.

But from time to time, mistakes happen and – for whatever reason – banks end up releasing information that they should have kept secret. Sometimes, the resulting breach of confidentiality is little more than technical (in other words, nothing really flows from it), but occasionally it can have major consequences.

The Tournier principles

First of all, a banker's duty of confidentiality is not absolute. The 1924 case of *Tournier v National Provincial and Union Bank of England* sets out four areas where a bank can legally disclose information about its customer. These principles still hold good today and are:

- Where the bank is compelled by law to disclose the information
- if the bank has a public duty to disclose the information
- if the bank's own interests require disclosure; and

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- Where the customer has agreed to the information being disclosed.

If we decide that a bank disclosed information under one or more of these circumstances, then we are unlikely to interfere. But most of the complaints we receive involve situations where the bank should not have disclosed information – because none of the Tournier principles applied.

Liability

If a bank discloses information about a customer in any circumstances other than those described above, then it has acted wrongly and should, as a general rule, be held liable for the reasonably foreseeable consequences of its action. Some banks seem to think it should make a difference if they disclosed the information by accident – but it does not. If a bank's carelessness leads to a breach of confidentiality that does not diminish the fact that the bank acted in breach of a fundamental duty it owed to its customer.

It is relatively rare for us to come across a case where information was disclosed deliberately. Mostly, it happens by accident.

Consequences of a breach of confidentiality

Customers rightly expect high standards from their banks and building societies. So if they discover that their private information has been wrongly divulged to someone else, they can become very unhappy – even if the disclosure has resulted in little more than minor frustration or embarrassment.

But even a minor mistake by a bank can lead to significant problems – particularly if the customer is running a business. We have seen cases where simple clerical errors have led to serious business losses.

The important point here is for the bank to look at the consequences of its actions for the customer – and to distinguish clearly between "loss" and "distress and inconvenience". All too often we find that banks fail to do this properly. Even where they accept they have done something wrong, they often try to settle the matter by offering the customer some money without first assessing either:

Whether the customer has experienced a true (and reasonably foreseeable) financial loss; or

The real extent to which the customer has suffered distress, embarrassment, or inconvenience.

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Loss

Both banks and customers need to take a realistic look at any real losses resulting from the bank's breach of confidentiality. The bank should generally be liable for losses that it could reasonably have foreseen when it disclosed the information.

In our experience, banks regularly fail to pay proper attention to the true costs that customers can incur as a direct result of the breach of confidentiality. The key, therefore, is for both parties to analyse and understand the true effects of the bank's actions.

Distress and inconvenience

Occasionally, customers who have experienced minimal or no financial loss feel that their "good name" has been "irreparably damaged" by what has happened. They may go on to claim large sums of money as compensation, perhaps quoting high-profile court cases. However, we take a more balanced view.

In exceptional circumstances we might award compensation of some hundreds of pounds for significant breaches of confidentiality. But any compensation we award is generally far more modest. Minor mistakes will warrant little more than a nominal payment, if any.

When assessing compensation for distress and inconvenience we follow the approach outlined in our technical briefing note awards for non-financial loss.

Customers account with banks

Opening

Savings Bank Account

A Savings bank account is the most common operating account for individuals and others for non-commercial transactions. A Savings account helps people to put through day-to-day banking transactions besides earning some return on the savings made. Banks generally put some ceilings on the total number of withdrawals permitted during specific time periods. Banks also stipulate certain minimum balance to be maintained in savings accounts. Normally a higher minimum balance is stipulated in cheque operated accounts as compared to non-cheque operated accounts. Banks as a rule do not give overdraft facility in a saving account, but allow occasional overdrawn to meet contingencies.

Who can open a Savings Account?

* By a person in his / her name;

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* By two or more persons in their joint names payable to:

- Both or all of them or the survivor or survivors of them; OR
- Either or any more of them or the survivor or the survivors of them; OR
- Former / latter or survivor of a particular person during his lifetime or survivors jointly or survivor.

* Certain non-profit welfare organizations are also permitted to open Savings bank accounts with banks.

What a bank asks for while opening an account?

Banks are required to know true identity of the person wanting to open an account. Banks also seek introduction of the person from an existing account holder. Banks require photograph of the person to be kept on record for future identification purpose. In terms of government notification w.e.f. 01.11.1998, banks have to obtain PAN numbers (issued by Income Tax Dept.) of the account holder at the time of opening of the account. In the absence of PAN number customer should give a declaration in the prescribed format (form no.60 or 61 as the case may be).

What the Customer needs to know while opening a Savings Account?

Ask the bank officials about :

- Minimum balance requirements.
- Penal provisions if the balance falls below the minimum stipulated amounts or return of Cheques issued or instruments sent on collection.
- Collection facilities etc. offered and charges applicable.
- Details of charges, if any for issue of cheque books and limits fixed on number of withdrawals, cash drawings, etc.

Fixed or Time Deposits

Time deposits are deposits accepted by banks for a specified period of time. In terms of RBI directives the minimum period for which term deposits can be accepted is 15 days. The banks generally do not accept deposits for periods longer than 10 years.

1. Banks pay interest on term deposits based on the period of deposits and normally pay higher interest for longer term deposits.
2. Banks have full discretion to fix their interest rates on deposits and these rates are varied from time to time depending on market conditions.

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3. Changes made in interest rates from time to time do not alter the interest paid on the existing deposits.
4. When banks quote a certain percentage of interest per annum for a given period it is understood that interest payments are made on a quarterly basis (see IBA Master Charts).
5. The depositor can collect interest on every quarter or its discounted value at monthly rests or avail quarterly compounding benefits and receive principal and interest on maturity.
6. RBI has now permitted banks to quote a higher rate of interest for individual deposits more than Rs.15 lacs.
7. Banks are allowed to levy a penalty for premature encashment of deposits at their discretion. Banks generally pay interest on such deposits as applicable for the period which deposit has been kept with the bank (less penalty if levied).
8. Bank allow loans against the fixed deposits on demand. Margin retained over the deposit outstanding and interest rate charged thereon are decided by the bank and may vary from bank to bank.

Opening of a time deposit Account

Normally the requirements as given under savings bank account apply to time deposits also. However, photographs are not insisted for deposits below Rs.10,000/-. Also the requirements regarding furnishing of PAN number applies only to time deposits over Rs.50,000/- made in cash.

Time deposits - Product variations

To suit the needs of the customers banks have introduced innovative variations in the basic time deposit format. Flexible deposit is one such innovation. In this case a given deposit is split into units of smaller amounts for accounting purposes. This enables the customer to encash any number of units prematurely at any time during the currency of the deposit and earn the contracted rate of interest on the balance amount.

Current Account

Current accounts are cheque operated accounts maintained for mainly business purposes. Unlike savings bank account no limits are fixed by banks on the number of transactions permitted in the Account. Banks generally insist on a higher minimum balance to be maintained in current account. Considering the large number of transactions in the account and volatile nature of

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balances maintained overnight banks generally levy certain service charges for operating a Current account.

In terms of RBI directive banks are not allowed to pay any interest on the balances maintained in Current accounts.

However, legal heirs of a deceased person are paid interest at the rates applicable to Savings bank deposit from the date of death of the account holder till the date of settlement.

Operation

KYC and Operation

- KYC (Know Your Customer) is a framework for banks which enables them to know / understand the customers and their financial dealings to be able to serve them better.
- Banking operations are susceptible to the risks of money laundering and terrorist financing.

Therefore, banks are advised to follow certain customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority.

- Reserve Bank of India has advised banks to make the Know Your Customer (KYC) procedures mandatory while opening and operating the accounts and has issued the KYC guidelines under Section 35 (A) of the Banking Regulation Act, 1949.
- Any contravention of the same will attract penalties under the relevant provisions of the Act. Thus, the Bank has to be fully compliant with the provisions of the KYC procedures.

When does KYC apply?

- Opening a new account.
- In respect of accounts where documents as per current KYC standards have not been submitted while opening the initial account.
- Opening a Locker Facility where these documents are not available with the Bank for all the Locker facility holders.
- When the Bank feels it necessary to obtain additional information from existing customers based on conduct of account.
- When there are changes to signatories, mandate holders, beneficial owners etc.

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- For non-account holders approaching the Bank for high value one-off transactions like Drafts, Remittances etc.

Advantages of KYC

- Sound KYC procedures have particular relevance to the safety and soundness of banks, in that:
 1. They help to protect banks' reputation and the integrity of banking systems by reducing the likelihood of banks becoming a vehicle for or a victim of financial crime and suffering consequential reputational damage;
 2. They provide an essential part of sound risk management system (basis for identifying, limiting and controlling risk exposures in assets & liabilities)

Objective of KYC guidelines

- To prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable banks to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently.

4 key elements of KYC policies

- 1) Customer Acceptance Policy;
- 2) Customer Identification Procedures;
- 3) Monitoring of Transactions; and
- 4) Risk management

Types of Account

One of the main functions of a commercial bank is to accept deposits of money from the public. The deposit accepted by a bank may be classified into two broad categories

Time Deposits

1. Fixed Deposits
2. Recurring Deposits

Demand Deposits

1. Savings Deposits
2. Current Deposits

Time Deposits

The time deposits are repayable after expiry of a fixed specified period time while demand deposits are repayable on demand.

- i) Fixed deposits

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Fixed deposits are those deposits, which are repayable after the expiry of a fixed specified period of time. They are also called time deposits. The time or period of deposit may vary from fifteen days to several years. This period decided by the depositor according to his convenience. The rate of interest is usually higher than other types of deposits. The rate of interest on fixed deposit depends on period of deposit; the longer the period of deposit, the higher will be the rate of interest. The RBI decides the interest rate. On the deposit being made, the banker issues a 'deposit receipts'

ii) Recurring deposit

Recurring deposits are variants of fixed deposits. Recurring deposits are also repayable only after the expiry of a fixed specified period of time but the amount is deposited in monthly installments. These deposits are meant for people having regular monthly income. The duration of recurring deposits varies from six months to several years. Generally the rate of interest on these deposits is higher.

Demand Deposits

i) Savings Deposits

Savings bank accounts are introduced by banks to mobilize small savings and inculcate the habit of savings in the people. These deposits are repayable on demand, but bank places certain restrictions on the number of withdrawals. These deposits can be opened with very small amount. The prescribed minimum balance is different in different banks. Interests is paid on monthly minimum balances and credited to the respective accounts half yearly according to the rates prescribed by the RBI from time to time.

ii) Current Accounts or Current Deposits

Current accounts are those deposits, which are repayable on demand. There are no restrictions on the number of withdrawals. The bank don't pay interest on current account or deposits, instead they charge incidental charge on customers having current account. This type of deposit is suitable for businessmen who want to make payments by means of cheques.

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Types of customers

- **Lunatics**

A lunatic is person of unsound mind (irresponsible person). The position of lunatics under Indian law, Under Indian contract Act, a contract with or by a lunatic are void. The reason being the lunatic being of unsound mind is not competent to comprehend a contract.

If the banker without knowing that the person is lunatic opens an account and enters into a contract acting in good faith is protected. But when once he gets a notice of lunacy of a person, he should not entertain any contract either existing or new.

- **Drunkards**

Under section 12 of Indian contract Act 1872, a sane man who is delirious from fever or who is drunk that he can't understand the contract, or form rational judgment can't enter into contract while delirium or drunkenness lasts. When a customer who is drunk presents a cheque across a counter the payment must be witnessed.

- **Minors**

Under section 3 of the Indian majority act, 1875, a minor is a person who has not completed the age of 18 years. In case a guardian to the person or property of minor is appointed by the court, or the property of the minor is placed under the charge of court wards before he completes the age of 18 years, he continues to be a minor until he completes the age of 21 years.

- **Married women**

The law that exists today in India doesn't make any distinction between the contractual capacity of a man or an unmarried lady and a married woman. So, a married woman enjoys the same contractual capacity as a man or an unmarried lady. She can acquire and sell property, lend or borrow and enter into contracts and bind her personal or separate property called "Stridhan".

- **Partnership firm**

Section 4 of partnership act 1932, defines partnership as "the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all". So, a partnership is an association of two or more persons who agree to carry on a business jointly and share the profits of that business. The person who form the partnership are called "partners" individually and a "firm" collectively. The name under which they carry on the business is called "firm name". They can open the account in their firm's name.

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- **Joint stock companies (Public Limited Companies)**

A joint stock company is an association of persons under the companies act. It is an artificial person created by law with perpetual succession and common seal. A joint stock company is a separate legal entity. So, a bank account can be opened in its name.

However, while opening and maintaining an account in the name of public limited company, a banker has to be very careful. He is required to take the following precautions in dealing with a public limited company:

1. He should call for and examine the original certificate of incorporation to ascertain whether the company is legally incorporated or not. The certificate of incorporation is the conclusive proof of the incorporation of the company.

It is also advisable for the banker to obtain and retain under his custody a certified copy of the incorporation certificate for his future reference.

2. He should obtain a certified copy of the memorandum of association of the company as amended up to date and ascertain the objects for which the company is formed, the authorized capital of the company and the liability of the members of the company. A knowledge of the objects of the company as specified in the Memorandum of association is absolutely necessary for the banker, because any act done, or contract entered by the company, which is outside the scope of the objects, is ultra-virus, (i.e. beyond the powers of company) and is, therefore not binding on the company.

- **Trustee**

Section 3 of Indian Trust contact Act, 1882 defines a trust as an obligation annexed to the ownership of property and arising out of a confidence reposed in and accepted by the owner or declared and accepted by him for the benefit of another or of another and the owner” so, a trustee is person to whom the management of a property is entrusted by one in trust, i.e. out of confidence reposed in him, for the benefit of another. In short, a trustee is one who manages a trust.

Nomination

Nomination is a facility that enables a deposit account holder(s) (individual or sole proprietor) or safe deposit locker holder(s) to nominate an individual, who can claim the proceeds of the

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deposit account(s) or contents of the safe deposit locker(s), post the demise of the original depositor(s) or locker holder(s).

Benefit of nomination

The benefit of nomination is that in the event of death of an account holder(s) or locker holder(s), the Bank can release the account proceeds or contents of the locker to the nominee(s) without insisting upon a Succession Certificate, Letter of Administration or Court Order. The nominee holds the monies in the capacity of a Trustee on behalf of the legal heirs of the deceased account holder(s) or locker holder(s) and the Bank's liability is duly discharged on payment to the Nominee.

Who can nominate?

- Bank account holders having deposit accounts in their individual names or in joint names of two or more individuals can appoint a nominee to their accounts.
- A sole proprietor can appoint a nominee to the sole proprietorship account with the bank.
- In the case of a deposit account in the name of a minor, nomination shall be made by a person lawfully entitled to act on behalf of the minor in respect of a deposit account.
- Safe deposit locker holder(s) can appoint nominee(s) on their Safe deposit locker(s).
- A nomination can be made only in respect of a deposit account which is held in the individual capacity of the depositor, and not in any representative capacity such as the holder of an office like Director of a Company, Secretary of an Association, partner of a firm, or Karta of an HUF.

How can register a nomination?

Specific nomination forms need to be completed and submitted to the Bank for registering the nomination facility. Different forms are applicable to register nominations on deposit accounts and safe deposit lockers. The Bank will acknowledge receipt of the nomination form and send a confirmation of having recorded the same. This confirmation must be kept securely either with the deposit account holder or with the nominee, if the account holder so wishes.

Settlement of death claims

An announcement of death in newspaper, production of a death certificate or a report from a reliable source etc., will be sufficient notice to the Bank about the death of the Account Holder.

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As soon as the Branch becomes aware of the death of the A/C Holder, it will record the fact in the relevant account in the system and stop operation in the A/C.

Intimation to the Nominee, if any:

If the deceased A/C holder had appointed a nominee, a letter will be issued to the nominee informing him/her about the death of the account holder.

Further operation in the Account:

Further operation in the different types of account will be allowed as follows:-

a) Individual A/Cs:

No further cheques should be paid even though they be dated prior to the date of death of the A/C holder.

b) Joint A/Cs:

If the balance is payable to the survivor(s), cheques signed by the survivor(s) may be paid to the debit of the a/c, but it is preferable that survivor(s) is/are advised to close the a/c and transfer the balance to a new a/c in his/her/their name(s)., Fresh Account Opening Form duly filled in and signed by the survivor(s) should be obtained. If the balance is not payable to the survivor(s), the a/c should be stopped.

c) Proprietary A/Cs:

No further cheques should be paid even though they be dated prior to the date of death of the A/C holder.

d) Partnership A/Cs:

The death of a partner has, ordinarily, the legal effect of dissolving the firm. The surviving partner(s) can, however, operate the A/C for the purpose of winding up; and any cheques drawn by the surviving partner(s) can be paid. Cheques drawn by the deceased partner and presented after his death, should not be paid. The branches should request the surviving partner(s) to close the a/c by drawing a cheque signed by all of them and open a new a/c through which all further transactions may be passed.

e) Joint Hindu Family Firm A/c:-

In case of death of the Karta, the operation in A/c should be stopped.

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The Trustees have to act jointly unless there is an express provision to the contrary in the Trust Deed. In case of death of any, trustee, the operation on the a/c should be stopped unless the, relative Trust Deed confers express powers on the surviving trustee to act. In the absence of any specific provision in the Trust Deed, it is not safe for the Bank to assume that the surviving trustees possess full powers to deal with the A/C. Branches should, therefore, not allow the surviving trustees to operate on the a/c or withdraw the balance. In case of death of sole trustee, operation on the A/C should be immediately stopped.

g) Executor's and Administrator's A/C: -

On the death of an executor or administrator unless otherwise provided for the in the Will or Probate or Letter of Administration, all the powers of the office bearers become vested in the surviving executors or administrators. ,

The a/c should be allowed to be operated by co-executor(s), but the cheques signed by the deceased executor or administrator and presented after notice of his death should not be paid in the a/c. In case of death of a sole Executor or Administrator, it will be necessary to obtain fresh order of the court appointing a new Administrator.

h) Limited Company's A/Cs:

Where notice of death is received in respect of a person who is authorized to operate an A/C of a Limited Co., outstanding cheques drawn by such person of the Company can still be paid. The Board resolution submitted by the Company regarding the operation of its A/C should be examined by the branch to see whether any amendment or new resolution is necessary.

i) Association, Society, club A/c.:

The instructions given in respect of Limited Company's A/Cs shall also apply to A/Cs of Association, Society, Club etc.

j) Accounts operated by a holder of Power of Attorney or Letter of Mandate:

Upon the death of the principal, the authority of Attorney or Mandate holder stands cancelled. The operation on the a/c should be immediately stopped and no cheques signed by Attorney/Mandate holder should be paid after receipt of notice of death of the Principal.