

**SUMMARY**  
**CHAPTER- 14**  
**BANKER CUSTOMER RELATIONSHIP**

The relationship between a customer and a banker is contractual and begins as soon as a customer opens an account with a banker. Banks continue to act as custodians but that is only a subsidiary function.

**Relationship that of Debtor and Creditor**

The primary relationship is that of a debtor and creditor, the respective positions being determined the existing state of the account. The receipt of money by a banker from or on account of his customer constitutes the banker becoming merely the debtor of the customer with the obligation to honor his customer's cheques drawn upon his balance, in so far as the balance is sufficient and available. The customer has no lien on the money. If the banker acts as an agent and not as a debtor, the agency brings about a fiduciary relationship which lasts until the agency is terminated. A debt arising out of a contract is deemed to be situated in the place where it properly recoverable.

**Demand necessary in case of debt from banker**

A debt owing by a banker to his customer on current or deposit account does not become due and payable until the customer makes a specific demand for repayment. Locality was an essential part of the debt owing by a banker to his customer and that his obligation to repay was confined to the place where the account was kept thus limiting the obligation of banker to repay in point of locality to the branch where the account is kept. It was no answer to the claim and that the debt was payable in a foreign country, provided that the judgment debtor either resided or carried on business within the jurisdiction.

The money deposited by a customer is repaid by the banker only after a demand for the same is made by the customer. The balance to the credit of a customer's account is payable only at a branch where the account is kept and the customer should make demand for repayment only during prescribed business hours on a working day.

### **Demand should be made at proper time and place**

The demand by the customer must be made at the proper time and place. The demand for repayment must be made at the same branch of the bank. The demand must be made during banking hours only on a working day of the bank. If the banker makes payment before or after banking hours he could be held liable. In the meantime, if the drawer countermands payment of the cheque, the banker cannot debit his customer's account. The position will be similar if a garnishee order served on the banker restraining him from making payment out of drawer's account. The death of the customer or his insolvency will also make the payment of the cheque invalid. The payment of a cheque before or after banking hours is not a payment in due course.

**Demand must be made in proper manner:** Deposits are withdrawable by cheque, draft, order or otherwise

### **Trustee in case of safe custody deposits**

A trustee holds money or assets and performs certain functions for the benefit of some other person called the beneficiary. If a customer deposits securities and valuables with the banker for safe custody, the banker acts as a trustee of his customer. If a customer had employed a bank in a fiduciary capacity, the customer is entitled to a proper charge on the balances held by the bank as a whole on the date of suspension of payment. When a person dealing with a bank delivers money to the bank with the intention to create a relationship of creditor and debtor between him and the bank is presumed, unless this presumption is rebutted.

### **Agent of Customer**

There are times when a banker acts as an agent of his customer. He may also act in various other agency capacities such as a trustee, attorney, executor, correspondent or representative.

### **Limitation under the Limitation Act**

The time for filing a suit for the recovery of money deposited by a customer with his bankers, when it is payable on demand, is three years from the date of demand.

## **Law of Limitation and Deposits**

The law in India on the subject is contained in Article 22 of the Limitation Act, 1963 which provides a period of 3 years from the time when the demand is made by the customer

Under section 26 of the Banking Regulation Act, 1949 banking companies have to submit an annual return of all accounts which have not been operated upon for 10 years

In the case of deposit account, if the customer has given notice to the banker to withdraw the deposit after specified time, the limitation period will begin to run from the expiry of the specified time

With regard to an overdraft, the period runs from the time the overdraft is made use of unless it is extended by an acknowledgement of the debt in writing signed by the debtor or his agent, or part payment of the debt has been made and the fact of such payment appears in the hand writing of the debtor or his agent.

Where the lockers were tampered with and valuables, kept therein were removed, the suit of recovery of the value of the contents of the locker will not be barred by the Limitation ACT

A payment by cheque is made by a debtor in favor of a creditor is a payment which satisfies condition of section 20 of the Indian Limitation Act.

## **Termination of banker-Customer Relationship**

It can be terminated voluntarily at their option or by the operation of law e.g. death, insanity, insolvency etc.

### **Voluntary Termination**

- The customer has a right to close a current account on demand which must be met
- The banker has a right to determine the relationship if he does not wish to continue his relationship with the customer. He should give a reasonable notice to customer informing him about the termination of relationship.

**Operation of Law:** Death of a customer, Bankruptcy, insanity and Garnishee Order.

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