

NATIONAL LAW UNIVERSITY, DELHI

LL.M. (Professional), Semester-II (Batch of 2020)

End Semester Examinations, July-2021

Paper: Banking and Finance

Total Marks: 100

Instructions:

1. Answer **any five questions** from the followings. All questions carry equal marks and all parts of a question carry equal marks unless specified otherwise.
 2. No clarification shall be sought on the question paper.
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- 1) “The contours of the relationship which a bank has with its customer cannot be laid out comprehensively in the black letters of a statute with any degree of finality. The relationship is an evolving one, shaped by the expectations built over the last two centuries and the dynamism of modern economy driven by innovation and technological change. The courts need to be alert to this when being guided by precedents”. Critique the statement in light of judicial pronouncements.
- 2) Examine whether the bank has a right to exercise general lien for loans due to it from the customer in the following cases:
 - a) Securities bought by the bank for the customer as a portfolio manager of the customer.
 - b) Fixed deposit certificates issued by the subsidiary of the bank and guaranteed by the bank.
- 3) Examine whether a valid security interest has been created in the following cases:
 - a) A sub-pledge for a debt of Rs.10,000 on a chattel, which though had been pledged for a debt of Rs. 10,000, but upon which half the pledge debt had been paid back.
 - b) Pledge of a fixed deposit receipt of the bank, in favor of the husband and wife and payable to either or survivor, by the husband in favor of the bank.
- 4) “A security interest is in essence a property right of the lender. Once we recognize this, we open the doors for the principles of equity to apply..... including that equity regards as done that which ought to be done”. Elucidate the above statement with a discussion on the influence of equity determination of existence of security interest and its priority.
- 5) “Financial assets are a class apart from every other class of assets. Their existence and enforcement are dependent upon debtors’ existence and solvency. Though standing upon very weak physical foundations, the fact that they represent postponed expenditure means that the progress of polity is dependent upon the stability in the value of these contractual assets”. In light the above given statement, analyze the necessity of bank regulation and its contours.

6) Discuss the rights and duties of the bank, cheque holder and the cheque writer in the following cases:

- a) The customer has Rs. 50,000 in his account with the bank and an overdraft facility of Rs.10 lakhs. He writes a cheque of Rs.3 lakhs and gives it to his supplier. The supplier sits over the cheque for 10 days and then gives it to his bank to collect payment. By the time the supplier's bank presents for payment, the Reserve Bank of India, concerned over the solvency of the customer's bank declares a moratorium on payments over Rs. 10,000.
- b) The bank mistakenly credits money to the account of the customer, an old widow surviving on the pension paid as a surviving dependent of a deceased retired navy veteran. In reliance of the entries by the bank, the customer pays the fees of her granddaughter's nursing school course. Thereafter, she writes out a cheque to her landlord, which is dishonored when he presents it for payment as the bank has discovered its mistake in the interim and reversed the entries and claims money from the customer as her account has a balance in negative.