

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR****Course: Law of Banking and Negotiable Instruments
Semester-V (Batch: 2014-19)****Mid Semester Test: August-2016****Date: 9th August, 2016****Duration: 2 hours****Max. Marks: 30****Instructions:**

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write anything on the question paper.
- Indicate correct question numbers in front of the answers.
- No clarifications can be sought during the exam period, answer as it is, giving reason, if any.
- **Bare Act is not allowed.**

Part-A**Marks****Answer any two questions**

- Q.1 Mr. A was running a small but growing business from the premises which P Ltd had leased to Mr. A. He asked the bank to change the address in bank statements for his business account in the following way: Mr A, trading as "A Products" c/o P Ltd, Shyam Street, Gandhinagar, Gujarat. The bank agreed to do this, but on one occasion it made a mistake and sent one of the statements to: B Ltd, Shyam Street, Gandhinagar, Gujarat which was a supplier of Mr. A. (10)
- The statement was delivered to, and opened by an officer of B Ltd (B Ltd was also a customer of the same bank as Mr. A). B Ltd saw that Mr. A had a large overdraft. Since Mr. A had to make payment to B Ltd for goods supplied to Mr. A, this information caused B Ltd to send notice for recovery of balance amount from Mr. A and further B Ltd also stopped business activities with Mr. A. This affected the reputation of Mr. A in the market and also caused Mr A's business to fail. Mr. A's account was overdrawn because his business had been growing very quickly and he was waiting for a large number of invoices to be paid.
- Whether Bank would be held liable for breach of its duty of confidentiality? Substantiate your answer with the help of leading case laws and relevant provisions. Also discuss about the law relating to banker's secrecy and fidelity in India.
- Q.2 XYZ is a partnership firm having three partners A, B and C. Firm had availed a loan amounting to ₹ 2.5 lakh from SZE Bank Ltd. The firm has not been doing well. Partners are in the process of winding up the firm. Firm also has a deposit with the bank for ₹ 50000. Partners A, B and C also have deposit accounts with the bank in another branch with credit balance of ₹ 50000, 80000 and 40000 respectively. Partner A also has a joint fixed deposit account with his wife M for ₹ 30000 with the same bank. Partner B had availed loan of ₹ 25000 from Mr. G which he defaulted and consequently a decree was issued against B. Mr. G filed an application before the civil court for attachment of B's account at SZE bank. C also had availed loan from the bank by pledging gold which he is required to repay within two years as per the terms of an agreement with the bank. Whether bank can exercise any right to recover its debts in the given circumstances. (10)

Would it make any difference if SZE bank Ltd. has also obtained 'Joint and Several Liability' letter from the partners? Substantiate your answer with the help of leading case laws.

- Q.3 Distinguish between social control and bank nationalisation. Do you agree that bank nationalisation in India was a mistake? Discuss by stating appropriate reasons to substantiate your answer. Also highlight why bank nationalisation was challenged before the Hon'ble Supreme Court of India? (10)

Part-B

Answer **any two** questions

- Q.4 Write a short note on evolution of banking in India. (05)
- Q.5 Discuss the general relationship between a banker and a customer with the help of leading case laws. (05)
- Q.6 Elucidate some financial sector reforms in context with the banking industry in India and explain how these reforms helped in the growth and development of banking laws in India. (05)
