

Quadrant II – Notes

Paper Code: LAB0419

Module Name: Special relation between Banker and Customer, rights and obligations of the Bank

Relationships between Banker and Customer are basically divided into two categories; the general relationship and special relationship. there are certain rights and responsibilities imposed on the banker as well as customer. when you open an account in a bank you become a customer. customer is entitled for certain rights and their rights are the responsibilities of your banker. These rights and responsibilities are called special relationship.

list of features or special features are: duty to honour the cheque drawn by the customer, Duty to maintain the secrecy of the account, Duty not to close customers account without his consent.

duty to honour cheque drawn by the customer is a common duty of the banker. have the right to issue cheques and it is a duty of a bank to honour these cheques. It is a statutory obligation. Default of such payment must compensate the drawer for any loss caused. Grounds for rightful dishonor; unless cheque is post-dated or outdated, it should be within its validity, where the funds are insufficient, It is also an offence under section 138 of Negotiable Instrument Act. where the date is not clearly mention, customer's signature does not agree. in such a situation, banker has all the right to dishonor the cheque.

duty to maintain secrecy of the customer's account. the bank has a duty to maintain secrecy. bank is not supposed to disclose information to the outsiders. it has implied obligation on banker to maintain secrecy of the customer's account. Such disclosure may affect customer's reputation, creditworthiness.

In the case of Turner v/s national provincial and the United Bank of India, except on a reasonable ground and proper occasion banker can disclose customer's financial position. where the disclosure is required by law, where it is a duty to disclose to the public where it is with implied and express consent of the customer. the customer

himself give consent order to disclose its financial statement, where it is the banker's own interest, where the practice and usage of the banker permits to disclose etc., Banker cannot close customer's account without customer's consent.