

REDEEMER'S UNIVERSITY



P.M.B. 230, EDE, OSUN STATE

COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES

DEPARTMENT OF FINANCIAL STUDIES

COURSE CODE /TITLE BKF 403 – PRACTICE OF BANKING I

..... **FIRST** SEMESTER EXAMINATIONS

..... **2018/2019** SESSION

INSTRUCTIONS:

ANSWER QUESTION 1 AND ANY OTHER THREE.

TIME ALLOWED 2 ½ HOURS

Question 1

“A remarkable feature of the creation of a contract between banker and customer is that the terms of the contract are not usually expressly embodied in any written agreement executed by the parties”. Discuss. **(10 Marks)**

In the light of this statement, itemise **TEN** issues that constitute the implied terms of the contract between a banker and a customer in the ordinary course of business when a current account is opened. Support your response with relevant decided cases. **(15 Marks)**

Question 2

a. As Head of the Redeemer’s University Campus branch of your bank, you discovered one morning that the branch had been burgled and the strong room had been broken into. Much damage was done to the boxes and parcels deposited in the strong room. The incidence was duly reported to the appropriate authorities. Two days later, Mrs. Morenikeji Davies, a good customer of the bank, presented a safe-keeping deposit receipt marked “Large Tin Box, Contents Unknown”. When the box was opened, it was found that the lock had been broken and the box was empty. Mrs. Davies tells you that the box contained N500,000 which represents her life savings.

Discuss the position of the bank in the face of a claim from Mrs. Davis. **(7 Marks)**

b. You received a telephone call from a firm of Owonikoko Hypermarket to the effect that someone purporting to be your customer, Mrs. Jane Tiwalaju, is in the shop asking them to accept her cheque for N50,000 payment for a wrist watch and trinket. They asked you to confirm that her cheque for this amount would be paid on presentation. Mrs. Jane Tiwalaju who is a valued customer is well-known to you personally and quite respectable for the amount of the cheque.

State, with reasons, how you would deal with the request. **(8 Marks)**

Question 3

- a. What do you understand by Statutes of Limitation? (5 Marks)
- b. "The rule in Clayton's case is merely a presumption that the parties intended it to apply to sums which "form one blended fund" to be so specially analyzed".
State concisely the relevant banking operations rules established in Davaynes V Nobles (1916), indicating clearly the implications on banking account operations. (10 Marks)

Question 4

For very many years, it has been established that a Bank is under a legal obligation to keep its customers affairs secret. It has often been said that secrecy is a jealously guarded tradition of Bankers, to the extent that some banks makes a policy for their staff to sign an oath of secrecy on assumption of duty that they will not divulge the affairs of their employer and customers to anybody outside, without authority (Tassel Vs Cooper, 1850).

It was also held that the banker's obligation of secrecy regarding its customer's affairs was a legal one arising out of contract implied in the relationship between Banker and Customer, but that the duty of secrecy is not absolute, but a qualified one.

You are required to discuss, giving relevant illustrations, the various instances where disclosures would not injure the position of the bank. (15 Marks)

Question 5

- a. This morning you received a letter from Dr. Daniel Fraser & Co., a firm of Chartered Accountants who are the auditors to your customer, Asubiaro Trading & Investment Co. Ltd, asking your branch to furnish them with the balances on the accounts held by Asubiaro Trading & Investment Co. Ltd as at 31st December, 2017 for audit purpose. You are aware that Dr. Daniel Fraser & Co has served as the auditors of your customer for the past five years and you had rendered the same service to them in the past.

What actions would you take in dealing with the request? Give reasons for your action. (7 Marks)

- b. i. Itemize the documentation required for the grant of final license to a bank.
ii. Under what circumstances can the CBN exercise power of revocation of a banking licence? (8 Marks)

Question 6

On Friday last week, Professor Wakilu James, who has maintained a small deposit account at your Owode-Ede Branch for several years called to pay in a cheque of N50,000. An inexperienced cashier of the branch allowed him to withdraw a similar amount, leaving the previous balance of N2,000 in his account.

The cheque which he paid in was presented through the general clearing but was returned to you unpaid with the answer "Payment Countermanded by Drawer". Coincidentally, your senior clerk was at the Ilesa branch on relief and he now recalls opening a current account there for Professor Wakilu, with a cash deposit of N50,000. On enquiry, it was discovered

that the customer is one and the same person and that there have been no other entries in either the current account or the deposit account.

- i. What rights are available to the bank in these circumstances?
- ii. What courses of action are opened to the bank?
- iii. State which course of action you will recommend, giving reasons.

(15 Marks)