



REDEEMER'S UNIVERSITY
PMB 230, Ede, Osun State

COLLEGE OF **MANAGEMENT & SOCIAL SCIENCES**
DEPARTMENT OF **FINANCIAL STUDIES**
COURSE CODE /TITLE **BKF 304/ LAW & ETHICS OF BANKING II**
..... **SECOND** **SEMESTER EXAMINATIONS**
..... **2017/2018** **SESSION**

INSTRUCTIONS ON CHOICE OF QUESTIONS TO BE ANSWERED:
ANSWER ANY FOUR QUESTIONS

TIME ALLOWED **2 ½ HOURS**

1(a). Chief Agbanimi is a customer of ABC Bank Plc. He applied for a loan facility of ₦50,000,000 against a guarantee from Chief Orhibhabor one of the bank's directors to finance his business. The guarantee is to be supported by a second mortgage on Chief Orhibhabor's 5 bedroom duplex at Victoria Island, Lagos. There is a first mortgage on the house for ₦100,000,000 in favour of XYZ Bank Plc. The security is presently valued for ₦450,000,000.

Required:

- i. What is the nature of the transaction? (1 mark)
- ii. Discuss in details the procedure for taking the security. (5 marks)

(b). Your customer, Osaze tells you that he wishes to repay his borrowing and have the title deeds of his house which were mortgaged to your bank as security, returned to him with the mortgage released. You do as he asks but later found that there was a second mortgage over the deeds.

Required:

- i. What is your position vis-à-vis the second mortgage? Give reasons (3 marks)
- ii. Would your position be different if after Osaze has defaulted in paying the loan and after exercising your power of sale and clearing the outstanding debt, you handed over the surplus to Osaze? (2 marks)

(c). What is meant by 'developed land' under the provisions of Land Use Act 1978? Highlight the significance of this definition to a lending banker. (4 marks)

2(a). An unsecured overdraft facility to the tune of ₦3,000,000 is to be granted to a customer whose account has been dormant for months. The customer's account balance is ₦15,000 and he intends to obtain the facility with a life policy of ₦5,500,000. When asked to produce the policy document, he mentioned that it is deposited with an insurance company to secure a small loan of ₦1,500,000 few years ago. The customer is sure the surrender value will cover both advances as the policy is on his life and in his name.

Required: Highlight the procedure to adopt in perfecting the security. (6 marks)

(b). what constitute an equitable assignment of life policy to a lending banker? (3 marks)

(c). State the dangers of taking life policy as security to a lending banker. (6 marks)

3(a). You read in the daily news paper that a customer of your bank Mr. 419 has been arrested by the police and is being held in custody on charges of fraud. A police officer calls the next day and asks for a copy of Mr. 419's statement of account for the past one year. This, he says will be required in the court proceedings. He added that the charges against your customer are serious.
Required: How would you deal with the request? **(4 marks)**

(b). Mr. Latunde-Oseni has been a customer of your branch for 15years. He offers to your bank as security, a life policy in his favour on his own life. It has a capital value of ₦2.5 million and a surrender value of ₦1.5 million.

Required: Outline the procedure by which the bank can acquire a legal assignment of the policy. **(7 Marks)**

(c). Highlight the limitations of a life policy as security for bank lending. **(4 marks)**

4(a). Engr. Abanaji was granted an overdraft facility of 1 million due for repayment last month. The facility was secured by the personal guarantee of Professor Eze for ₦950,000. Professor Eze does not maintain an account with your branch. A week before maturity of the facility, Professor Eze died of heart failure. Three days after his death, Engr. Abanaji was adjudicated bankrupt.

Required:

- i. What action should the bank take? **(3 marks)**
- ii. A dividend warrant declared 3 months ago in a company in which Engr. Abanaji invested was received today by the bank. Indicate how it should be treated. **(4 marks)**

(b). Differentiate between the following: **(2 marks each)**

- i. Guarantee and indemnities
- ii. Equitable and legal mortgage of shares
- iii. Fixed and Floating debenture holders
- iv. Statutory right of occupancy and Customary right of occupancy

5(a). The corporate responsibility of a firm consists of its adherence to legal requirements of its existence and its responsibility to stakeholders. Elucidate **(5 marks)**

(b). Discuss the need for corporate social responsibility in Nigeria. **(5 marks)**

(b). Highlight the major challenges or obstacles militating against good ethical practices in the Nigerian banking industry. **(5 marks)**

6. Briefly discuss the following concepts: **(3 marks each)**

- i. Corporate Governance
- ii. Whistle blowing
- iii. Financial Fraud
- iv. Negative Pledge
- v. Doctrine of Estoppel