

Important Topics Exposition:

[The important information of this chapter has been provided here at a glance.]

Introduction:

Mutual trust and belief is the fundamental base of banking business.

Bank is a service providing financial institution. Bank's business largely depends on the customer's trust. Mutual trust and faith between bank and clients bring success to the banking business. In this respect both the parties should believe each other to make a business deal.

Main ideology of bank is the relationship and belief between the Bank and Client. If any step of each party is against this belief and trust, then relationship between them will be disrupted which will cause the business to be dissolved.

1. Nature of Bank-Client Relation:

Person, institution, company involves in banking business is called "Banker". Such a way client means that person who is involved with the bank through his account or any of the service of the bank. On the basis of the functions and services provided by the bank to its clients. Bank — Client relationship can be considered as:

- A. Debtor —Creditor Relationship:** When client deposit money in the bank then bank is a debtor and oppositely other party is creditor. Thus this relationship grows through depositing money by the client.
- B. Contractual Relationship:** This relationship establishes through opening a bank account by the client. This relationship creates right and responsibilities for both the parties. Under this contract bank remain liable to return back the client's deposited money.
- C. Client's trustee:** Most of the time banks give protection to the client's valuables, documents etc. through providing the locker services. This relationship can be considered as legal relationship.
- D. Mortgage provider and receiver relationship:** Bank provides loan against the client's property. This relationship is the outcome of the client long term relation and belief on the bank and bank's long term services delivering to the clients.
- E. Agency relationship:** Payment dues and collect receivables are on behalf of the clients are the responsibilities of bank.

2. Bank's responsibilities towards the clients:

According to the principle of banking business, doing welfare and protecting client's interest are wholly the responsibilities of the bank.

A. Pay back money: Generally, bank is bound to pay back the client's money. But it is paid on the fulfillment of some condition specified by the contract. As an example: If money is deposited in the current or savings account then client can withdraw money by writing the Cheque and any approval of the bank is not needed.

B. Secrecy of account: Bank never discloses any information of the clients except asked or advised by the Court, Bangladesh Bank or respective client.

C. Carrying on depositor's order: According to the order of the depositor bank utilizes the deposited money. As an example, if client orders bank to repay the dues to some specified person then bank does this as per order. Same way if client orders bank after meeting the condition to collect the receivable then bank also do the same.

D. Exchanging of interest and service fee: Bank collects money of receivable interest on behalf of the client and deposits properly to the client's account.

E. Opportunity of easy loan repayment: Bank sanctions the loan on easy repayment schedule. Thus both of the parties will be benefited.

3. Client's responsibilities towards the bank:

As bank has responsibilities toward the client such a way client also has responsibilities towards the bank. Client's responsibilities are following:

A. Honesty: Client should show the honesty to maintain the relationship towards the bank. From opening a bank account client should disclose all required information to the clients.

B. Loan repayment: Client should pay installment of loan as per repayment schedule. So if loan cannot be repaid according to contract then by the adoption of the law bank will collect money by selling the property of the client.

C. Cautiousness: Client should take proper care in writing Cheque. As an example: proper signature, date in right places and right time.

4. Concept of Bearer Cheque:

In case of this Cheque bank is bound by order of the client to pay the specified amount of money to the specified bearer within a specified time period.

5. Concept of Order Cheque:

Generally, in case of such kind of Cheque, bank pays to the payee or to the specified person by the order of the payee's. Bank cannot pay cash on present of this Cheque but only through the account bank can clear this payment.

6. Concept of Crossed Cheque:

Crossed cheque is the most secured cheque. Money of this type of cheque is withdraw only after depositing it in an account.

7. Reasons of Dissolving Banking Relation Between The Bank and Client:

Relationship between the bank and client are of trust. This relationship dissolves only when conspiracy, fallacy or illegal activities occur. The possible reasons those may dissolve the relationship between the bank and client:

- A. Client has declared as bankrupt:** If client is declared by the court as bankrupt then Bank-Client relationship dissolves.
- B. Mental disorder:** If client is not capable of doing the bank transaction or may not remember anything, at that time relationship will dissolve.
- C. Garnishi order:** If any Garnishee Order is enforced by the court then bank becomes bound to close the client account.
- D. Bank's own decision:** If client doesn't follow the bank's rules and principles then bank may become bound to close the client's account.
- E. Client's own Decision:** If client is not interested to continue his account then relation comes to an end.
- F. War and Enmity:** If bank and client stay in a location on which division has taken place thus relationship breaks as usually.
- G. Balance Transfer:** If client orders on bank to transfer all his account balance to the other bank then client's account automatically closes down.
- H. Death of client:** Due to this reason account comes to an end.
- I. Non-active Account:** If any client doesn't make any transaction through the account for long time then account of this client will be closed automatically.

CQs for Self-assessment (Board CQ):

1. Banking business on surrounding the money and it conducted by surrounding the clients. Bank earn profit with proper responsibility to the clients.
 - a. When bank return money to the clients?
 - b. What is the fundamental base of banking business? Explain.
Or What type of relations are being created between bank and customers depositing money by depositors?
 - c. Following the stem describe the responsibilities of bank to clients.
 - d. Do you think “The tool of economic development is the good relationship between Bank and Client”. – Analyze.

2. Mr. Kabir purchase a flat in Bashundhara residential area. He takes loan for Tk. 10,00,000 from ‘Padma Bank Ltd.’ Giving mortgage the documents of the flat and starts furniture business. He purchases wood from various person for making furniture. Mr. Kabir becomes mentally sick by an accident. As a result, he could not pay tk. 2,00,000 in time to Mr. Saiful for purchasing wood. So, Mr. Saiful files a case in the court against Mr. Kabir. The court ordered the ‘Padma Bank Ltd.’ to stop all banking transactions of Mr. Kabir. As a result, banking transaction of Mr. Kabir comes to end with ‘Padma Bank Ltd.’
 - a. Who is a Banker?
Or who is a Client?
 - b. Explain what the Order Cheque is?
Or explain the Bearer Cheque is?
 - c. What is the relationship between the bank and Mr. Kabir? Explain.
 - d. Evaluate the logical reasons of dissolving banking relation between Mr. Kabir and ‘Padma Bank Ltd’.

3. Kajol wants to open an account in Standard Chartered Bank, he has already heard about the services provided by this bank. On the initial day of opening, the official person gave him some information regarding how to help relation with the bank as a client. Kajol has understood his responsibility. He has also understood how the relation will be broken.
 - a. What is debtor-creditor relationship?
 - b. How many types of cheque are there in use?
 - c. What are the responsibilities that Kajol have to maintain as a client with the bank?? Explain.
 - d. How Kajol’s relation with the bank can be broken? Discuss.