

Relationship between Banker and Customer

- i. Banker as a depository/trustee: Traditionally, the role of a banker was that of a reliable depository who takes care of the money deposited with him by the customer and repays it on demand. Interest is paid on certain deposits like savings account and time deposits while current accounts don't entail any interest. The bank becomes a trustee in the event of a customer's death in that it may be responsible for looking after his estate; it can provide professional trustee services, which include the appointment of trustees and the management of the customer's assets. Hence the banker is not merely a depository or a trustee as he performs multiple functions.
- ii. Debtor and Creditor relationship: The relationship between the banker and the customer would be that of a debtor and creditor when money is deposited or when money is lent. The respective position of either debtor or creditor is determined by the state of account. By virtue of receiving money, the banker dons the role of a debtor whereby he has the obligation to honor the cheques drawn by the customer who is creditor in this case. In the other circumstance where the customer has over drawn the account or has taken a loan, he would be the debtor while the banker will be the creditor. Such a relationship, i.e., the depositor-banker-borrower, illustrates the original functions of a bank... When the money is deposited in the bank the ownership transfers from the customer to the bank and the amount now is at its disposal. The bank pays interest and gets the right to use the money for further lending. And even if it does not pay interest on certain accounts like current accounts, it can utilize the money deposited by the customer to earn interest. However it has the obligation to repay the amount available in customer's account on demand. However, the customer has no right to ask for the same coins or rupee notes, which he initially deposited.
- iii. Banker acting as the agent/l Bailee etc.: Safe custody services such as safe deposit boxes, handling of securities deposited by customers, are examples of bailment. Bailment arises when one person (bailor) deposits goods with another (bailee) for a specific purpose on terms that the goods should be redelivered to the bailor. The bailor retains ownership of the goods. If a sealed box is deposited with the bank for safe custody then the relationship between the customer and the banker is that of the bailor and bailee. According to Section 148 of the Indian Contract Act, 1872, the bank becomes a custodian of the securities of the customer and hence a bailee and the bailee is liable for any loss caused to the bailor due to his negligence. The term "agent" refers to the services that the bank provides to a customer, i.e., the bank acts as an agent to collect and process a customer's cheques and accepts a customer's instructions in providing other services including foreign exchange services, investment advice, financial management, share purchasing and selling. The banker while acting as an agent has to make good losses and account for the profits if accrued to the principal who is the customer.
- iv. Lesser and Lessee Relationship: When a bank provides the service of giving out a safe deposit locker on rental basis to a customer, the relationship is strictly that between a lessor (the Bank) and a lessee (the customer). The bank provides the facility of safe deposit lockers, which the customer can use for keeping his valuables. The amount paid towards the use of locker is the rent. Sometimes, the relationship is termed as between the licensor and licensee.