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Reg. No.....

Name.....

**FIVE YEAR B.A., LL.B./B.B.A., LL.B./B.Com., LL.B. (HONS.) DEGREE
EXAMINATION, MARCH 2025**

Seventh Semester

F.L. 22—BANKING LAW

(2021 Admissions—Regular/2018 to 2020 Admissions—Supplementary)

Time : Three Hours

Maximum : 75 Marks

Part A

*Write short notes on any five of the following.
Each question carries 3 marks.*

1. Merchant Banking.
2. Joint bank account.
3. Clearing House System.
4. Audit of Bank Accounts.
5. Liability of endorser of a Negotiable Instrument.
6. Protest of Foreign Bills.

(5 × 3 = 15 marks)

Part B

*Answer any three of the following problems.
Each question carries 10 marks.*

7. XYZ Bank, a well-established commercial bank, has a long-standing relationship with Mr. 'A', a prominent businessman. Mr. A's company is going through a financial crisis, and he is in the process of negotiating a merger with another company. During this time, a bank employee accidentally discloses Mr. A's financial situation to a third party, which results in the collapse of the merger talks. Mr. 'A' sues the bank claiming significant financial loss due to the actions of the bank employee. Referring to relevant case law, decide whether Mr. 'A' can successfully claim damages against XYZ Bank.

Turn over

8. Mrs. 'Z' availed a loan from ABC Bank against her jewellery, which was kept as security in the bank's custody. After repaying the loan, she demands the return of her jewellery. However, the bank refuses, claiming a general lien on the jewellery for an unrelated overdraft facility that Mrs. 'Z' had with the same bank. Mrs. 'Z' argues that the bank cannot exercise a lien on her jewellery since it was specifically deposited against a particular loan. Discuss the legal principles governing general and particular liens, and refer to statutory provisions and decided cases that clarify the bank's rights in the circumstances of the case.
9. XYZ Bank initiated proceedings before the Debt Recovery Tribunal (DRT) against ABC Ltd. for the recovery of a Rupees 15 crore loan. During the proceedings, ABC Ltd. claimed that the loan agreement was vitiated by fraud, alleging that XYZ Bank had misrepresented the interest rate at the time of sanctioning the loan. ABC Ltd. sought a declaration from the DRT that the loan agreement was void and that no recovery could be made. Analyze the jurisdiction of the Debt Recovery Tribunal in dealing with issues related to the validity of loan agreements and allegations of fraud. Can the DRT grant the relief sought by ABC Ltd., or should such issues be decided by a civil court? Cite relevant statutory provisions and judicial decisions in support of your answer.
10. Mr. P issues a cheque to Mr. Q as repayment of a loan. Mr. Q, after receiving the cheque, delays presenting it to the bank for two months. In the meantime, Mr. P's account balance drops below the required amount. When Mr. Q finally presents the cheque, it is dishonored due to insufficient funds. Mr. Q files a complaint under Section 138 of the Negotiable Instruments Act. Mr. P argues that he is not liable because Mr. Q delayed presentment. Decide whether Mr. P is criminally liable under Section 138 of the NI Act. What are the ingredients of the offence under section 138, NI Act?

(3 × 10 = 30 marks)

Part C

Answer any two of the following questions.

Each question carries 15 marks.

11. Analyse the definition of 'banking' under the Banking Regulation Act, 1949 and discuss the essential banking functions that distinguish a banking institution from other financial institutions. How has the evolution of multi-functional banks affected the traditional understanding of banking? Evaluate whether the current legal framework is adequate to address the complexities introduced by multi-functional banking.
12. Analyze the legal framework that empowers the Reserve Bank of India to regulate and supervise the banking sector in India. How do the roles of the RBI as the 'Banker's Bank' and 'Banker to the Government' contribute to the stability of the Indian financial system?
13. What is the legal distinction between 'negotiability' and 'assignability'? Analyze the characteristic features of a negotiable instrument and discuss how the Negotiable Instruments Act differentiates between a promissory note, a bill of exchange, and a cheque, with reference to relevant case laws.

(2 × 15 = 30 marks)