

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 336: BANKING LAW

STREAMS: BCOM Y3S2

TIME: 2 HOURS

DAY/DATE: MONDAY 05/07/2021

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- **Answer question ONE and any other TWO questions.**

QUESTION ONE

- (a) “The banker’s lien entitles the banker to retain in his possession securities etc., in respect of the general balance due by the owner to the banker. The right extends to all securities placed in his hands as a banker by his customer which are not specifically appropriated.” Discuss five legal limitations to the right. (10 marks)
- (b) There has been a drastic increase in the number of banks and mobile network providers creating platforms for mobile banking, where banks are able to give short term credit to the network subscribers. Discuss the setbacks of such banking system. (10 marks)
- (c) Garnishee order attaches only that balance which lying in the customer’s account at the time when order is served on the banker. Explain when it does not apply. (10 marks)

QUESTION TWO

- (a) Explain the circumstances when a banker is under statutory obligation to disclose the details of a customer’s account. (10 marks)
- (b) Forged cheques were presented to Juma’s bank in respect to his account. The cheques were honoured by Juma’s bank. The bank routinely sent statements to all their customers including Juma, who looked through the statements, ticking out the suspect entries before returning to the bank. He however did not further indicate to the bank that in fact there were forgeries against his account. Several months later, he decided to inquire from the bank about the irregularity to his account. The bank did nothing about Juma’s complaint. Advise. (4 marks)

- (c) Explain how the banker-customer relationship can come to an end. (6 marks)

QUESTION THREE

- (a) Explain six banker's obligations to honour cheques. (6 marks)
- (b) Explain five sources of banking law. (10 marks)
- (c) A lecturer walked into the banking hall and opened an account with the intention of depositing money. She filled the forms and handed to the personal banker. Bank robbers walked in and robbed the bank and all the customers. She wants to sue the bank, will she succeed? Advice. (4 marks)

QUESTION FOUR

- (a) What is an equitable mortgage? And what are the procedures of creating such a mortgage? (5 marks)
- (b) Explain the precautions taken before accepting equitable mortgage as a security? (8 marks)
- (c) Explain the various types of charging securities and methods of charging them to cover bank advances. (7 marks)
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