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GENERAL RELATIONSHIP BETWEEN BANKER AND CUSTOMER -

The relationship between a banker and customer is basically contractual. It is regulated by a. the general provisions of law of contract b. the rules of agency, where applicable, and c. banking practice. There may be following relationships between banker and customer -

1. Debtor and Creditor Relationship- The relation of banker and customer is primarily that of debtor and creditor. But who is what at a particular moment depends on the balance of the account of the customer. If the account shows a credit balance, the banker will be a debtor and the customer a creditor. But in the case of debit balance or overdraft, the banker will be the creditor and the customer the debtor.
2. Trustee and Beneficiary relationship- The banker assumes the position of a trustee when he accepts securities or valuables from the customer for safe custody. The articles deposited with the bank for safe custody continue to be owned by the customer. The banker acts also for the benefit of the customer, and thus, the customer is a beneficiary in this way. In *New Bank of India Ltd v. P. Lal*, AIR 1962 SC 1003, the Supreme Court observed that where the amount is deposited by the customer for a purpose, the banker acts as a trustee with regard to the balance of the amount after fulfilment of the purpose.
3. Principal- Agent relationship- A banker acts as an agent of his customer and performs a number of agency functions e.g., the banker collects cheques on his behalf and makes payment of various dues of his customer viz., insurance premium etc.
4. Bailee and Bailor relationship- The bank functions as a Bailee when it keeps valuable articles, o ornaments, title deeds etc. of its customer. The banker works as

the custodian of these things, and it is implied responsibility of the bank to return these things safely. Thus, the bank is a bailee and the customer is a bailor.