

## OPENING AND OPERATIONS IN DEPOSIT ACCOUNTS

**a) Opening of Account:** A person has to apply on prescribed form for opening an account; savings, current, recurring, or fixed deposit. The customer is required to furnish Officially Valid Documents as proofs regarding his identity and address. He has to give his specimen signature in order to enable the banker to honour his instructions in future.

**KYC Compliance:** All type of bank accounts shall be opened with compliance of KYC guidelines. The banks run following risks in otherwise circumstances: -

- i) As a collecting banker, a bank if collects cheques and other instruments for his customer who is not properly identified, does not get statutory protection if title of the customer proves to be defective. If any person opens an account and gets cheques collected, the bank will be held liable to the original owner of the cheque, if the person for whom the cheques is collected was not properly identified by the bank.
- ii) In case the account is overdrawn, the banks run the risk of losing the amount of overdrawn portion.
- iii) All the assets of an insolvent are attachable. In case any such un-discharged insolvent has opened the bank, account and gives his cheques for collection, such amount is attachable.
- iv) The account holders may take advantage of cheque book/online credits in such opened accounts to deceive the people.

**b) Operations in Account and Principal of Estoppel:** The banks have printed pay in slips for deposit of cash or cheques. The acknowledgement of deposit of cash or cheque can be obtained on the perforated portion from the cashier or counter clerk/executive.

The amount from running accounts can be withdrawn by cash i.e. by being present in self at the counter or through third party by cheques. The cheque is a negotiable instrument and payment through cheque can be drawn as per mandate of the customer.

Apart from conventional modes of operations like withdrawal by cheque, withdrawal slip, the customers can now use electronic means for remittance like RTGS (Real Time Gross Settlements) and NEFT (National Electronic Fund Transfer) etc.

**Operations by Sick or Incapacitated Persons:** In case a customer is not able to put his signatures as per specimen signature due to sickness etc., the banks shall obtain a thumb impression identified by two witnesses and make the payment. Further in case the person is too incapacitated to put his thumb impression, bank shall get some impression on the withdrawal form identified by two witnesses. Such person shall indicate to the bank the person to whom the payment is to be made. The banks shall make payment to such person in the witness of two independent persons, one of whom shall be a responsible bank official.

**Entries in the Passbook and a/c Statement:** The banks issue passbook to the account holder for his convenience and to keep account of sums of money deposited and withdrawn from the account. Entries in pass book are evidence of the transactions taken place in account; however, they do not make conclusive proof of accuracy or correctness of the transactions.

**Credit Balance higher than actual:** Since the entries in passbook are made by the banker, it acts against the banker if balance shown in the passbook is higher than actual due to omission of some debit entries, or due to posting of higher amount, or wrong credit of entries pertaining to others. If the customer believing such amount as his own withdraws the same and spends it away, the banker is not entitled to recover the amount from his customer. This is under the **Principal of Estoppels**. If it is felt that customer has the means of knowing the correctness, usually where the passbooks, books of account are maintained by the party, in such circumstances the bank is not stopped from claiming such amounts from the party.

Debits posted wrongly in account or higher debits posted resulting in less balance of the customer. Under such circumstances the customer is entitled to get his account corrected even if he regularly obtains the passbook and examines it. However, in case where the debits have been made into the account due to passing of forged cheque and this is known to the customer, he is not entitled to recover the same.

**Effects of false entries made in Pass book:** The effect of false entries made in pass book depends upon the circumstances. The effect of such entries on bank, or its liability depends upon the

circumstances under which such entries are made in the passbook of the customer. If a customer entrusts money to the employee of the bank and the employee embezzles such amounts and makes fake entry in the passbook the effect of such entries depends upon:

- i) Whether the money entrusted to the employee is in his due capacity as employee of the bank and as agent of the bank. For example, if the money is entrusted to an employee for deposit in savings account during the course of banking hours and to a person who is dealing with that seat, he is acting as an agent of the bank and bank is liable for such amount.
- ii) In case the money is entrusted to employee of the bank on odd hours and to a person who is not in charge of such department, then that employee is not acting on behalf of bank and is in fact acting as trustee of the sums of money of that person only. In such cases bank is not liable for such amounts which were not deposited with the bank but only fake entries were made in the passbook. This embezzlement is purported by the agent of the customer, though is a bank employee.

**c) Closing of Account or Suspending Operations in the Account:** The customer at any time can request the banker to close his account and terminate the relationship. The bank can also terminate this relationship in case he finds that the customer is undesirable like he has been convicted for forging the cheques and his relationship is dangerous to the reputation of the bank. The bank can give notice to the customer regarding its intention of closing the account and request him to close the account. If the account is still not closed by the depositor, the banker shall serve another notice giving specific date of closing the account. Till then the banker shall keep on honouring his cheques if there is sufficient applicable balance. On the specific day, the banker is within his rights to close the account and send the money to the customer through Pay Order, Demand Draft etc. Under following circumstances, the operations in the account will be suspended or stopped as relationship between a banker and his customer undergoes a change: -

- i) Receipt of Garnishee order
- ii) Death of Customer, as and when it comes in the notice of banker
- iii) Insanity of customer, as and when it comes to the knowledge of the banker
- iv) Insolvency of customer, as and when it comes to the knowledge of the banker. The banker shall stop operations in the account and not allow any operations till the customer is discharged of his liability. The credit balance in the customer's account shall be remitted to Official Receiver/bankruptcy trustee of the insolvent.

Further, if a customer having an existing account-based relationship with a RE/Bank gives in writing that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, RE/Bank shall close the account and all obligations due in relation to the account shall be appropriately settled.

**d) Demand Deposits and Time Deposits:** The deposits made in various types of accounts opened by the customer are classified broadly into two types i.e. Demand deposits and Time deposits.

Demand Deposits: are repayable on demand and can be withdrawn any time by the depositor. The deposits like i) Current ii) Savings considered payable on demand iii) Margins held against LC/BG payable on demand iv) Overdue fixed deposits v) Unclaimed deposits vi) Outstanding DD, PO, TTs balances etc. vii) Deposits held as security for advances given on demand basis viii) Credit balances in CC and OD accounts

Time Deposits: are repayable after a fixed time period. It mainly includes i) Fixed Deposit Receipt Balances ii) Savings balances considered not payable on demand iii) Margins against LC not payable on demand iv) Recurring Deposits v) Security deposits retained with banks

For in depth study on the subject: <https://excelbanking.co.in/study-material/>

