

TYPES OF CUSTOMERS

Relationship
Beyond Banking



Bank of India

Relationship beyond banking

Presented by,

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DEFINITION OF BANKING

“Accepting for the purpose of lending or investment, of deposits of money from public, repayable on demand or otherwise, & withdrawal by cheque, draft, order or otherwise” - Sec 5(b) of the Banking Regulation Act, 1949.

TYPE OF CUSTOMERS

On the basis of banking nature,
Customers can be classified as :

1. Depositors
2. Borrowers
3. TPP
4. NRIs
5. Walkin

TYPE OF CUSTOMERS

On the Basis of Society customer may be classified as:

Gender	Age	Occupation	Profession	Income	Manner
Male	Minor	Employed	Salaried	Poor	Gentle
Female	Major	Unemployed	P&SE		
	Senior Citizen		Student	Business man	Rich
Others		House wife	Farmer	HNI	Short Tempered

BANK- CUSTOMER RELATIONSHIP

Banking relationship is a **contract between the Bank & the Customer**. Therefore, for establishing relationship with the customer, Bank has to ensure that the **customer is legally capable of entering into a valid contract & he has applied to the Bank in the proper form (Indian Contract Act, 1872)**.

WHO CAN ENTER INTO A VALID CONTRACT ?

As per Indian Contract Act 1872, a person is competent to enter into a valid contract provided:

- Individual should be major, i.e. of **18 years** of age.
- He is **sound mind**,
- He is **otherwise not disqualified by any law**,
- He Should not be an **insolvent**,
- **Drunken person** is not legally competent to enter into a contract,
- Should be in **good sense** while opening account/entering into a contract,

DIFFERENT TYPE OF CUSTOMERS

1. Personal accounts

a) Single Individual Account

b) Joint Individual Account

c) Minor Account

d) Illiterate Person

e) Blind Person

f) Pardanasin women

DIFFERENT TYPE OF CUSTOMERS

- 2. Hindu Undivided Family (HUF)**
- 3. Proprietorship Firm**
- 4. Partnership Firm**
- 5. Limited Liability Partnership (LLP)**
- 6. Companies**
 - a) Private Ltd. Company**
 - b) Public Ltd. Company**
 - c) Government Company**
 - d) One person Company**
- 8. Trust**
- 9. Club & Society**

ACCOUNTS OF SINGLE INDIVIDUALS

- ❖ This is purely a personal account in the name of an individual and is normally operated upon by the account holder himself.
- ❖ He may authorize another person to operate the account by giving him Mandate or Power of Attorney.
- ❖ In order to avoid legal complications that may arise after the death of the account holder, it is desirable to obtain proper nomination.
- ❖ Individual should be major, i.e. of 18 years of age.
- ❖ Should be of sound mind.

JOINT ACCOUNT OF INDIVIDUALS

- Joint account of more than one individuals is opened for operational convenience or to avoid legal complications upon death of one of the joint account holders.
- Clear & unambiguous instructions regarding operation of the account need to be obtained at the time of opening of account.
- Addition/deletion of any name, material alteration, Closure of account & operational instructions in the joint account can be changed by all the account holders jointly.
- However, in joint accounts with operational instructions “Former or Survivor”, instructions can be changed/revoked only by Former.

MODE OF OPERATIONS OF THE JOINT ACCOUNT

A/c in the names of	Mode of operation
A & B	Either or Survivor
A & B	Both of us jointly or Survivor
A & B	Former or Survivor
A B C D F	Any one/two or more of us or any one/two or more of the survivors of us or the survivors of us or the last survivor
A, B & C	Former or Survivors

JOINT ACCOUNT SUMMARY

Transaction	Either or Survivor	Former or Survivor	Joint Operation
Sign on AOF	All	All	All
Stop Payment	Any one	Former	Any one
Request for Loan	All jointly	All jointly	All jointly
Pre mature payment of FDR	All jointly	All jointly	All jointly
Payment on maturity	Any one	Only Former	All jointly
Closure of account	All jointly	All jointly	All jointly
Nomination	All to sign	All to sign	All to sign
Payment in case of Nomination	Survivor till any of them is alive	Survivor till any of them is alive	Survivor and legal heirs till any of survivor is alive

MINOR ACCOUNTS

- A minor is a person below the age of 18 years.
- Normally, accounts of minors should be opened and operated upon by the natural guardian, by mother or Legal guardian appointed by the Court.
- RBI has allowed the Hindu mother to open and operate deposit accounts in the name of the minor child without insisting upon the consent letter from the father in some specified case.
- Account can be opened in the joint name of the minor and the guardian.
- Two literate minors (from the same family) can also open a joint account.
- Banks normally allow a literate minor over the age of 10 years and above to operate a deposit account.

MINOR ACCOUNTS

- ❖ No Current Account should be opened.
- ❖ No loan is given to minor.
- ❖ Minor can not make a nomination in self operated minor accounts. Nomination in the minor account will be done by guardian of the minor.
- ❖ Facilities available of debit card (Bingo Card), pass book, cheque books for minors.
- ❖ According to Section 26 of NI Act, a minor can draw, endorse or negotiate a cheque or a bill but he can not be held liable on such cheques or bill.
- ❖ Minor can be admitted to the benefits of partnership with the consent of other partners but can not be made liable for the losses.
- ❖ A minor may be appointed as an agent on behalf of his principal but legally he can not be held responsible to his principal.

UPPER LIMIT IN MINOR ACCOUNT

Branches may accept without any upper limit, deposits in Savings Bank Accounts of minors operated upon by:

- (i) the natural guardian, father**
- (ii) the Guardian appointed by the Court**
- (iii) the mother as natural guardian (in cases other than Muslim Minors)**

The upper limit of Rs 25,000/- for balances in Savings Bank Accounts of minor shall be applicable in the following cases only:

- i) Account of a minor operated by self,**
- ii) Joint account of two minors operated by them jointly,**
- iii) Joint account of a minor with his natural guardians,**
- iv) Joint accounts of minor with his mother/major brother/major sister/grandfather/grandmother (Paternal & Maternal).**

PROCEDURE AFTER MINOR ATTAINS MAJORITY

- ❖ When the minor becomes major he has the sole right to operate the account and guardian's power ceases. The payment should be made to the erstwhile minor upon provided his identity.
- ❖ When the account is operated upon by the guardian on behalf of the minor a Balance Confirmation Letter duly signed by the erstwhile minor and verified by the guardian.
- ❖ If account is operated by the minor himself, the erstwhile minor should be asked to sign a Balance Confirmation Letter.
- ❖ Where the account is operated by two minors jointly, upon one of them attaining majority, the account should be closed after obtaining Balance Confirmation Letter duly signed by both the account holders. They may open new account.

DIFERENT TYPE OF GUARDIAN

1. Natural Guardian

2. Testamentary Guardian

(Appointed by will)

3. Legal Guardian

(Appointed by court)

NATURAL GUARDIAN FOR A HINDU

- ✓ In case of a boy or an unmarried girl : Father & if father not alive Mother.
- ✓ In case of illegitimate boy or girl : Mother
- ✓ In case of minor married girl : the husband
- ✓ In case of minor widow girl : her husband's father (mother if father not alive)
- ✓ In case of a adopted child : Adoptive Father/Mother

Father ceases to be guardian on change of religion.

NATURAL GUARDIAN FOR A MUSLIM MINOR

- ✓ **Father**
- ✓ **Father`s Father**
- ✓ **Legal Guardian**
- ✓ **Account of mohammedan minors are to be operated upon by father who is the natural guardian & mother can not act as natural guardian under Mohammedan Law.**
- ✓ **Mother can act as Testamentary Guardian if appointed by court.**

DECEASED MINORS' ACCOUNTS

- **In case of death of the minor, balance is payable to the guardian upon production of death certificate.**
- **When the guardian dies (but minor is alive) the account is treated as a trust and is to be paid to the minor when he attains majority.**
- **During minority, it can be paid only to the natural guardian or guardian appointed by court.**

ILLITERATE PERSONS

- **Illiterate person is a person who cannot read or write.**
- **Such persons are competent to enter in to a valid contract.**
- **We used thumb impression for entering into an agreement.**
- **Normally, Left Hand Thumb impression (LHT) of male & Right Hand Thumb impression (RHT) of female is to be obtained.**
- **Thumb impression must be authenticated by bank official.**
- **Photographs is taken for identification.**
- **While opening account and providing loans, evidence to be created that the person understood terms & conditions beyond doubt.**
- **Two witnesses required for nomination.**
- **Joint account of two illiterates after observing usual safeguards**
- **Joint account with literate should be carefully opened.**
- **Normally no cheque book facility is provided to illiterate persons. However, to meet periodic repayment of retail loans, utility bills etc. we will consider issuing of cheque book.**

BLIND PERSONS ACCOUNT

- ❖ Blind Persons can operate the account in bank.
- ❖ Signature of Thumb impression of blind person in the A/c opening form to be witnessed by a person who should certify that contents of the A/c opening form were explained to the blind person in his presence.
- ❖ The sign may be authorised by bank officer and a witness known to both the bank and the blind person.
- ❖ He should always visit the branch for cash withdrawal.
- ❖ As per all banking facilities including net banking, ATM, Cheque Book, Locker facility, loans to be offered to visually challenged customers without discrimination.

PARDANASHIN WOMAN

- Pardanashin woman is a lady who remains in complete seclusion & does not transact any business with people other than her own family members.
- Normally no current account is opened.
- Her signature to be attested by her husband in case of married woman & by natural guardian in case of unmarried girl.
- Her photo and signature is attested by husband or by natural guardian.
- Generally, banks should discourage to open accounts in her name as her identity can not be ascertained.

HINDU UNDIVIDED FAMILY (HUF)

- ❖ 'Hindu Undivided Family' otherwise known as 'Joint Hindu Family' property, business or estate is ancestral and its common possession, enjoyment ownership is the basis of formation of HUF.
- ❖ As per Hindu law, the Hindus, Sikhs & Jains can form HUF.
- ❖ HUF is governed basically by two school of thought. In Bengal, it is governed by Dayabhag law in other parts of India, it is governed by Mitakshara Law .
- ❖ Creation of Hindu Law under which all major members of the family get right by birth in the ancestral property of the family.
- ❖ PAN of HUF required, if not at least Karta should have PAN.

HINDU UNDIVIDED FAMILY

- ❖ HUF property is managed by senior most major male member called '**Manager**' or '**Karta**'. Upon death of Karta, next senior male coparcener becomes Karta.
- ❖ Joint owner of HUF are known as **coparceners**.
- ❖ It consists of one common living ancestor and his all male & female (female from Sept. 2005) descendents up to 3 generation next to him.
- ❖ HUF A/c is operated upon by Karta.
- ❖ HUF cannot enter into a partnership as per Supreme Court judgement of 1998.
- ❖ Joint Hindu Family Letter (**CD-115**) to be signed by Karta & all the coparceners.
- ❖ Minor coparceners signature by his guardian.

HINDU UNDIVIDED FAMILY (HUF)

- ❖ Karta has authority to borrow money for the family necessities & for ancestral family business.
- ❖ In law, each coparcener's liability is limited to his own interest in the joint property. Hence, Bank insists that security documents are signed by all the coparceners.
- ❖ Death of coparcener does not dissolve HUF. However, it is advisable to obtain fresh card with fresh CD-115 letter on death, or insolvency of karta or any other coparcener.
- ❖ According to IT act, tax rebates and deductions can be availed under sections 80C, 88 and 80L for HUF account.

DOCUMENTS TO BE OBTAINED FROM HUF

- 1. KYC Official Valid Documents of Karta;**
- 2. KYC Official Valid Documents of all coparcener;**
- 3. PAN of HUF & PAN of Karta;**
- 4. Photograph;**
- 5. Joint Hindu Family Letter (CD-115).**

PROPRIETARY FIRMS

- Business is wholly owned by an individual.
- In law, there is no difference between proprietor & the firm.
- Proprietorship letter in bank's Performa is to be obtained.
- Proof of proprietorship may be obtained.
- In all respects, it is an account in the name of an individual only except that it is operated upon by the proprietor on behalf of firm.
- The firm should have GST No.

PROPRIETARY FIRMS

- Creditors have recourse not only against assets of the firm but also against private assets of the proprietor.
- Bank insists that proprietor should execute the security documents in the capacity as **Proprietor** on behalf of the firm as well as in his **individual capacity**.
- Proprietor can authorise another person to operate the account through Mandate or Power of Attorney.

DOCUMENTS TO BE OBTAINED FROM PROPRIETORSHIP FIRM

Along with KYC Official Valid Documents of Proprietor, any two of the followings required:

- (a) Registration certificate**
- (b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.**
- (c) Sales and income tax returns.**
- (d) CST/VAT/ GST certificate (provisional/final).**
- (e) Certificate/registration document issued by Goods and Service Tax/Professional Tax authorities.**
- (f) Utility bills such as electricity, water, landline telephone bills, etc.**
- (g) Complete Income Tax Return**

PARTNERSHIP FIRMS

- ❖ Partnership is the relation between persons who have agreed to share profits of business carried on by all or any one them acting for all (Partnership Act 1932).
- ❖ Registration Certificate and Partnership deed to be obtained. (Cir Letter No 2014-15/102 dated 08.10.2014)
- ❖ As per Companies Act 2013, Maximum number of partner can be up to 100 (excluding minor) in a firm. (Earlier number restricted to 20 for other businesses & 10 for Banking business).
- ❖ Partnership is not a distinct legal person from the partners who have made partnership firm.
- ❖ **HUF** cannot enter into a partnership as per Supreme Court judgement of 1998.
- ❖ The firm should have PAN or GST.

ACCOUNTS OF PARTNERSHIP FIRM

- ❖ Partners will sign on behalf of firm & also in their individual capacity.
- ❖ Operational instructions should be clear in Partnership deed.
- ❖ In the absence of clear cut operational instructions, account to be operated upon by all the partners jointly.
- ❖ Any partner can stop cheque issued by another partner.
- ❖ Cheques favouring firm can not be deposited in the individual accounts of partners.

PARTNERSHIP FIRMS

- ❖ A partner can not delegate his authority to operate the account.
- ❖ A minor cannot a partner , but he can be admitted for his benefit in an existing partnership firm.
- ❖ The particulars of minor partner, particularly the DOB should be properly recorded.
- ❖ In case of death/retirement/insolvency of a partner a/c should be stopped, if the balance is in debit and a fresh account should opened after fresh sanction of limit.
- ❖ In case of dispute when one partner revokes the authority against the other partner, operation in the account should be stopped.

DISSOLUTION OF PARTNERSHIP FIRMS

Dissolution takes place:

- **By mutual consent;**
- **Death/insolvency/retirement of a partner;**
- **Operation of Law (insolvency of all partners, business becoming unlawful, dissolution by a competent court, and in case of automatic dissolution.**

DOCUMENTS TO BE OBTAINED FROM PARTNERSHIP FIRM

- 1. KYC Official Valid Documents of all Partners;**
- 2. Registration certificate of Firm;**
- 3. Partnership Deed**
- 4. PAN & GST of Firm;**
- 5. PAN of Partners;**
- 6. Photograph of Partners;**
- 7. Partnership letter.**

LIMITED LIABILITY PARTNERSHIP (LLP)

- ❖ A limited liability partnership (LLP) is a partnership in which some or all partners (depending on the jurisdiction) have limited liabilities.
- ❖ LLP is governed by limited liability partnership Act 2008.
- ❖ Liability is limited to the extent of his contribution in the LLP.
- ❖ Minimum 2 designated partner, no limit on maximum No. of Partners.
- ❖ A partner is not liable for another partner's misconduct or negligence, except in certain cases.
- ❖ LLP is a legal entity separate from its partner. It has own assets in his name, sure and be sued.
- ❖ It has perpetual succession (death of a partner does not affect the existence of LLP).
- ❖ Partners have a right to manage the business directly.
- ❖ Firms and companies can get themselves converted into LLP.
- ❖ LLP can not raise fund from public.

COMPANY ACCOUNTS

- **Company Act 2013, recognise Company is a legal person with perpetual entity & is distinct from its members.**
- **Companies as per the Companies Act 1956 are required to registered under act.**

Types of companies in India:

- 1. Private Limited Company**
- 2. Public Limited Company**
- 3. Government Company**
- 4. One Person Company**

PRIVATE LIMITED COMPANY

➤ Members;

Min. – 2 members

Max. - 200 members.

➤ Shares are not offered to public.

➤ Transfer of shares is restricted. (Closely held shares).

➤ No of Directors;

Min- 02

Max - no ceiling

➤ Minimum Paid-up Capital - Rs. 1,00,000/-

(As per Companies (Amendment) Act, 2015, paid-up share capital of one lakh rupee or such higher paid-up share capital as may be prescribed is omitted now).

PUBLIC LIMITED COMPANY

- Shares are offered to the public & are listed on stock exchange.
- Members –Min. 7 & Max – No limit
- Directors – Min 3 & Max. no limit (Board of directors permission required for more than 15)
- Certificate of commencement of business is must to do any type of business.
- Minimum paid-up capital of Rs. 5,00,000/-.

(As per Companies (Amendment) Act, 2015, paid-up share capital of five lakh rupee or such higher paid-up share capital as may be prescribed is omitted now).

GOVERNMENT COMPANY

“Government company” means any company in which not less than fifty one percent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

ONE PERSON COMPANY

- **One-person company:** The 2013 Act introduces a new type of entity to the existing list i.e. apart from forming a public or private limited company, the 2013 Act enables the formation of a new entity a 'one-person company' (OPC).
- **An OPC means a company with only one person as its member [section 3(1) of 2013 Act].**

IMPORTANT DOCUMENTS OF LIMITED COMPANY

1. Certificate of Incorporation : Issued by Registrar of Companies. It is conclusive proof for incorporation of the company & compliance of all formalities by promoters.

2. Certificate of commencement of business : Certificate of commencement of business is not required by Private Ltd. Co. as it's shares are closely held & it can commence business on it's incorporation.

IMPORTANT DOCUMENTS OF LIMITED COMPANY

3. Memorandum of Association – Company's fundamental & unalterable law. Embodies Company's name, Authorized capital, Objectives of the company, Liability of share holders.

4. Article of Association – Regulations controlling internal management of the company. Rights & powers of the Directors, rules about conduct of company meetings & business, Procedure for borrowing & limit on borrowing etc.

IMPORTANT DOCUMENTS OF LIMITED COMPANY

- **Copy of Board Resolution**– Certified copy of Board Resolution authorizing to borrow from the Bank with details of limit, security etc., Persons who are authorized to sign the security documents & operate the Bank Account, persons in whose presence Seal of the company will be affixed to the security documents.
- **Company common Seal**- Common seal of company if any, may be embossed on bank`s documents. **(As per Companies (Amendment) Act, 2015, Common seal of company is not compulsory now).**

IMPORTANCE OF REGISTERED OFFICE OF THE COMPANY

- It is the address at which all the documents & notices may be served upon the company.
- Cheques favouring company are not to be credited to the personal accounts of the Directors or other officers of the company.

DOCUMENTS TO BE OBTAINED FROM LIMITED COMPANY

1. A copy of latest balance sheet of the company;
2. List of present directors;
3. Board Resolution;
4. Company common Seal (**Not compulsory now**);
5. Certificate of Incorporation;
6. Certificate of commencement of business;
(not required for private limited company)
7. Memorandum of Association;
8. Article of Association.
9. Company Identification Number (CIN) of companies

TRUST

- Trusts are governed by the Indian Trust Act, 1882.
- Trust may be public charitable trust or private trust (for benefit of private individuals).
- Trusts managed by trustees.
- Original Trust Deed to be examined before opening Account.
- Account opening form to be signed by all trustees.
- Certificate of Registration under Public Trust Act to be examined & copy to be kept on record.
- When Trust Deed is silent about operation of the account, Account should be operated upon by all the trustees jointly.

DOCUMENTS TO BE OBTAINED FROM TRUST

- 1. KYC Official Valid Documents of all trustees;**
- 2. Certify copy of Trust Deed;**
- 3. In case of public trust, a copy of the registration and certificate from Charity Commission.**
- 4. An undertaking from the trust on appropriate adhesive stamp paper to indemnify the bank against proceeds, actionable claims etc.**
- 5. PAN & GST of Trust;**
- 6. PAN of trustees;**
- 7. Resolution for opening of accounts;**
- 8. Photograph of trustees.**

CLUBS & SOCIETIES

- Society & Clubs are non profit making organisations and represents a group of persons.
- These are normally incorporated under Cooperative Society Act. Clubs can be registered under Society Act 1860, or Company Act 1956.
- These get the status of a legal entity only after their incorporation in their own name.
- These are governed by **rules & regulations (bye laws)**.
- Certified true **copy of resolution**.
- Cheques favouring society, club, association not to be collected in individual A/Cs of office bearers or employees.

DOCUMENTS TO BE OBTAINED FROM CLUB & SOCIETY

- 1. KYC Official Valid Documents of all authorised persons;**
- 2. Copy of Registration certificate after verifying it with original.**
- 3. Certify copy of rules & regulations (Bye-laws);**
- 4. PAN & GST of CLUB & SOCIETY;**
- 5. PAN of all authorised persons;**
- 6. Resolution for opening of accounts;**

Thank You

The text 'Thank You' is written in a large, elegant, cursive font. The letters are a deep red color with a gold outline and a slight 3D effect. The text is surrounded by decorative elements: red roses and green leaves are clustered around the 'T' and 'Y'. Two white doves are depicted in flight, one above the 'T' and one above the 'Y'. The background is a light blue gradient.