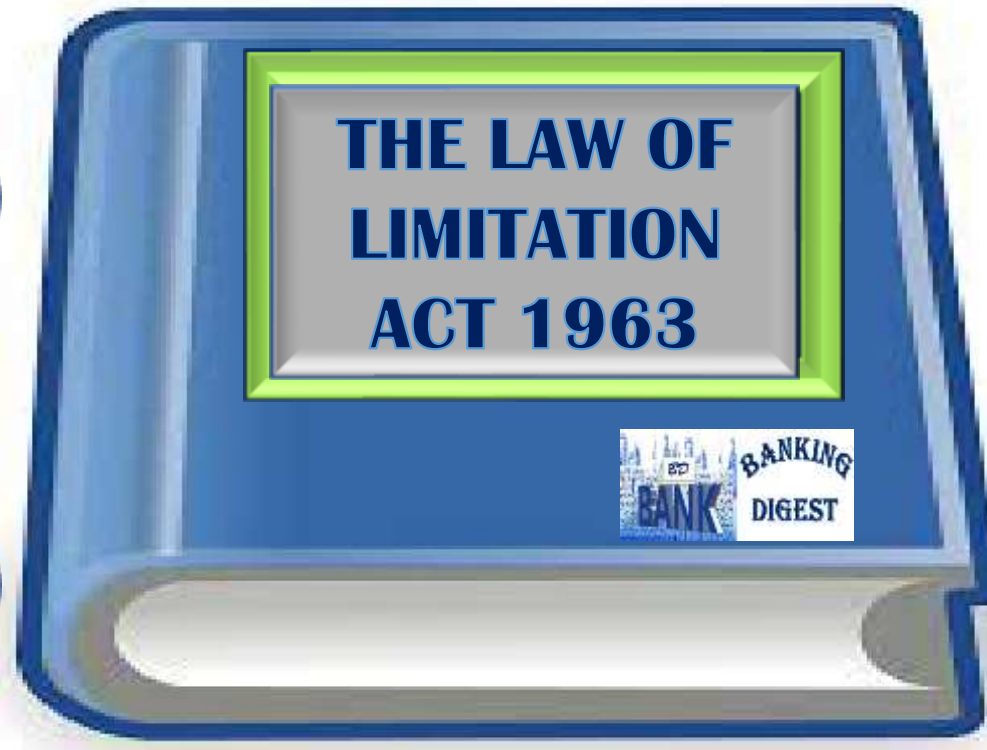


THE LAW OF LIMITATION IN BANKING

**JAIIB/CAIIB
EXAM**

**BANK
PROMOTION
EXAM**



BY ABINASH MANDILWAR

www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



THE LAW OF LIMITATION ACT 1963

- ❖ Banks and financial institutions finance the borrower after executing the security documents.
- ❖ On default of the loan, the bank and FI have to initiate recovery action and file suit against the borrower.
- ❖ The recovery act and court only permit action if the claim is within the period of limitation.
- ❖ The limitation act defines the limitation period of various security documents.
- ❖ This Act may be called the Limitation Act, 1963.

BY ABINASH MANDILWAR

www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



PERIOD OF LIMITATION

- It is related to documents that entitle the holder to take action in a court of law.
- Period of limitation prescribed for any suit, appeal application by the Schedule, and prescribed period means the period of limitation computed by the provisions of this Act.

BY ABINASH MANDILWAR

www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



BAR OF LIMITATION

It defines that, every suit instituted, appeal preferred, and the application made after the prescribed period shall be dismissed although limitation has not been set up as a defense.

BY ABINASH MANDILWAR

www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



EXPIRY OF THE PRESCRIBED PERIOD WHEN THE COURT IS CLOSED

Where the prescribed period for any suit, appeal, or application expires on a day when the court is closed, the suit, appeal, or application may be instituted, preferred, or made on the date when the court reopens.

BY ABINASH MANDILWAR

www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



EXTENSION OF PRESCRIBED PERIOD IN CERTAIN CASES

Any appeal or any application, other than an application under any of the provisions of Order XXI of the Code of Civil Procedure, 1908, maybe, admitted after the prescribed period, if the appellant or the applicant satisfies the court that he had sufficient cause for not preferring the appeal or making the application within such period.

BY ABINASH MANDILWAR

www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



COMPUTATION OF PERIOD OF LIMITATION

- 1) In computing the period of limitation for any suit or application for the execution of a decree, the institution or execution of which has been stayed by injunction or order, the day on which it was issued or made, and the day on which it was withdrawn, shall be excluded.

BY ABINASH MANDILWAR

www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



COMPUTATION OF PERIOD OF LIMITATION

2) In computing the period of limitation for any suit of which notice has been given, or for which the previous consent or sanction of the Government or any other authority is required, by the requirements of any law for the time being in force, the period of such notice or, as the case may be, the time required for obtaining such consent or sanction shall be excluded.

BY ABINASH MANDILWAR

www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



COMPUTATION OF PERIOD OF LIMITATION

3) In computing the period of limitation for any suit the time during which the defendant has been absent from India and from the territories outside India under the administration of the central government, shall be excluded.



EXTENSION OF LIMITATION PERIOD

- 1) Period of limitation can be extended by Acknowledgement of debt or part payment. In both cases, the limitation period will start from the date of acknowledgment or part payment.
- 2) The acknowledgment or part payment should be by the borrower himself or his agent specifically authorized for this purpose.
- 3) Acknowledgement or part payment should be before the expiry of the limitation period.

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www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



EXTENSION OF LIMITATION PERIOD

- 4) Once the limitation expires it cannot be extended by part payment or acknowledgment of debt.**
- 5) The stamped acknowledgment of the debt by the borrower before the expiry of documents does not automatically extend the period of limitation against the guarantor.**
- 6) Similarly, the acknowledgment of debt signed by the principal debtor and a surety does not bind another surety who has not joined in signing the acknowledgment/revival letter of debt.**



EXTENSION OF LIMITATION PERIOD

- 7) An admission of debt in the balance sheet filed by a firm before the I.T. Authority also extends the period of limitation from the date of (signing) the balance sheet. Such an acknowledgment does not require to be stamped. The balance sheet constitutes sufficient acknowledgment of debt in writing;
- 8) In case limitation expires in a particular case, the liability can be revived by obtaining a fresh promise to pay the outstanding debt. As per section 25 (3) of Indian Contract Act, a time-barred debt is a valid consideration.

BY ABINASH MANDILWAR

www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



THE LIMITATION PERIOD OF VARIOUS DOCUMENTS IS GIVEN BELOW

DESCRIPTION OF SUITS	PERIOD OF LIMITATION	TIME FROM WHICH PERIOD BEGINS TO RUN
Demand loan	3 Years	From the date of the loan
Demand Promissory Note	3 Years	From the date of DPN
Bill of Exchange payable on demand	3 Years	From the date of BoE
Usance Bill	3 Years	From the due date of the bill
TOD without DP Note	3 Years	From the date of the loan
Term Loan	3 Years	From the due date of each installment
Arrear of rent	3 Years	From the date of arrear become due

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www.bankingdigests.com



mandilwar.bankingdigest@gmail.com



THE LIMITATION PERIOD OF VARIOUS DOCUMENTS IS GIVEN BELOW

DESCRIPTION OF SUITS	PERIOD OF LIMITATION	TIME FROM WHICH PERIOD BEGINS TO RUN
Surety (guarantor) against the principal debtor	3 Years	From the date when the notice is given
Specific performance of a contract	3 Years	From the date fixed for performance
To enforcement payment of money secured by a mortgage	12 Years	When the money sued for becoming due
Execution of Decree	12 years	From the date of the decree
Right of foreclosure by a mortgage	30 Years	From the date when money becomes due
Right of redemption	30 Years	From the date when the right to recover accrues

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THE LIMITATION PERIOD OF VARIOUS DOCUMENTS IS GIVEN BELOW

DESCRIPTION OF SUITS	PERIOD OF LIMITATION	TIME FROM WHICH PERIOD BEGINS TO RUN
Any suit by State/Central Government	30 Years	From the date when limitation would start
Any suit for which no period of limitation is provided elsewhere in this schedule	30 Years	From the date when the right to sue accrues
Money deposited payable on demand like SB, Current Account	3 Years	From the date of demand
Appeal to be filled to High court against the judgment of the lower court	90 days	From the date of the decree
Appeal to be filled to another court on the decree of the lower court	30 days	From the date of the decree
Recovery of loss caused by fraud	3 years	From the date of detection of fraud

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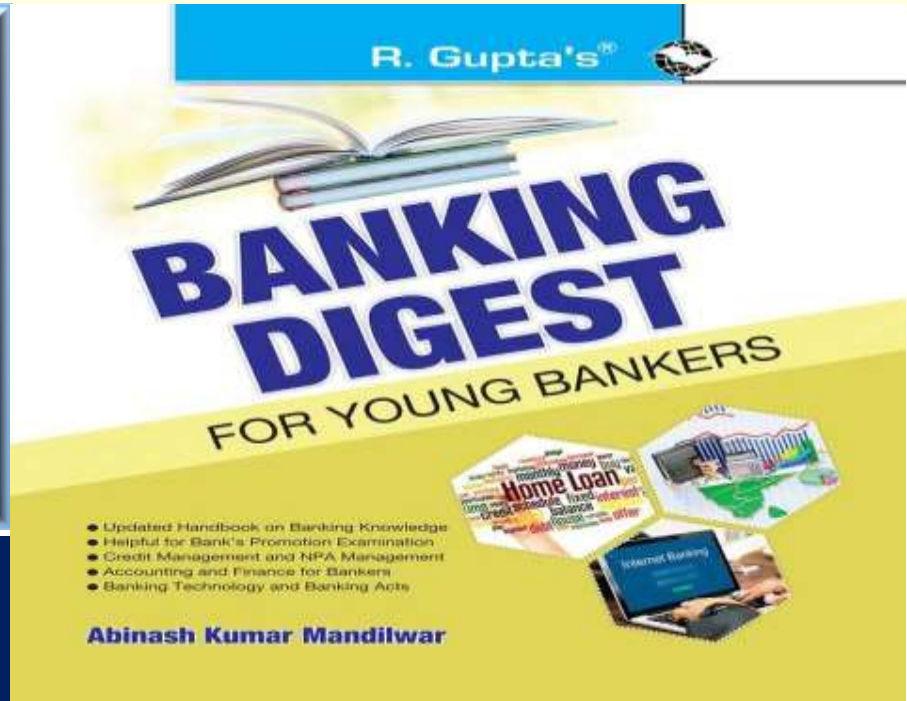
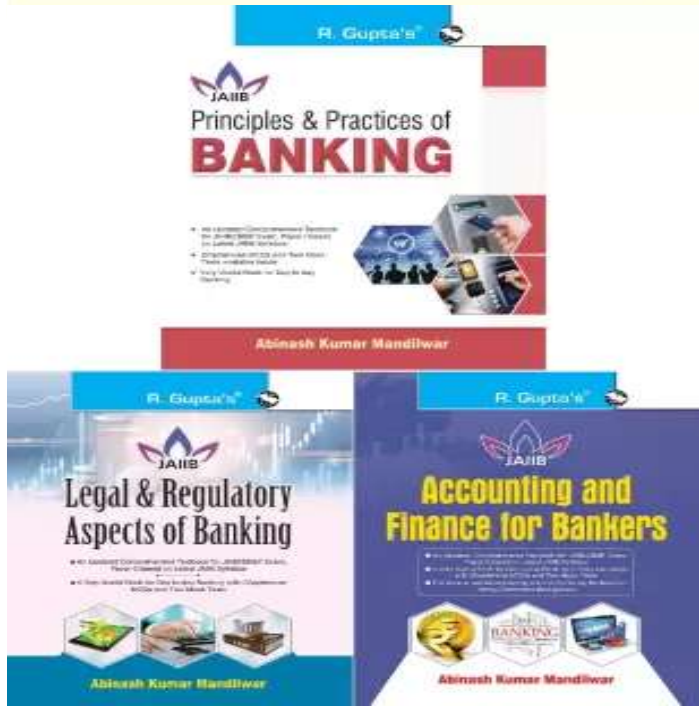
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mandilwar.bankingdigest@gmail.com