

Tutorial Notes

Class: B.Com (Prog.) Semester VI (DSE3)

Subject: Banking & Insurance.

Topic: Duties and responsibilities of Collecting & Paying Bankers.

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### **Duties & Responsibilities of Collecting Bankers**

- **Acting as agent:** While collecting an instrument, whether for credit to customer's account or for himself, the Bankers works as agent of his customer. As an agent he has generally to take such steps & precautions to protect the interest of his customer as a man of ordinary prudence would take to safe-guard his own interest.
- **Scrutinizing the instruments:** Name of the holder, Branch name, date, amount in words and figure, any cutting without signature, material alteration of any to be checked carefully.
- **Checking the endorsement:** Bankers has to check the instrument whether it has been endorsed properly.
- **Presenting the instrument in due time:** It is the responsibility of the collecting bank to present the instrument in due time to the paying bank.
- **Collecting the proceeds in the payee's account:** It is the duty of collecting banks to collect and credit the proceed of the instruments to the proper/correct account.
- **Notice of dishonor and returning the instruments:** If any instrument is dishonored by the paying bank it should be informed to the customer on the business day following the receipt of the unpaid instruments.

### **Duties and Responsibilities of Paying Banker**

The relationship between a banker and a customer is primarily that of debtor and creditor, the respective positions being determined by the existing state of account. If the customer has a

credit balance with the bank, he is the creditor and if he has a debit balance with the bank, he is the debtor of the bank. Thus, bank does not work as a trustee of money deposited with it by the customer because, instead of money being set apart in a safe room, it is replaced by a debt due from the bank. When a bank accepts the deposits from a customer, it becomes the debtor of the customer and it will be bound to return the equivalent amount to the customer or his order on demand. In other words, it is the obligation of the bank to honor the cheques issued by the customer if the following conditions are fulfilled:

- (a) There is sufficient balance in the account of the customer;
- (b) The cheque is properly drawn and presented; and
- (c) There is no legal restriction on payment.

The banker who is liable to pay the value of a cheque of a customer as per the contract, when the amount is due from him to the customer is called "Paying Banker" or "Drawee Bank." The payment to be made by him has arisen due to the contractual obligation. He is also called drawee bank as the cheque is drawn on him.

While making payment he should be cautious. He cannot honor the cheque when sufficient funds are not available at the credit of the customer. If he pays by oversight he will be running the risk of making good this loss i.e., making payment without having sufficient funds. At the same time he will also run the risk when he dishonors cheque even when sufficient funds are available at the credit of the customer. He is liable for damages for this wrongful dishonor. Thus in both the cases he runs the risk. However, the customer should present the cheque at the branch where the amount is kept and should not raise any objection if the cheque is dishonored at branches where the customer does not hold the account. But he is at liberty to open accounts in any number of branches and can draw cheques, when he is having sufficient funds in each account.