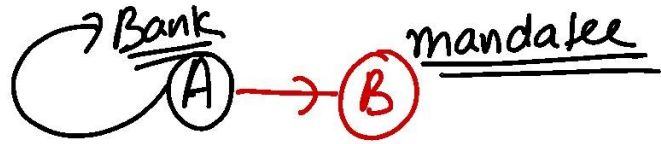


BANKER SPECIAL RELATIONSHIP

PPB Module A Chapter 7 By Ashish Sir

MANDATE



1. What is a Mandate?

A mandate is a **written authority** given by an **account holder** to a **third person (mandatee)** to operate their **bank account** on their behalf.

It is an **instruction to the bank**, allowing the **mandatee** to perform **specific transactions**.

It is **not the same** as a **Power of Attorney (PoA)**, which gives **broader powers**.

2. Key Features of a Mandate

Customer informs the bank about granting the authority.

Mandatee's signature must be **verified** by the account holder in the **mandate letter**.

It is **usually temporary** and **valid for a short period**.

A mandate automatically ends if the account holder dies, becomes insane, or is declared bankrupt.

The account holder can revoke the mandate at any time.

3. Real-Life Examples

Example 1: A businessman who frequently travels abroad gives a mandate to his assistant to withdraw cash and issue cheques for three months.

Example 2: An elderly person who finds it difficult to visit the bank assigns a mandate to their son to manage their savings account temporarily.

Example 3: A person undergoing medical treatment gives a mandate to their spouse to operate their account while they are hospitalized.

Bank

less *more*
 4. Mandate vs Power of Attorney (PoA)

Feature	Mandate	Power of Attorney (PoA)
Definition	Written authority to operate a bank account	A legal document granting broad financial or legal authority
Issued By	Individual account holders	Individuals or institutions
Validity	Temporary, for a short duration	Can be long-term or permanent
Applicability	Personal banking transactions	Includes banking, property dealings, and legal matters
Revocation	Can be revoked anytime by the account holder	May require legal formalities to revoke
Institutional Use	Not allowed	Allowed

5. Summary Table

Point	Explanation
Definition	A written authority given by an account holder to a third person to operate their bank account
Issued By	Only individuals (Institutions cannot issue a mandate!)
Key Requirements	Must be informed to the bank & mandatee's signature must be verified

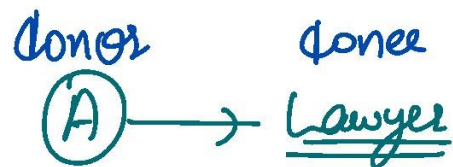
Validity	Usually for a short period
Termination	Ceases on death , insanity , insolvency , or voluntary revocation
Examples	Businessmen, elderly persons, medical cases, etc.

Takeaway:

A **mandate** is a **temporary authority** given by an account holder to another person to operate their **bank account** . It is **not valid for institutions** and **automatically ceases** upon **death, insanity, or insolvency** . Unlike a **Power of Attorney**, a **mandate can be revoked anytime!**

Important

POWER OF ATTORNEY (POA)



1. What is a Power of Attorney (POA)?

A **Power of Attorney (POA)** is a **legal document** executed by a **donor (principal)** in favor of a **donee (agent)** to act on their behalf for financial, legal, or other transactions.

The **agent's powers** are clearly defined in the POA document and may be **broad (general)** or **limited (specific)**.



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A POA **can be revoked anytime** by the **principal**, except



in cases of **death, insanity, or insolvency**.



2. Types of Power of Attorney

1. General or Universal POA



- Gives **broad authority** to the agent for **multiple transactions**.
- The agent can **sign cheques**, **stop cheque payments**, **sign loan documents**, etc.
- Used for **business, property dealings**, or if the principal is **not available**.

2. Specific or Limited POA

- Issued for **a single transaction or a specific purpose**.
- **Example:** Selling a particular property, operating a bank account for a limited period.
- The agent **cannot perform other actions** outside of the assigned task.

3. Key Features of a POA

Stamped Document :

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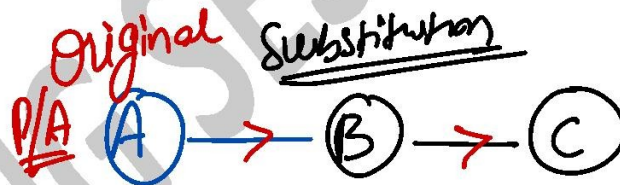
✗ A POA **must be stamped** and executed in the presence of a Notary Public/Magistrate/Government Official .

Revocation :

- The **Principal can revoke the POA at any time** for future transactions.

Automatic Termination :

- POA stands revoked upon death , insanity , or insolvency of the principal.
- In case of companies, POA is revoked in case of winding up or liquidation.



4. Delegation of Power – Who Can & Cannot Issue POA?

Who Can Issue POA?

- ✓ Individual Account Holders .
- ✓ Joint Account Holders (All joint holders must sign the POA) .
- ✓ Partnership Firms (All partners must sign the POA) .
- ✓ Limited Companies (Only if the authorized person has the power to delegate) .



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Who Cannot Issue POA? Important

- **Executors, Administrators, Legal Guardians** (They act in a fiduciary capacity and cannot delegate their powers).

donee • **An Attorney (POA holder) cannot further delegate unless the original POA allows for substitution .**

Unclear delegation rules: If multiple persons are authorized, **clear instructions must be obtained** regarding whether the POA can be exercised **singly or jointly.**

5. Examples of POA Usage

Example 1: A businessman moving abroad gives a **General POA** to his lawyer to manage all his financial transactions .


Example 2: A person selling one specific property grants a **Specific POA** to a real estate agent to sign the sale deed on their behalf.

Example 3: A company's CEO delegates financial powers to the CFO via a **Limited POA** to sign bank documents .

6. POA vs. Mandate – Key Differences

Feature	Power of Attorney (POA)	Mandate
Definition	A legal document that allows an agent to act on behalf of the principal	A simple authority given to a third person to operate a bank account
Issued By	Individuals, firms, companies	Only individuals (not institutions)
Types	General POA (Broad powers) & Specific POA (Limited purpose)	Usually for short-term transactions
Scope	Banking, property, legal, business transactions	Only banking transactions
Legal Formalities	Must be stamped & notarized	Simple written authorization
Revocation	Can be revoked by the principal, but may require legal formalities	Can be revoked anytime easily
Termination	Ends upon death, insanity, or insolvency of the principal	Ends upon death, insanity, or insolvency of the account holder

7. Summary Table

Point	Explanation
 Definition	A legal document giving someone the authority to act on behalf of another person
Types	General POA (Broad powers) & Specific POA (Limited purpose)
Key Features	Stamped & notarized , POA holder must sign in a specific format
Validity	Until revoked or upon death, insanity, insolvency
Who Can Issue?	Individuals, Firms, Companies (if authorized)
Who Cannot Issue?	Legal guardians, Executors, POA holders (unless authorized)
Examples	Selling property, managing business, financial transactions, etc.

Final Takeaway:

A **Power of Attorney (POA)** is a **legal document** that grants authority to an **agent** to act on behalf of the **principal**. It can be **General (Broad)** or **Specific (Limited)** depending on the scope of authority. Unlike a **mandate**, a **POA is stamped, notarized, and has legal implications** .

It is revoked automatically on death, insanity, or insolvency and can be withdrawn anytime by the principal.

BANKER'S LIEN

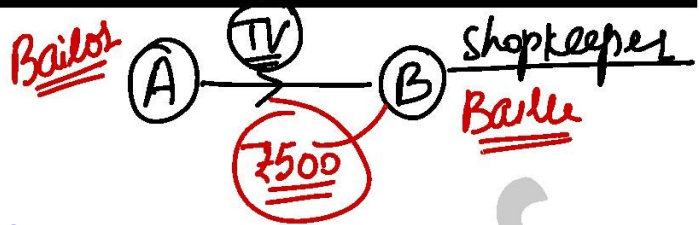
1. What is Banker's Lien?

Banker's lien is the right of a banker to retain the goods and securities of a debtor until the outstanding debt is fully paid.

It is known as an "implied pledge" because the banker, like a pledgee, has the power to sell the goods if the customer defaults.

Section 171 of the Indian Contract Act, 1872, grants banks the absolute right of general lien over all goods and securities received in the ordinary course of banking business.

Example: If a customer takes a loan against shares, the bank can retain and sell the shares if the customer fails to repay the loan.



2. Features of Banker's Lien

No separate contract is required – The lien is **automatic**, but banks usually take a **letter of lien** for safety.

Covers goods & securities received in banking business .

Bank can sell goods in case of default – Unlike a **general lien**, banker's lien gives **power to sell**.

No right of lien over items left negligently – If a customer forgets documents like **share certificates** or **FD receipts**, the bank **cannot** claim lien over them.

Cannot be exercised over items deposited for safe custody

3. Types of Lien

1. General Lien

→ Right to sell is not available

- Banks **can** retain goods & securities **as security** for any **general balance of account** .
- Defined under **Section 171** of the Indian Contract Act, **1872** .

OD

Security Lien

Example: A customer has an **overdraft account**, and the bank holds **his fixed deposit** as security. If the overdraft is **not repaid**, the bank can **apply lien over the FD**.

2. Particular Lien

Gives the right to retain only those goods related to a specific transaction.

The bank **cannot** claim other assets under this lien.

Example: If a bank **loans money against pledged gold**, the lien applies **only to that gold**. The bank **cannot** retain other securities.

Conditions for Particular Lien:

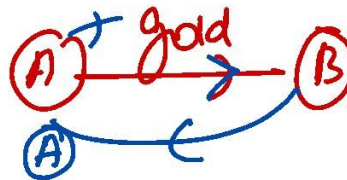


The **property** must be received by the **bank** as a **creditor**.

The **goods** must not be entrusted for a special purpose.

No contract should exist excluding the lien.

The **bank must have possession** of the goods in the same **right** as the customer's account.



4. When Can a Banker Exercise Lien?

To Sell: The banker has the **right to sell** the **debtor's properties** if the debt remains unpaid.

Applicable to Specific Professions:

This right is granted

not just to bankers but also to factors, wharfingers, attorneys of High Courts, and policy brokers.

Against the Customer:

The right applies only to the

customer's own securities. It does not apply to joint accounts unless all account holders agree.

5. When a Banker's Lien Cannot Be Applied

Safe Custody Articles

- If a customer deposits valuables (gold, documents, etc.) for safe custody, the bank acts as a trustee/bailee and cannot claim lien unless a special agreement is made.

Deposits Made for Specific Purposes

- If documents/money are deposited for a particular purpose, they cannot be used under lien.
- **Example:** If a customer deposits money for a locker rent, the bank cannot apply lien for loan repayment.

Items Left Negligently in the Bank

- If a customer forgets documents or valuables in the bank premises, the bank has no right of lien over them.

Immature Debts

Impedant

- A bank cannot apply a lien if the debt has not yet matured.

- **Example:** If a loan installment is due next month, the bank cannot sell the security now.

Stolen Goods

- If a customer steals goods/securities and deposits them with the bank, the bank cannot apply lien.

No Simultaneous Rights



- The bank cannot apply lien and set-off at the same time.
- **Example:** If a bank has the right to adjust funds from an account (set-off), it cannot also hold a lien over the securities.

6. Examples of Banker's Lien in Action

Example 1: A customer takes a business loan and submits stocks & shares as collateral. If he fails to repay, the bank can sell the stocks under banker's lien.

Example 2: A customer deposits gold for safe custody. The bank cannot apply lien unless a lien agreement is signed.

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Example 3: A customer assigns an FD for a loan . If he defaults, the bank can adjust the FD against the loan.

7. Banker's Lien vs. Pledge

Feature	Banker's Lien	Pledge
Definition	Right to retain & sell goods if a debt is unpaid	Right to hold goods as security for a loan
Legal Basis	Section 171 of the Indian Contract Act, 1872	Indian Contract Act, 1872 (Pledge Provisions)
Possession	Goods & securities remain with the banker	Goods are physically given to the lender
Right to Sell	Yes, if debt remains unpaid	Yes, if the borrower defaults
Contract Needed?	No separate contract needed	Requires a pledge agreement
Example	Fixed Deposit, shares held by a bank	Gold loan, car loan pledges

8. Summary Table

Key Point	Explanation
Definition	Right of a bank to retain & sell goods/securities until debt is repaid
Legal Basis	Section 171 of the Indian Contract Act, 1872
General Lien	Applies to all goods & securities in a general account

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Particular Lien	Applies only to specific goods related to a transaction
When Applicable?	Loans, overdrafts, pledged securities
When Not Applicable?	Safe custody deposits, stolen goods, immature debts
Right to Sell?	Yes, if the customer defaults