

Bank overdraft assignment

Law



When a current account holder permitted by the banker to draw more than what stands to his credit, such an advance is called an overdraft. The banker may take some collateral security or may grant such advance on the personal security of the borrower. The customer is permitted to withdraw the amount as and when he needs it and to repay it by means of deposit in his account as and when it is feasible for him. Interest is charged on the exact amount overdrawn by the customer and for the period of its actual utilization.

Generally an overdraft facility is given by a bank on the basis of a written application and a promissory note signed by the customer. In such cases an express contract comes into existence. In some cases, in the absence of an express contract to grant overdraft, such an agreement can be inferred from the course of business. Cash withdrawals from a bank account already overdrawn will automatically increase the size of the overdraft.

An overdraft facility does not have a repayment timetable like most term loans; therefore a business that uses an overdraft facility pays interest only for the period the bank balance is overdrawn or is in negative territory.

Interest on a bank overdraft is highly volatile and is paid or accrued daily.

Bank overdrafts are acquired to cover temporary short term shortage of cash resources. A bank overdraft may be acquired for example; to finance on going working capital requirements or to support a start up business when it is still trying to find its feet.

Advantages of an Overdraft An overdraft facility is a very useful form of funding particularly to small to medium businesses and to business start ups

because these usually struggle for cash. In most cases these businesses have expense commitments which cannot all be settled by cash inflows from their sales income, therefore they need an overdraft facility to finance the deficit. ? A bank overdraft facility is quick and cheap to arrange as the borrower does not need to undergo the stringent scrutiny subjected to borrowers of long term loans. The company only pays interest on a bank overdraft facility only when it has a debit balance on its bank account. If the balance is in positive territory there will be no interest charge. ? An overdraft is flexible as the borrower only borrows what they need to use at the time and this makes it cheaper than loans. ? There are no penalties or charges for paying off the overdraft earlier as the borrower can repay the overdraft at any time. Disadvantages of an Overdraft ? A bank overdraft is usually a privilege offered to customers for banking with a certain bank.

Unlike a term loan the borrower will enjoy access to an overdraft facility from a bank only if the company continues to maintain a current account with the bank. ? A bank overdraft has to be rearranged regularly usually annually and normally arrangement fees are charged by the lender to the borrower. This constant need for reviewing and renegotiating of a bank overdraft facility poses as a risk to the availability of working capital support to a business if the bank decides not to renew it. The interest rate applied on an overdraft facility is usually at a variable rate and this makes it difficult for a company to manage its borrowing costs and interest rate risk. ? Bank overdrafts are repayable on demand and the lender may call them anytime. This unplanned overdraft facility withdrawal or recall may put pressure on the cash needs or day to day financing of the business. Penalties or administration fees are

also charged by the lender if the credit limit is exceeded. ? Overdrafts are usually secured against business assets and the lender can take control of the business' assets if it defaults on its overdraft repayment.

Reasons for overdrafts Overdrafts occur for a variety of reasons. These may include:

- Intentional short-term loan: The account holder finds themselves short of money and knowingly makes an insufficient-funds debit. They accept the associated fees and cover the overdraft with their next deposit.
- Failure to maintain an accurate account register: The account holder doesn't accurately account for activity on their account and overspends through negligence.
- ATM overdraft: Banks or ATMs may allow cash withdrawals despite insufficient availability of funds.

The account holder may or may not be aware of this fact at the time of the withdrawal. If the ATM is unable to communicate with the cardholder's bank, it may automatically authorize a withdrawal based on limits preset by the authorizing network.

- Temporary Deposit Hold: A deposit made to the account can be placed on hold by the bank. This may be due to Regulation CC (which governs the placement of holds on deposited checks) or due to individual bank policies. The funds may not be immediately available and lead to overdraft fees.

Unexpected electronic withdrawals: At some point in the past the account holder may have authorized electronic withdrawals by a business. This could occur in good faith of both parties if the electronic withdrawal in question is made legally possible by terms of the contract, such as the initiation of a recurring service following a free trial period. The debit could also have been made as a result of a wage garnishment, an offset claim for a taxing agency or a credit account or overdraft with another

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account with the same bank, or a direct-deposit chargeback in order to recover an overpayment. Merchant error: A merchant may improperly debit a customer's account due to human error. For example, a customer may authorize a \$5.00 purchase which may post to the account for \$500.00. The customer has the option to recover these funds through chargeback to the merchant.

- Chargeback to merchant: A merchant account could receive a chargeback because of making an improper credit or debit card charge to a customer or a customer making an unauthorized credit or debit card charge to someone else's account in order to "pay" for goods or services from the merchant.

It is possible for the chargeback and associated fee to cause an overdraft or leave insufficient funds to cover a subsequent withdrawal or debit from the merchant's account that received the chargeback.

- Authorization holds: When a customer makes a purchase using their debit card without using their PIN, the transaction is treated as a credit transaction. The funds are placed on hold in the customer's account reducing the customer's available balance. However the merchant doesn't receive the funds until they process the transaction batch for the period during which the customer's purchase was made.

Banks do not hold these funds indefinitely, and so the bank may release the hold before the merchant collects the funds thus making these funds available again. If the customer spends these funds, then barring an interim deposit the account will overdraw when the merchant collects for the original purchase.

- Bank fees: The bank charges a fee unexpected to the account holder, leaving insufficient funds for a subsequent debit from the same

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account.

- **Playing the Float:** The account holder makes a debit while insufficient funds are present in the account believing they will be able to deposit sufficient funds before the debit clears.

While many cases of playing the float are done with honest intentions, the time involved in checks clearing and the difference in the processing of debits and credits are exploited by those committing check kiting.

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Returned check deposit: The account holder deposits a check or money order and the deposited item is returned due to non-sufficient funds, a closed account, or being discovered to be counterfeit, stolen, altered, or forged. As a result of the check chargeback and associated fee, an overdraft results or a subsequent debit which was reliant on such funds causes one.

This could be due to a deposited item that is known to be bad, or the customer could be a victim of a bad check or a counterfeit check scam. If the resulting overdraft is too large or cannot be covered in a short period of time, the bank could sue or even press criminal charges.

- **Intentional Fraud:** An ATM deposit with misrepresented funds is made or a check or money order known to be bad is deposited (see above) by the account holder, and enough money is debited before the fraud is discovered to result in an overdraft once the chargeback is made.

The fraud could be perpetrated against one's own account, another person's account, or an account set up in another person's name by an identity thief.

- **Bank Error :** A check debit may post for an improper amount due to human or computer error, so an amount much larger than the maker intended may be removed from the account. Some bank errors can work to the account

holder's detriment, but others could work to their benefit. • Victimization: The account may have been a target of identity theft. This could occur as the result of demand-draft, ATM-card, or debit-card fraud, skimming, check forgery, an "account takeover," or phishing.

The criminal act could cause an overdraft or cause a subsequent debit to cause one. The money or checks from an ATM deposit could also have been stolen or the envelope lost or stolen, in which case the victim is often denied a remedy. • Intraday overdraft: A debit occurs in the customer's account resulting in an overdraft which is then covered by a credit that posts to the account during the same business day. Whether this actually results in overdraft fees depends on the deposit-account holder agreement of the particular bank. "Banking is a custom of practice". So in real world the nature of overdraft is little bit different from theory.

In our country most of the banks gives overdraft facility to the customers who can possess enough security which is called secured overdraft. Secured overdraft (SOD) can be defined as the advances those are against tangible security like actionable claim, Financial Obligations-FDR, Shares, Securities, Supply bill, Work order, Life Insurance Policy etc. According to security nature Secured overdraft can be named as under: • Secured overdraft (SOD) FO (Financial Obligations-FDR/Sanchay Patra/Shares) • Secured overdraft (SOD-RE) against Work Order/Supply Bill • Secured overdraft (SOD) Life Insurance Policies

Secured overdraft (SOD) Against Fixed Deposit Receipt-FDR: When money is deposited by a customer in time deposit scheme it is not payable on

demand. It is payable only after the expiry of a specified period from the date of deposit. Such type of deposit is called a fixed deposit. The banker acknowledges such deposit in a receipt is called Fixed Deposit Receipt-FDR. Sometimes it is happened that the depositors faces financial crisis temporarily or for certain time being.

At that moment customer comes to the banker to assist him financially or making advance to him for certain period by keeping the FDR Lien(Lien is a right to retain or hold the debtors instrument by the creditor unless due debt is repaid) as primary security. Then the Banker allows the advances to the depositors or to the third party (if the FDR owner agreed to give Lien) against Lien of FDR complying the following steps and procedures.

- Formal application addressing the branch in charge for SOD by the customer mentioning the following points
- Reason for advance
- Amount of advance
- Repayment
- Period for advance and
- Particulars of FDR to be kept under Lien
- As a rule advances are given generally to the owner of FDR that is to the person whose name deposit stands.
- If the customer applied for advances but FDR stands in the name of third party in that case third party also give letter of consent for giving the said FDR as security in writing to the banker. At the same time he will also give formal consent that said FDR will be auto renewal and interest of FDR will not drawn unless loan amount is adjusted. If the depositors are more than one/jointly; all depositors must apply jointly for making advances.
- If the FDR is in joint name and mode of operation is either or survivor or any one in that case FDR must be discharged by all owners declaring that they are agreed to give Lien of said FDR as security.
- No advances to be allowed against FDR which stand in the

name of Minor or in the name of Trust. • In case of advance against Fixed deposit receipt in the name of company- a. Company resolution from the Board of Directors regarding borrowing advances from the bank against the security of FDR in the name of company only. . Companies Memorandum of Associations, Articles of Association, Certificate of incorporation, Certificate of commencement of business and List of Directors to be obtained c.

Authorized the persons/Office bearer who will operate the account and who will create charges. d. Discharge of FDR by authorized persons only e. Letter of declaration from company authority that without bank consent they will not declare dividend. • No advance to be allowed against the FDR of the other bank • Generally no advance is allowed against the FDR of the other bank, if it is allowed then utmost precaution to be taken.

Lien marking is to be confirmed by the issuing bank with joint signature with PA number. • Generally FDR face value will be treated as security value, if interest is computed and accrued it should account for. • No way partial Lien (that is Lien of partial amount) of FDR to be created. Lien would be exercised on the full amount of FDR. Processing of SOD (FO) proposal On the getting the customer application along with the requisites papers bank will prepare a Loan Limit proposal according to bank credit policy and credit operational guideline. • As per consent of branch in charge Authorized Officer will start the loan processing Verify the customer signature on the application form; verify the discharge signature on the back of FDR, verify signature if the FDR stand in the name of third party with FDR issue Specimen Signature Card • Fill up the bank prescribed Loan Format with full particulars • Fix up the margin at present SOD(FO) Margin is 20% • SOD Limit Amount & date of

Expiry as per bank norms and customers request • Rate of Interest of the Limit • Repayment installment: if it is allowed in the form of Loan than monthly/quarterly installment amount to be fix up. Sanction letter to be prepared and signed by authorized executive/ officer as per bank Business Delegation mentioning necessary terms and conditions of the limit. • On getting limit sanction concerned officer will mark LIEN in FD in red ink on the FDR face, issue register, FDR Ledger, FDR Account opening form and on Specimen Signature Card(SSC) • In case of automation banking concern officer will mark LIEN in FD account option and competent officer will authenticate the LIEN marking Documentation After completing of above formalities credit administration /authorized officer will process the following ' Charge Documents' 1.

Demand promissory notes(DP Notes) 2. Letter of continuity (if it is SOD limit) 3. Letter of disbursement(in case of loan) 4. Letter of Lien(First party/Third party) 5. Letter of right to set off (in case of third party) 6. Letter of Authority from partners/Company directors if the FDR stands in the name of Partnership Firm/Company After completion of documents execution by the borrower in law and full manner authorized officer will enter the Charge Documents in “ Safe in –Safe out “ Register. Credit Administration Officer will issue a certificate regarding documentation to for disbursement & Disbursing officer will disburse the SOD.

Secured overdraft (SOD) Against Sanchya Patra (SP) To meet the customer necessities banker allow loans and advances against primary security of sanchya patra, shares of public limited companies. Such types of secured advance are termed as SOD FO. Procedures: i. In case of SOD against <https://assignbuster.com/bank-overdraft-assignment/>

Sanchya Patra bank have comply the Bangladesh Bank framework for making advances against Sanchya Patra/ Govt. Bond/ Securities as security.

ii. In no way bank will make advance if it is forbidden to allow loan by the BB against Sanchya Patra/Govt. Bond/Securities as security. iii. No SOD to be allowed against shares of private limited company. iv.

SOD only allowable against shares those are traded in DSE & CSE v. Sanchya Patra/Govt. Bond/Securities as security must be in the name of customer only. Sanchya Patra/Govt. Bond/Securities in the name of third party will not be acceptable. vi. No advance to be allowed to any company against its own shares/securities vii. In case of SOD against tradable stock exchange shares/securities banker must see the merit of offered securities in terms of- a. Marketability b. Liquidity & Reliability c. Price stability d. Title or holder can be ascertained easily e. Reduction of indebtness viii. No advance to be allowed if the Sanchya Patra/Govt.

Bond/Securities are stand in the name of minor. Processing: • As per consent of branch in charge Authorized Officer will start the loan processing • Customer will submit Sanchya Patra/Govt. Bond ' Identity Slip' • Identity Slip will be sent to the issuing office for verifies the Signature of Sanchya Patra/Govt. Bond. After verification of purchaser signature issuing office will send back it to forwarding bank. • Issuing office will also confirm the bank that the proceeds of the instrument will be paid forwarding bank • On getting the confirmation Bank officer will fill up the Bank prescribed Loan Format with full particulars. Fix up the margin at present SOD(FO) Margin fixed by the HO • SOD Limit Amount & date of Expiry as per bank norms and customers request • Rate of Interest of the Limit • Repayment installment: if

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it is allowed in the form of Loan than monthly/quarterly installment amount to be fix up. • Sanction letter to be prepared and signed by authorized executive/ officer as per bank Business Delegation mentioning necessary terms and conditions of the limit. • On getting limit sanction concerned officer will mark LIEN in FD in red ink on the Sanchya Patra/Govt. Bond face Documentation:

After completing of above formalities credit administration /authorized officer will process the following ‘ Charge Documents’ 1. Demand promissory notes(DP Notes) 2. Letter of Encashment authorization 3. Duly signed Transfer Form (in case of Shares) 4. Letter of Arrangement 5. Letter of continuity (if it is SOD limit) 6. Letter of disbursement(in case of loan) 7. Letter of Lien(First party/Third party) 8. Letter of Authority from partners/Company directors if the FDR stands in the name of Partnership Firm/Company After completion of documents execution by the borrower in law and full anner authorized officer will enter the Charge Documents in “ Safe in –Safe out “ Register. Credit Administration Officer will issue a certificate regarding documentation to for disbursement & Disbursing officer will disburse the SOD. SOD against Work Order/Supply Bill Secured overdraft may be allowed to genuine contractors against Work Orders/Supply Bills. The applications for such advance should be evaluated as follows: • The proposed borrower has at least a moderately operated current account with the bank • The proposed borrower is a genuine contractor having enlistment with the work entrusting department The contractor is of doubtless integrity • The prospective borrower possesses the attribute of commitment • There is neither an adverse report on the means, standing and respectability of the

borrower nor he is a defaulter of any bank/financial institution. Documents to be received • Application requesting for the advance • Original work order, which shall contain among other things, date of issuance of work order, date of start and completion of work • Certificate from the work entrusting agency regarding progress and position of the work, if the work is already in progress Pending bills certificate in case of on going work • Valuation certificate of property in case of the advance being collaterally secured by real estate The work order should be scrutinized in respect of the following • The work order has been issued by a reputed/recognized officer/ department and the same is genuine. • Estimated amount of work is clearly mentioned • Time of completion of the work is noted in the work order and the same is sufficient for its completion • Authenticity of the work order should be verified by the manager or by authorized officer personally from the work entrusting agency. Main charge against SOD against work order/supply bill in the mode of assignment. To see the norms of overdraft in Bangladesh banking sector, here some of the banks overdraft policy is given: [pic]

Features: ? Overdraft against hypothecation of stock of goods in trade / raw materials ? Overdraft limit against assignment of bills receivables / work orders ? against cash collateral ? under earnest money scheme ? Tenure of OD is one year ? Interest payable on the account utilized. Requirements: ? A viable business case for OD facility ? Collateral securities Fees & Charges ? 13% p. a. t monthly / quarterly rests subject to change(s) that may be made by the Bank from time to time. ? Standard processing fee. Features[pic] |

Loan Amount | Maximum 95% of the present value of the security | | Charges | Processing fee: Tk. 1000. 00 | | Tenor | Revolving with annual review | | Rate of Interest | 13. 0% p. a. - 16. 50% p. a. (subject to type of the

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security). 2% spread| | must be maintained in case of own bank FDR. | | Security | Lien over FDR, BSP, ICB Unit Certificate, RFCD, NFCD, CD Account etc. | | One personal guarantee in case of third party Cash collateral (as per | | the list of eligible guarantors) | pic] BRAC Bank: Eligibility: Any individual with fixed deposits and WEDB purchased from Brac Bank Ltd may apply for this facility. Features: | Tenor | 12 months (Auto renewal option available) | | Interest payment | Quarterly interest payments | | Loan Amount | up to 90% of Face Value of your fixed deposits (FDRs with BRAC Bank | | Ltd & WEDB) | | Spread | Minimum Spread | | Settlement | Early settlement facilities available | | Enhancement facility | Enhancement Facilities available | | Collateral | Cross collateralization allowed | pic] Corporate history National Credit and Commerce Bank Limited (NCCBL) bears a unique history of its own. The organization started its journey in the financial sector of the as an investment company back in 1985. The aim of the company was to mobilize resources and invest them in such a way so as to develop country's industrial and trade sector and playing a catalyst role in the capital market as well. Its membership with the stock exchange helped the company to a great extent in this regard.

The investment company operated up to 1992 with 16 branches and thereafter, with the permission of the Central Bank was converted into a full fledged private commercial bank in 1993 with paid up capital of to 39. 00 core to serve the nation from a broader platform. Since its inception, the bank has acquired commendable reputation by providing sincere personalized service to its customer in a technology based environment. The

Bank has set up a new standard in financing in the industrial, trade and foreign exchange business.

Its various deposits and credit products have also attracted the clients both corporate and individuals who feel comfort in doing business with the Bank.

Mission The mission of the bank is to mobilize financial resources from within and abroad to contribute to agriculture, industry and socio-economic development of the country and to play a catalytic role in the formation of capital market. **Vision** Vision of the bank is to become “the bank of choice” in serving the nation as a progressive and socially responsible financial institution by bringing credit and commerce together for profit sustainable growth.

Existing services rendered by the NCCBL Bank: The corporate mission of NCCBL is to mobilize financial resources from within and abroad to contribute to agricultures, industry and socio- economic development of the country and to pay a catalytic role in the formation of capital market. And the corporate vision is to become the ‘ Bank of choice’ in serving the nation as a progressive and socially responsible financial institution by bringing credit and commerce together for profit and sustainable growth. Deposit products ? Savings Bank Deposit A/C ? Short Term Deposit A/C Term Deposit A/C ? Premium Term Deposit A/C ? Instant Earnings Term Deposit A/C ? Special Savings Scheme ? Special Fixed Deposit Scheme ? Money Double Program ? NFCD ? RFCD Loans and Advance products ? Cards ? Remittance Products ? Commercial and Trade Financing ? Long Term(Capital) Financing ? House Building Financing ? Retail and Consumer Financing ? SME Financing ? Agricultural Financing ? Import and Export Financing NCC Bank Brokerage <https://assignbuster.com/bank-overdraft-assignment/>

Service: National Credit and Commerce Bank Limited is the pioneer in the history of capital market of Bangladesh in the Banking sector.

The brokerage house has been developed to ensure significant development of sound capital market and to provide higher, better and diversified services to a wide range of customers. NCCB brokerage house is offering high quality services at a competitive rate. It offers full-fledged services with margin loan facility. NCCB brokerage house is a full service depository participant (DP) of central depository Bangladesh Ltd(CDBL). The brokerage service is designed to provide customers with necessary support for profitability in the capital market.

The brokerage house is dedicated to provide high level of professional and personalized services to its clients. Its services are comprehensive in nature, including brokerage, margin loan, CDBL facilities and research and custodian needs of customers. Corporate Information about National Credit and Commerce Bank Limited: | Date of Incorporation | 15th May, 1993 | | Date of Commencement of Business | 17th May, 1993 | | Listing with Dhaka Stock Exchange Ltd. 28th May , 2000 | | Listing with Chittagong Stock Exchange Ltd. | 16th May , 2000 | | Authorized Capital (as at 31st August, 2009) | TK. 5000, 000, 000 | | Paid-up Capital(as at 31st August, 2009) | TK. 2, 284, 900, 200 | | Shareholder’s Equity(as at 31st August, 2009) | TK. , 595, 877, 975 | | Total Assets(as at 31st August, 2009) | TK. 64, 147, 269, 693 | | Number of employees(as at 31st August, 2009 | 1492 | | Number of branches(as on 20. 10. 2009) | 60 | Eligibility of taking overdraft from NCC Bank: in time of issuing overdraft loan NCC Bank focus on mainly three things.

That is- profitability, goodwill and relationship with the bank. The person or business seeking overdraft must have security against the loan. Besides bank consider credit worthiness of the prospective borrower very carefully. Also the amount of profit generated from issuing loan is considered. Types of securities accepted: the bank accepts FDR, sanchaya patra and DPS as security of overdraft loan. NCC Bank also accept FDR of other banks. The borrower having fixed deposit account with NCC bank in his own name may apply for overdraft. He may also seek loan against third party s fixed deposit.

But third party must express specific consent about transfer of FDR. In case of company the proper authorization is needed. The manager himself can not ask for a loan. According to practice Company resolution from the Board of Directors regarding borrowing advances from the bank against the security of FDR in the name of company only. Companies Memorandum of Associations, Articles of Association, and Certificate of incorporation, Certificate of commencement of business and List of Directors to be obtained. Authorized persons who will operate the account and who will create charges must be submitted.

Contract: There is no implied contract exists in case of issuing secured overdraft loan. Everything must be specified contract. The borrower has to sign a promissory note in time of making contract. An example of promissory note is given below: The borrower must have to sign this promissory note before taking the loan. Way of taking loan: NCC Bank disburse loan on cash at the counter. It does not provide any facility of giving overdraft through ATM card, Debit card etc. the borrower does not get card facility but can have the online facility.

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Maximum amount: The borrower is allowed to take loan on the value of the securities. That is if value of the security is 10000 taka, the borrower is entitled to take loan up to 10000 taka. Interest rate: Normally NCC Bank charges 3% more interest than the FDR interest rate in case of secured overdraft. NCC Bank provides 12. 10% interest on Fixed Deposit. That means interest rate charges on secured overdraft is 15. 10% ($12. 10\%+3\%$). NCC Bank also grants loan by keeping FDR as a security which is deposited in another bank. In this case FDR interest rate may be much higher.

Suppose if FDR interest rate in another bank is 14% then the loan interest rate becomes 17% ($14\%+3\%$), which is quite higher for the customer. In reverse case if the interest rate of FDR of another bank is 9%, then the overdraft interest rate become $12\%(9\%+3\%)$; which creates loss in the perspective of bank. To avoid such complicate situation NCC Bank set a standard rate of interest 14% . so the customers who take loan by keeping FDR in another bank as a security, the bank charges 14% interest rate whatever the FDR interest rate is. Interest is payable on per annum. Interest is charged on only the used portion of the loan.

Repayment: The amount of the loan must be repaid within one year. If the borrower is unable to repay the full payment, then he can pay partial payment and can renew the time of maturity of loan contract. Thus the borrower can enjoy for unlimited time if renews time to time. Fees: A very small amount of fees is charged in time of taking the loan. But at the time of renewal no fee is charged. Default: The borrower is bound to pay loan amount at demand as promissory note signed. But if the borrower is failed to pay loan amount then bank get the lien of the security of the borrower.

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When the bank sees that the amount of loan along with interest exceeds 95% value of the security then bank knock slightly to the borrower. If the borrower does not response after a few days the bank sells the securities to set off the loan amount. Case Study on providing Secured overdraft by keeping current account as a security: Generally we know that bank does not offer loan by keeping current account as a security. But when we talked to the authority of the NCC bank we came to know that bank is eager to grant loan by maintaining current account as a security.

But normally customers are not willing to take loan on this basis, as they do not get any interest on current account. Another important thing is that as they have the sufficient money of their own in their current account so why do they need to take loan from the bank on a higher Interest? But while talking to the authority we found a customer who took loan by keeping his current account as a security. The brief of the case is given bellow: Case Brief: Customer's Name: Mr. Abul Hasan. Loan Amount: 25 lakh. Current Account Balance: 50 lakh. Bank Lien: 30 lakh. Interest Rate: 14%

From the above case we found a customer who took loan by keeping current balance as a security. From the case brief we get to know that Mr. Hasan took a loan of 25 lakh taka in March 2008. His current balance on that particular date was 50 lakh taka, and bank took the lien of 30 lakh taka. That means the NCC bank is empowered to retain the security of Mr. Hasan. The ownership is not transferred from the customer to the bank but the bank gets the right to retain the security handed over to him and can not withdraw the money without bank's permission. Now question is that, why did Mr.

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Hasan took loan at 14% interest rate instead of having 50 lakh taka cash balance in his current account? By investigating this question NCC Bank found that Mr. Hasan has a son who was going to study in abroad on that particular time and for this purpose Mr. Hasan needed to keep 30 lakh taka cash balance in his account as a prove of bank solvency for one year. That's why he took a secured overdraft on 14% interest rather withdrawing his own money. So from this case we get to know that bank provides secured overdraft by keeping current account balance as a security if bank's and customer's need coincides.

From our work, we have found out about how NCC Bank provides overdraft loan to its customers. We have learnt about the terms and condition and every thing about secured overdraft loan in our banking industry and how they are applied in practical world. In conclusion we can say that secured overdraft provided by the banks can help those customers who have enough securities. That is bank provide loan to those who need no money. • NCC Bank annual report • [www. google. com](http://www.google.com) • [www. wikiopedia. com](http://www.wikiopedia.com) [pic]

————— PROMISORY NOTE Tk Date

I/We promise to pay on demand National Credit And Commerce Bank Ltd. Or order, the sum of tk (Taka) only for value received with interest thereon from this date at the rate of Percent over the published Bank rate with a minimum of %Per annum with rests. Adv. 012 Revenue stamp Literature review Review of overdraft of some banks Scenario of overdraft in Bangladesh NCC Bank at a glance Overdraft policy of NCC Bank Case Study Conclusion Appendix