

**BANKING COMPANIES (LEGAL PRACTITIONERS' CLIENTS'
ACCOUNTS) ACT, 1949**

46 of 1949

[8th December, 1949]

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STATEMENT OF OBJECTS AND REASONS "Under the rules framed by the Bombay High Court an attorney practising there has to keep an account at a bank for clients moneys in the title of which the word 'client 'shall appear and he can operate on that account only for inc purpose^ specified in the rules. The legal effect of these rules is that a bank is fixed with a notice of trust and is bound to enquire inio the purposes of withdrawal, whenever any transaction is sought to be made on such clients' accounts. These rules ha\\e placed on banks agreat measure of special responsibility and they also interfere with the free transferability of cheques drawn on such accounts. The object of the present Bill is to protect banks in India by relieving them of such special reipcinsibility and to ensure free transferability of cheques. In the United Kingdom, where similar rules are in force in regard to the clients' accounts of solicitors, the banks are protected by the Solicitors Act of 19.13. The present Bill seeks to give similur protection to the banks in India. The proposed measure will. in the first instance apply to the Presidency-town of Bombay where such rules are in force. But it may be later extended to other places, if and when similar laws or rules are made for those places." Gaz. ofind.. 1949. Pt. V. page 150.

1. Short title, extent and commencement :-

(1) This Act may be called The Banking Companies (Legal Practitioners' Clients' Accounts) Act, 1949.

¹[(2) It extends to the whole of India * * *]

(3) It shall come into force in the Presidency-town of Bombay at once, and in the rest of the ²[State of Maharashtra] or any part thereof or ³[in any other State or in any part of such State] on such date or dates⁴ as the Central Government may, by notification in the Official Gazette, appoint.

The Act has been extended to the Union Territories of--

(1) Dadra and Nagar Haveli, by Regn. 6 of 1963. S.2 and Sch. 1 (1-7-1965);

(2) Pondicherry. by Regn. 7 of 1963. S. 3 and Sch. 1 (1-10-1963):

(3) Goa. Daman and Diu (now known as Goa State) by Regn. 11 of 1963. S. 3 and Sch. 1 (1-8-1965). Goa is now a State Sec Act 18 of 1987. S..1(30-5-1987):

(4) Laccadive. Minicoy and Amindivi Islands(now known as Lakshadweep islands) by Regn. 8 of 1965.S. 3 and Sch.(1-10-1967).

The Act has now been applied to Co-operative Banks See S.56 of the Banking Regulation Act, 1949

1. Words "except the State of Jammu and Kashmir" omitted by Act 62 of 1957. Sch.

2. Substituted for the words "State of Bombay" by Maha. A. L. O. 1960, S.4(1) (1-5-1960) and Born Reorganisation (A.L.O. U.S.) Order. 1961.

3. Substituted for the words "in any other Province or anv Acceding State or anv part of such Province or State" by A.L.O. 1950.

4. This Act is brought into force in the State of Orissa from 1-8-1950-Gaz. Ind. 1950. Pt. II. Sec. 3, p. 278--theState of Punjab from 1-10-1951 Gaz. Ind. 1951. Pi. II. Sec. 3. p. 1597.1-10-1983 appointed as date on which the provisions of the. Act shall come into force in the following States and Union territories- Andhra Pradesh. Assam. Bihar, Gujarat. Haryana. Himachal Pradesh. Jammu and Kashmir. Karnataka. Kerala. Madhya Pradesh. Maharashtra (except the part to which the Act is already in force). Manipur. Meghalaya. Nagaland. Rajasthan. Tamil Nadu. Tripura. Uttar Pradesh and West Bengal and Union territories of Andaman and Nicobar Islands, Arunachal Pradesh. Chandigarh and Delhi - See S0 702(E) of 1983 -- Gaz. of Ind.. 30-9.1983. Pt. II. S. 3(ii), Ext., p. 2 (No. 438).

2. Definitions :-

In this Act. unless there is anything repugnant in the subject or context.-

¹[(a) "banking company" means any banking company as defined in S.5 Of the Banking Companies Act, 1949 and includes the State Bank of India.] ²[a corresponding new bank constituted under S.3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970,] ³[a Regional Rural Bank established under Section 3 of the Regional Rural Banks Act, 1976 ⁴ [a corresponding new bank constituted under S.3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and any subsidiary bank]] as defined in State Bank of India (Subsidiary Banks) Act, 1959:

(b) "legal practitioner" has the same meaning as in Legal Practitioners Act, 1879 .

1. Substituted for clause (a) by the State Bank of India (Subsidiary Bunks) Act. 1959 (.18 of 1959). S. 64 and Third Schedule. Pt. IV (10-9-1959).

2. Substituted for the words "and any subsidiary bank" by the Banking Companies (Acquisition and Transferal Undertakings) Act (5 of 1970). S. 20 (w.r.e.f., 19-7-1969).

3. Substituted for the words "and any subsidiary bank" by Regional Rural Banks Act (21 of 1976). S..1.1 (26-9-1975).

4. Substituted for the words "and any subsidiary bank "by the Banking Companies (Acquisition and Transfer of Undertakings) Act (40 of 1980). S. 20 (w.r.e.f. 15-4-1980).

3. Restriction of liability of banking companies in certain cases :-

(1) Where, under any law or rules having the force of law, a legal practitioner keeping an account in a banking company for clients' moneys may only operate on such account for specified purposes, then. neither the banking company with which such an account is kept nor any other banking company shall, in connection with any transaction relating to such account incur any liability, or be under any obligation to make any inquiry, or be deemed to have any knowledge of any right of any person to any money paid or credited to such account, which it would not incur, or be under, or be deemed to have in the case of an account kept by a person entitled absolutely to all the moneys paid or credited to the account : Provided that nothing in this sub-section shall-

(i) apply to the case of an account kept by a legal practitioner as trustee for a specified beneficiary; or

(ii) relieve a banking company from any liability or obligation which it would incur or be under, apart from this Act.

(2) Notwithstanding anything contained in sub-section (1), a banking company in which a legal practitioner keeps an account for clients' moneys, shall not, in respect of any liability of such practitioner to the banking company, not being a liability in connection with that account, have or obtain any recourse or right, whether by way of set-off, counter-claim, charge or otherwise, against moneys standing to the credit of that account.