

THE BANKING COMPANIES (LEGAL PRACTITIONERS' CLIENTS' ACCOUNT) ACT, 1949

(ACT NO.46 OF 1949)

[AS ON 1995]

{Extended to Dadra and Nagar Haveli by Reg. 6 of 1963, s. 2 and Sch. I; Pondicherry by Reg. 7 of 1963, s. 3 and Sch. I; Goa, Daman and Diu by Reg. 11 of 1963 s. 3 and Sch.; and Lakshadweep by Reg. 8 of 1965, s. 3 and Sch.}
[8th December, 1949.]

An Act to restrict the liability of banking companies in connection with certain transaction by legal practitioners;

WHEREAS it is expedient to restrict the liability of banking companies in connection with certain transactions by legal practitioners;

Comment: *The aim of the Act is to restrict the liability of banking companies in connection with certain transactions by legal practitioners .*

It is hereby enacted as follows :-

1.Short title, extent and commencement.-(1) This Act may be called the banking companies (Legal Practitioners' Clients' Accounts) Act, 1949.

{Subs. by the A.O. 1950, for the former sub-section.} [(2) It extends to the whole of India {The words "except the State of Jammu Kashmir" omitted by Act 62 of 1956, s. 2 and Sch.} * * *.]

(3) It shall come into force in the Presidency-town of Bombay at once, and in the rest of the {Subs. by the Bombay Reorganisation (Adaptation of Laws on Union Subjects) Order, 1961, for "State of Bombay" (w.e.f. 1-5-1960).} [State of Maharashtra] or any part thereof or {Subs. by the A.O. 1950, for "in any other Province or any Acceding State or any Part of such Province or State".} [in any other State or in any part of such State] on such date or dates {The Act was brought into force in Orissa on 1st August, 1950, vide Notifn. No. S.R.O. 270, dated the 12th July, 1950, Gazette of Indian, Pt. II, Sec. 3, p. 278 and in the State of Punjab on the 1st October, 1951, vide Notifn. No. S.R.O. 1431, dated 18th September, 1951, Gazette of India, Pt. II, Sec. 3, p. 1597.} as the Central Government may, by notification in the Official Gazette, appoint.

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

{Subs. by Act 38 of 1959, s. 64 and Sch. III, for cl. (a) (w.e.f. 10-9-1959).} [(a) "banking company" means any banking company as defined in section 5 of the Banking Companies Act, 1949 (1 of 1949), and includes the State Bank of India {Subs. by Act 5 of 1970, s. 20, for "and any subsidiary bank" (w.e.f. 19-7-1969).} [a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertaking Act, 1970 (5 of 1970), {Subs. by Act 21 of 1976, s. 33, for certain words (w.e.f. 26-9-1975).} [a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976 (21 of 1976), {Subs. by Act 40 of 1980, s. 20 (a) (w.e.f. 15-4-1980).} [a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980) and any subsidiary bank]]] as defined in the State Bank of India (Subsidiary Banks) Act, (38 of 1959);]

(b) " legal practitioner " has the same meaning as in the legal Practitioners Act, 1879 (18 of 1879).

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 banking company for clients' moneys may only operate 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 enquiry, 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 money 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.