KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2020/2021

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF LAWS

LCC 401: BANKING LAW

DATE: Wednesday 19th May 2021 **TIME: 3.00p.m. - 5.00p.m.**

INSTRUCTIONS:

1. Answer question One and any other Two questions.
2. Note that penalties accrue for failure to answer question One.
3. Support your answers with illustrations from relevant case law, statutory provisions and any other applicable references.
4. Write neatly and legibly.
5. Your answer script must bear your student's registration number.

7. Do not write anything except your registration number on this question paper.

Question One

Nick has worked for Riz Ltd for close to 20 years as a clerk. The finance manager of Riz Ltd Zed, had great trust in Nick and relies on hi on most occasions when dealing with the credors of the company.

In 2018 Nick prepared 3 cheques in the names of Albert, Ben and Daudi fork Sh.300,000, 400,000 and 500,000 respectively.

Nick then presented the cheques to Zed for signing. Zed knew Albert and had dealt with him in previous transactions. But he did not know Ben and Daudi nor had he any previous dealings with them.

Nick after the cheques were signed, forged the signatures of the payees and indorsed them to himself. Later in the week he discounted the cheques payable to Albert and Ben with Horizon Ltd, a financial company for 90% of their value.

He also requested his friend Zuma to take the cheque which was initially in the name of Daudi. Zuma suspected that Nick was engaged in some wrong doing and declined to purchase the cheque. Nick however, persuaded him to take it for a reduced cash payment of 300,000. All the three parties deposited the instruments with their banks and had the funds credited to their accounts.

Riz Ltd has discovered the forgery and has come to you for advice. [30 marks]

Question Two

The duty of confidentiality is subject to the right and in certain instances the duty, to disclose information where circumstances, whether public or otherwise so require.

Evaluate this statement in the light of decided cases, the theory of agency and the relevant

Question Three

The viability of the Banking System, not merely of individual banks has prompted the government to take several measures in the last 20 years to ensure stability in the sector. Discuss. [20 marks]