



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**FACULTY OF LAW, DEPARTMENT OF COMMERCIAL LAW**  
**Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi – Abuja**

**COURSE CODE:** CLL431

**COURSE TITLE:** Law of Banking and Insurance I

**CREDIT UNITS:** 3

- INSTRUCTIONS:**
- (a) Indicate your Matriculation Number clearly
  - (b) Attempt Question one (1) and any other three (3) questions
  - (c) Question one (1) is compulsory and carries 25 marks; while the other questions carry 15 marks each.
  - (d) Using appropriate statutory and judicial authorities, present all your points in a straightforward, coherent and orderly manner.

**TIME ALLOWED:** 3 Hours

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**QUESTION 1:**

- (a) Mr. Ayuba fell in love with Miss Kyau. Being convinced that Miss Kyau was wife material, Mr. Ayuba proposed to her and she accepted. Mr. Okoh met Miss Kyau, liked her and wanted to marry her too. Mr. Ayuba, nursing fears of losing Miss Kyau to Mr. Okoh decided to get married in three months and fixed the date for marriage. Mr. Ayuba being cash strapped as a result of the hasty decision to marry approached his banker's High Target Bank and demanded for a loan, to be paid from his salary within five months. Mr. Ayuba irrevocably instructed his employers to pay his salary directly to the Bank. Mr. Ayuba's employers agreed to pay into the account of Mr. Ayuba at the bank, the amount due from time to time. Bring out and analyse the legal issues disclosed by above situation. (10 marks)
- (b) Would the above case have been different if the payment were to be made for Contract Finance? (5 marks)
- (c) Explain any three ways open to the mortgagee desirous of realising his security. (10 marks)

**QUESTION 2:**

- (a) Compare and contrast between a Loan and an Overdraft. (5 marks)
- (b) Discuss the banker's evaluation of credit worthiness taking into considerations the canons of lending. (10 marks)

**QUESTION 3:**

Banks insist on the furnishing of security by its customers with a zealotry never seen in the pursuit of business objectives. A school of thought has advanced the proposition that security offers full protection to the banker, while another school resisted this position as empirical

falsity. Irrespective of which school of thought one finds oneself, there is unanimity of opinion as far as the stipulations or preconditions which every security must satisfy if the creditor can rely on it as a mechanism to reduce its credit risk and assure repayment of the debt. Discuss. (15 marks)

**QUESTION 4:**

With the aid of decided cases attempt the definition of Guarantee and the basis for the guarantor's liability.

**QUESTION 5:**

Mr. Onu owns a company 'A' Trust International which deals in the business of manufacturing and selling Aluminum Roofing Sheets. B.Z Company Nigeria Ltd approached Mr. Onu to sell Aluminum Roofing Sheets to them. A sale agreement was entered into by both parties. In the contract of sale agreement, it was agreed that ownership would not be transferred to B.Z Company until B.Z had paid the amount it owed "A" Trust International. It was also agreed that ownership of the Aluminum Roofing Sheets supplied to B.Z Company would not be transferred to it until B.Z Company had paid the amount it owed "A" Trust International. B.Z Company borrowed money from its bankers against a debenture and eventually B.Z Company got into financial difficulties. As a lawyer discuss the issue(s) involved and with the aid of decided cases, advise "A" Trust International Company.

**Question 6:**

Chief Soke-Fada approached his bankers for financial accommodation. Being a loyal and long-standing customer of fifteen years, the bankers positively gave consideration to his application. However, in line with the extant laws, he was told to furnish security. Confused, he has approached you for a special lesson on the meaning, form and creation of mortgage as a consensual and non-possessory form of security. (15 marks)