
SAFETY LOCKERS IN BANKS: ANALYSIS OF SOME CASE STUDIES

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ABSTRACT

Bank lockers are small boxes kept in a room in bank that is guarded heavily and has solid iron doors or concrete walls around it. Bank lockers are relatively safe for a person to store valuables for a period of time. The banks in their agreement typically declare that bank will not be responsible or liable for the contents kept in the locker by the hirer. In case of theft, burglary or similar unforeseen events, action will be initiated as per law. But there are enough cases where the courts have backed customers. By establishing that the relationship between the bank and the depositor is not that of landlord and tenant, some landmark judgements allow you to sue your bank for equivalent compensation in case of any burglary, etc. to the locker's contents. One should keep a written record of his/her contents in the locker, it will help you claim compensation in case the unforeseen events. When bank provides the locker facility to a customer, it may ask the locker-holder about the maximum limit of the valuables which he/she intends to put in locker. The locker charges may be fixed according to this limit by putting more charges for higher limit and vice versa. By doing this the banks would be able to know their maximum contingent liability. The banks may use the extra money received from locker charges to get their lockers insured. It will help in believing again that bank lockers are the safest places to keep valuables.

Key Words: Bank Locker, customers, Charges.

Introduction:

Banking is a service industry, which deals with human beings and also the most valued material possession-Money! In a service industry like banking, the quality of customer service holds primal significance, particularly in the context of sustained business growth. Unlike other industries engaged in the production of tangible goods, banks are unique in the sense that they are producing and delivering the service instantaneously at the service delivery points, i.e., at branches. This has an overwhelming impact on the customer psyche and makes them super sensitive towards the quality of service. Besides, the business relationship between a bank and its customer is not a one-time transitory relationship, but a relatively permanent and enduring one, which requires to be nurtured with good quality of service. The relationship between bank and the customer is of great practical significance, though it is contractual in nature. It arises out of a contract made between banker and customer, involving obligations on both sides.

Various types of services are provided by banks to their customers in addition to their usual business of receiving deposits and lending the same, agency business, etc. One such service being provided by banks is providing safe deposit lockers to its customers.

What is a Bank Locker?

A locker is a small, usually narrow storage compartment. They are commonly found in dedicated cabinets, very often in large numbers, in various public places such as locker rooms, workplaces, schools, gyms. They vary in size, purpose, construction, and security.

Bank Lockers are small boxes kept in a room in Bank that is guarded heavily and has solid iron doors or concrete walls around it. Bank lockers are relatively safe for a person to store valuables for a period of time. It is generally used by locker-holders to keep their valuables safe that is why the locker facility is also called as *safe custody*.

Objectives of the Paper

This paper deals with one of burning questions regarding bank lockers that whether the bank is liable for the contents of the locker in case of a bank robbery or theft or any other mishappening regarding bank locker. This paper has the following objectives:

1. To understand various guidelines issued by RBI regarding bank lockers.
2. To analyze various case studies regarding bank lockers
3. To place suggestions for safeguard of locker-holders.

Research Methodology:

The main objective of the study is to place suggestions for safeguard of locker holders. The secondary data has been used for this study while collecting case studies regarding bank lockers and guidelines issued by RBI.

Various Guidelines issued by RBI regarding Bank Lockers:

The relationship of the bank and the locker holder is that of a lessor and lessee, or in simple words that of an owner and a tenant. Each customer is charged an annual fee for holding the locker with the bank which depends on various factors such as size of locker, type of bank branch i.e. urban or semi urban, etc. There is a wide disparity in bank locker rates charged by public sector banks and private sector banks. This rate also depends on the type of account you have with the bank. For instance, HDFC Bank is willing to waive 50% of the rent if you are a classic customer, that is, your average quarterly balance is Rs 1 lakh. To open the locker a pair of keys is needed, one key is with the bank typically with Custodian and the other is with the customer. Both keys have to be used together to open the locker. Custodian is an officer designated by each branch to be in charge of Safe Deposit Lockers. Lockers can be operated during the specified timing displayed at the branches

Both private and public sector banks provide the facility of lockers and are governed by the guidelines of Reserve Bank of India. Some of these guidelines are listed below:

- Though to avail the locker services one need not have a saving account in the bank .But a bank asks new customers to open a savings account. This is because opening a savings account helps complete the Know Your Customer (KYC) norm. Also, a savings account at the branch makes it easy, for the bank, to collect annual charges.
- Banks must allot lockers on a first come, first serve basis. If none are available, the bank branch needs to maintain a waiting list and provide the applicant with a waitlist number. It must also inform the customer when it is available. Please note not all bank branches have lockers. It is a first-come-first-served service that has always been in high demand.
- Bank lockers can be rented on single as well as joint basis. If there are joint holders then all the joint holders have to particularly mention the kind of ownership agreement they are getting into (like either or survivor, former or survivor etc).
- The bank may ask customer to deposit some amount as security in the beginning for opening a locker, called as *Caution Money*. This may include the rent for locker for a period of 3 years and also an amount for emergencies when the bank has to break open the locker for example if the customer has lost the key. It is not mandatory to do so but most of the banks do ask. There are several complaints how banks have and are taking advantage of the soaring demand for lockers to force customers to invest in investment products like fixed deposits, insurance schemes which are in violation of the Reserve Bank of India (RBI) rules.
- Bank does Risk categorization of locker hirers, mostly as per deposit account of hirers with Bank. Risk categorise are generally High, medium, low,
- While opening a locker one needs to sign an agreement document, called **Memorandum of Letting**. It is an agreement between the Bank (called as lessor), who is letting out the locker and Customer (called lessee) hiring the locker regarding operation of the locker. This document is a registered document and attracts stamp duty.

However, even if you agree to the bank's conditions, you may still not be able to find a desirable locker. This is because getting a bank locker has become difficult, especially in the metros as banks don't have too many lockers but branches in suburbs have higher number of lockers and so do those in smaller cities. It may be worth your while to scout around for new

branches opening in your city because in an effort to lure new customers, they may waive the security deposit. You will also be able to get a locker immediately and won't have to endure an endless wait as is the case with the existing branches.

Are our Belongings Safe in our Bank Locker?

There have been many instances of bank locker robbery or theft or fire or loss of customers' valuables due to negligence of bank, etc. in the past. A recent incident which has shaken the faith of customers' in hiring bank lockers is bollywood film Dhoom style daring bank lockers' robbery at a Punjab National Bank branch at Gohana, Haryana worth 100 crores as claimed by locker holders. The Indian Express reported that a gang of robbers tunnelled their way into the locker room of the Punjab National Bank branch at Gohana town in Haryana, emptied 89 lockers and escaped the same way they came. The tunnel was 125 feet long and seven feet deep. It has been claimed that there was no steel plate on the room's floor and the lockers were 60-7- years old. There were no CCTV cameras in the locker room. Though the accused have been identified and arrested in this case. This daring instance has raised many questions in our minds about the safety of the items we keep for safeguarding in a bank locker besides the very basic question, are our belongings safe in our bank locker?

Responsibility of Banks Regarding Lockers:

The banks in their agreement typically declare that bank will not be responsible or liable for the contents kept in the locker by the hirer. In case of theft, burglary or similar unforeseen events, action will be initiated as per law. But there are enough cases where the courts have backed customers. By establishing that the relationship between the bank and the depositor is not that of landlord and tenant, these landmark judgements allow you to sue your bank for equivalent compensation in case of burglary or if the locker's contents are damaged by termites, water seepage and the like, barring natural disasters.

- After a robbery at an Indian Overseas Bank branch in a Chennai suburb in 2012, the police discovered that most bank branches in the city hadn't installed devices such as security alarms, closed-circuit television (CCTV) cameras or burglar alarms, among others.
- In November 2011, a locker mechanic of a private firm was nabbed with gold worth Rs 20 lakh stolen from the lockers of Andhra Bank in Koritapadu in Guntur city. The bank staff initially rubbished the customer's claims. But after going through the video evidence, the police found that the lockers were handed over to official mechanics for annual maintenance, and the crime was committed during the period.

So banks in all cases can't skip their responsibility on flimsy grounds, but it is always wise to tread with care as proving any negligence on the part of the bank is not easy

One of the burning questions that has come up in one's mind that whether the bank is liable for the contents of the locker in case of a bank robbery or theft or any other mishappening regarding bank locker . Indian banks have consistently fended off all claims on the grounds that the relationship between a bank and the person hiring the locker is one of landlord and tenant. The legal argument taken by the banks is that there is no 'entrustment' of contents placed in lockers by the depositor to the bank. Therefore, the banks aren't responsible for its contents. This is exactly what the Punjab National Bank is stating in the latest case as well. Is this plea

justified and sustainable?

Some Case Studies:

In Bank of India vs Kanak Choudhary, the customer filed a case stating that termites had destroyed currency notes and important papers kept in her locker. The commission said that the bank "was bound to ensure that the respondents' locker remained safe in all respects", and awarded compensation to the customer.

The National Consumer Disputes Redressal Commission examined this contention in a case reported as 2001 CTJ 352 (CP). The facts of the case were that three women Jyoti Satya, Neena Satya and Sunita Satya had hired lockers at the Bank of Maharashtra's Amritsar branch. A robbery took place and all the valuables in the lockers were removed. The bank refused to take any responsibility for the theft. As a result the three women filed complaints with the Punjab State Consumer Disputes Redressal Commission, Chandigarh. During the hearings the bank argued that the depositors were the only tenants of the lockers and hence the bank could not be held liable for any loss suffered by them. The commission rejected the bank's plea and this resulted in a revision petition by the bank before the National Commission at New Delhi. After going into the matter, the National Commission by its order dated July 11, 2000 rejected the Bank of Maharashtra's contention and held that "the depositors had taken the lockers on rent only because of the security provided by the bank and it is not simply a landlord and tenant relationship. The depositors have kept jewellery and other valuable articles on the assurance that the bank will provide complete security..."

"Another important aspect of the case is that the depositors cannot have access to the lockers except with the help of the bank because one key is retained by the bank and unless both keys are used the depositors cannot open the lockers. We have consistently held that the relationship between the bank and depositor is not that of the landlord and the tenant. We hold that the argument of the bank is without any substance."

One other case in this regard is that of Ugam Singh. Before going abroad, he took a locker in the State Bank of India and kept all his valuables there. When he returned to India after a year and a half he found that all the jewellery and the other valuables in the locker were missing. Here also the consumer court extended a helping hand and awarded compensation to him (Ugam Singh vs G.M., State Bank of India (1996) 1 CPR 188). It rejected the bank's argument that it was not responsible because its relationship with the hirer is only that of landlord and tenant.

The observations made by the Gujarat State Consumer Disputes Redressal Commission's observations in *Manjulaben D Lalwala vs Surat Safe Deposit Vaults (P) Ltd* are significant. In that case too, gold ornaments worth Rs 125,000 were found missing after the locker was broken into. Holding the safe vault company liable to reimburse the aforesaid amount to Manjulaben, the commission observed that "persons hire lockers in safe deposit vault to keep their valuable articles and documents therein for their safety. There is risk of valuable articles and documents being stolen in residential or office premises. Therefore, it is to keep them safe from theft or burglary that persons hire lockers in safe deposit vault. Since the company has undertaken the

business of running safe deposit vault and hiring lockers, it is its duty to ensure security and safety of lockers."

The above rulings handed down by the courts go to indicate in no uncertain terms that the banks' defence that the provision of lockers is based on a landlord-tenant relationship will not be sustainable. Instead, they must improve on their security arrangements, to prevent thefts. Consumers keep their lifetime savings in lockers -- for which they now pay stiff fees -- and banks on their part must ensure foolproof security.

As per the RBI Policy, "The bank will, in no way, be responsible/liable for the contents kept in the locker by the hirer. In case of theft, burglary or similar unforeseen events, action will be initiated as per law." But the RBI has also said that even if the banks do not know about the contents of the locker, they should take necessary steps to protect the contents in the locker. RBI has also instructed the banks to make sure that the bank has all the necessary security measures, such as alarm system, iron-gated rooms, electronic surveillance via CCTV, etc. The RBI also expects frequent locker visits from customers.

- One should keep a written record of his/her contents in the locker. This will help him/her to calculate the value of the contents, and will help you claim your compensation in case the unforeseen events. If you are keeping documents in lockers, it is wise to get them laminated.
- One can avail insurance cover for accidental loss, damage, burglary and theft of jewellery and other precious items, including jewellery kept in some specified bank lockers which is provided by some insurance companies.
- Always open your locker after the bank employee who accompanies you to the vault leaves the place.
- Visit your locker frequently and ensure your valuables are safe.

Conclusion and Suggestions:

The basic premise behind the banks shying away from responsibility is the fact that they do not want to know what is inside the locker. If they do not know what the contents are, then how can they be sure that your claim is correct in case of loss of your belongings? The paper has elaborately discussed the guidelines issued by RBI regarding bank lockers as well as some leading case studies and court rulings regarding this matter.

On the basis of the above discussions, one solution for this problem placed by researcher is that when a customer avails the locker facility the bank may ask the locker-holder about the maximum limit of the valuables which he/she intends to put in locker. The locker charges may be fixed according to this limit by putting more charges for higher limit and vice versa e.g. if customer 'A' declares Rs. 10 Lacs and customer 'B' declares Rs. 20 Lacs as their maximum limit which he intends to put in his bank locker then first customer will have to pay less locker charges in comparison of second customer. The locker-holder will not exaggerate his/her valuables as it will attract more locker charges. On the other hand the banks would be able to know their maximum contingent liability. The banks may use the extra money received from locker charges to get their lockers insured. In case of any bank robbery or theft or any other mis-happening

regarding bank locker, the locker holder will be paid as per the maximum limit declared by him. Moreover it will not put any financial burden on the bank as it has already insured their lockers. This will help in believing again that bank lockers are the safest places to keep valuables thereby improving banks' social image.

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