

The Legal Basis of Depositor's Fund in Banking Systems: A Comparative Analysis

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Abstract

Banks generate a huge amount of profits by earning more money than what they pay in return to the customers although they depend heavily on depositor funds such as current and savings accounts. There are some reasons for banks not to return a part of the profits generated to the customers; one of the reasons is related to the legal basis in which the deposits are received. The paper examines, the legal basis of depositor accounts taking into consideration various legal and juristic views as expressed by scholars from different schools of law with the view of proposing specific solutions so as to ensure a fair distribution of profits between banks and their customers.

Keywords

Banking, Deposit, Current Account, Saving Account, Reward

1. Introduction

A bank account is a financial account maintained by a bank for the customer. A bank account can be a deposit account, a credit card account, or any other type offered by a bank, and represents the funds that a customer has entrusted to the bank and from which the customer can make withdrawals. Alternatively, accounts may be loan accounts in which case the customer owes money to the bank. The laws related to banks and financial institutions of each country specify the manner in which accounts may be opened and operated. In addition, there are a set of rules and regulations that govern the operation of current and saving accounts. The legal basis for money had and received in either current or saving account had been controversial in both conventional and interest-free banking. As such, one of the problematic consequences is that current accounts, and in some cases savings accounts, which represent the main source of banks fund mobilization do not attract return in term of interest or profit; however, alterna-

tively customers are entitled to enjoy services and facilities offered by the banks.

This paper examines comparatively the legal basis of depositor funds in conventional and interest free banking or Islamic banking with the main objective of looking into the possibility of rewarding the current and saving account holders a sum of money in certainty. The work is organized as follows: Section 1 presents the legal basis of depositor funds in conventional banking whereas Section 2 presents the legal and juristic views related to the concept of banking deposits, while Section 3 presents the rules and regulations governing current and savings accounts in the banking system of Sudan and the Interest Free Banking of Malaysia.

2. The Legal Basis of Banking Deposits

2.1. Meaning and Nature of Deposit

In the context of conventional banking, deposits are regarded as money by customers of the bank because these customers know that the balance of their account can be used for Settlement of debts which are arranged by a speedy transfer of funds between bank accounts. This is much more efficient and convenient than moving bank notes from one commercial premise to another, which was the only practical alternative at that time. The term sight deposits, in banking system, refers to funds kept with a bank which are repayable on demand when these are non-interest bearing demand deposits, they are referred to as current account. As the credit balance held is repayable without notice, it is widely used for the instant transfer of funds by means of cheque payment or any other means of payment (Desmond, 1983)¹.

As to interest bearing sight deposits, these are well known as money at call, when a person has substantial money for investment but cannot find a suitable outlet for the funds, he opens an interest bearing sight deposit. The money is left with the bank at call in the sense that it is repayable on demand pending favorable investment opportunities. There must be a minimum deposit, and the interest is paid at rates which vary according to market conditions, provided notice of withdrawal is given before the repayment. Whereas, time deposit account kept at branch incur no charges, and interest is allowed at rates which are varied from time to time. Normally a press statement is made when deposit rates change and a notice is displayed in the premise of the branch. Generally accounts opened with the purpose of holding credit balances are referred to as deposit accounts whilst accounts opened with the purpose of holding debt balances are referred to as loan accounts (Desmond, 1983)². **At present conventional banking maintains three types of accounts namely current account, saving account and fixed deposit account. Fixed deposit is a type of term deposit that gives a fixed rate of interest at maturity. It also offers a higher rate of interest compared to a regular saving account. For the purpose of this section our**

¹Desmond Fitzgerald, *Element of Banking 1@2*, Financial Training Publication, London, 1983, p. 11.

²Ibid, p. 12.

discussions will be confined only to the legal basis given to the current account as operated in conventional banking.

2.2. Creditor-Debtor Relationship

Although the banking business had been firmly established before the end of the seventeenth century, there does not appear to be any reported case in either that or the eighteenth century in which the court had to consider the legal relationship between banker and customer. At common law, possibly the earliest case in which this matter arose was one decided in 1811. The facts of the case reveal that the testator had made a bequest of whatever debts might be due to him at the time of his death, and one of the questions to be decided was whether cash balance due to him on his bank account passed by this bequest. Sir William Grant held that it did. In the course of his judgment, he said that this was not “deposi-tum”, accordingly the money paid in general to banker could not be so considered. It is lordship further observed that money had an earmark and that when money is paid to a banker, it always opens a debtor creditor account with the payer. The banker employs the money and is liable merely to answer the draft of its customer to that amount (Milnes, 1983)³.

A few years later another case had been decided. The council argued before the same judge that a banker is rather a Bailee of his customer’s fund than his debtor, but the learned judge rejected that argument and held that money paid into banker becomes immediately a part of his general assets, and the bank is merely a debtor for the amount. The above decisions were later cited with approval by the chief justice of the Queen’s Bench.

It was further argued in another case that the banking transactions and duties constitute a relation that is more complex than that of mere debtor and creditor. However, the house of lord rejected their arguments and held the relation between a bank and its customer who pays money to the bank is the ordinary relation of debtor and creditor, with a superadded obligation arising out of banker to honor the customer’s cheque. Hence, money when paid into a bank, ceases altogether to be the money of the principal, it is then the money of the banker, how is bound to return an equivalent sum as that deposited upon demand. Being a bank money any profits generated the bank is entitled to retain. The bank is guilty of no breach of trust in employing it, further the bank is not answerable to the principal where the money is put into jeopardy. Thus, the bank has contracted and having received that money is required to repay to the principal upon demand a sum equivalent to that paid into its hands (Milnes, 1983)⁴.

It is apparent from the above arguments that the money so received becomes at once the property of the banker and the bank, thereupon is indebted to its customer for an equivalent sum. The banker does not hold the money as the customer’s agent or trustee, in the context of conventional banking the relation-

³J. Milnes Holden, *The Law and Practice of Banking*, Pitman Publishing, Third Edition, London, 1983, p. 31.

⁴Ibid, p. 32.

ship of banker and customer is said to be contractual. It may consist of a general contract which is basic to all transactions, together with special contracts which arise only as they are brought into being in relation to specific transactions or banking service.

The relationship of banker and customer in relations to specific transactions or banking service may commence the moment the parties entered into relation, or negotiation which are to be considered part of the contract ultimately concluded. The classic description of the contract constituted by the relation of banker and customer appears in another case where it is argued that the bank undertakes to receive money and to collect bills for its customers account. The proceeds so received are not to be held in trust for the customer, but the bank borrows the proceeds and undertakes to repay them upon demand at the branch where the account is kept. Once again it is clear that, the money flowing into the bank becomes part of generic fund, and that money paid out by the bank flows from the bank itself and not from an individual pool of fund maintained by the customer. In other words the reservoir is that of the bank and not a reservoir comprising earmarked amounts owned by separate account holders (Milnes, 1983)⁵.

Thus, when a person opens an account by depositing a sum of money with a bank, a contract is created between the customer and the bank. The money in cash form becomes the property of the bank and the duty to repay the alike becomes a general liability of the bank. The bank and its customer, therefore stand in a simple creditor-debtor relationship. The question which may arise is that what type of contract, specifically, the creditor debtor relationship has been based on, we may all agree that for such relation there must be an underlying contract. It seems that the underlying contract for such relation was not the concern of those who examined the legal basis of the money had and received in the depositor's fund. However, a statement made by the chief justice while approving the two earliest cases in this respect, may assist in identifying the underlying contract for creditor debtor relationship. In the course of his judgment he said that sums of money which are paid to the credit of customer with a banker, though usually called deposits are in truth loans by the customer to the banker. The chief justice, although specified the underlying contract for the relation as that of loan contract, he gave no reasonable justification in details for his conclusion.

Currently the banking practices related to acceptance of deposits in various accounts exist on an adhesion contract or standard form contract. The contract is drafted by a bank usually associated with business, with stronger bargaining power and signed by the customer. While opening current or saving accounts the customers do not have the power to negotiate or modify the terms of the contract. Normally adhesion contracts open a wide room for disputes, and courts carefully scrutinize adhesion contracts and sometimes declare void certain provisions because of the possibility of unequal bargaining power, unfair-

⁵Ibid.

ness, and unconscionability.

The rules and regulations related to saving accounts indicate that interest may be paid on the credit balances, if any, and shall be calculated on daily basis, but the bank reserves the right to revise the interest rate from time to time. As mentioned earlier, banks classify current account as the non-interest bearing demand deposit, repayable at any time without a notice. Banks do not reward their customers for maintaining current accounts, but they are entitled to enjoy services and facilities such as an overdraft arrangement.

As to the question of why banks in general do not reward the current account holder the answer is that banks still work on the basis of old terms and conditions contained in the rules and regulations which govern and specify the main features of current account, though an important development has occurred in the account main features. For instance, current account was traditionally reserved for traders, businessmen and others so as to satisfy specific needs. Banks provide the current account holders a cheque book in addition to other services and facilities.

The main feature of current account was not intended to be a safe custody of the customer's money as the saving account is seen as the proper way to satisfy that purpose. At present and in so many states around the world current account position has changed to function as savings pool rather than money at call after making the opening of bank account compulsory for not only the public sector but also the private sector employees. Therefore, the authorities through the Central Banks are encouraged to enforce the public policies related to social justice, reduction of poverty and just distribution of wealth in order to reward the current account holders by returning some of the profits generated so long as those balances stay with the banks. To sum up it is clear that the basic banking service in conventional banking is the current account whereby the depositor is entitled to receive neither interest nor profit as the legal basis of the money had and received in the account is considered a mere loan.

3. Deposits in Modern Banking

3.1. Background

As to banking practices presently, although banks in general are required to have their own shareholders fund, they have to depend heavily on the depositors fund as well. Banks in the first place and in order to function as financial intermediaries must be prepared and equipped in a way which may facilitate the attraction of deposits from the public for the purpose of fund mobilization. The depositors fund may be applied utilizing a variety of financial instruments and products. As the matter of practice, the process of opening an account with a bank is seen as the first step towards commencement of the relationship between the bank and its customers. This may normally be available in standard form contract prepared by the bank whereby a customer will be required to comply with all terms and conditions contained therein. Those terms and conditions once are ac-

cepted, the customer shall be allowed to enjoy the facilities and the services offered by the bank.

3.2. Contemporary Approach

The juristic basis of money deposit in either current or saving account as a modern banking practice has not only caused a considerable debate among intellectuals of conventional banking but also among Muslim scholars as regards making use of the depositors fund. Most of the scholars have expressed the view that such deposit in banks whether in current or saving accounts may be regarded as initial *Wadiah* for the purpose of safe-keeping, as indicated by its literal definition (Shabir, 1996)⁶. However, where permission has been obtained from the depositors in order to make use of their fund, the bank as depository may *become* a guarantor liable to repay the same amount deposited at any time and upon demand. In fact, the scholar's argument has mainly been based on a Juristic rule which states that "The consideration should be given to ascertain the real intention of the parties entering into a contract, rather than the words and sentence structures of the contract's terms and conditions" (Al-Zarqa, 1989)⁷.

Therefore, where a person keeps a deposit whether in form of money or any other item that is capable of being consumed or being vanished due to its use, the contract shall take the legal effects of the contract of loan provided that permission for making use has been obtained from the depositors. By applying the juristic rule mentioned above, once permission has been given in connection with a banking deposit the parties intention may indicate the mutual consent to enter into loan contract irrespective of the words or the sentences used by them for the contract's formation from the beginning. It would seem that the scholar argument in respect of the application of the juristic rule was much more appropriate and to some extent consistent with the western doctrine of deposit legal basis. Tracing the term "depositum" in the Roman law had revealed that the word means anything which had been placed in the gratuitous change or custody of a person for the "sole purpose of safe keeping" without the property passing on to him or his being allowed to retain it as a security for a debt due to him (Summer, 1986)⁸. Great emphasis had been laid to the effect that deposit should be for the sole purpose of safe keeping, the bank has no title as to the money deposited in an account. Accordingly, the bank may not make use of it for its own advantage and interest. Moreover, the bank would receive no remuneration for keeping it, and it has no lien on it if its customer has become indebted to it.

Despite the reverse views, the western theory had relied on considering the money kept in a bank account as a mere loan and the bank as such has the right to make use of the amount to generate profit. The practice has been confirmed by the Lord Chancellor Cottenham as mentioned earlier. Unlike the western

⁶Shabir Mohammed Osman, *al-Muamalat al-Maliah al-Muasarah*, Dar al-Nafa'ais, Oman, 1996, p. 221.

⁷Al-Shikh Ahmed al-Zarqa, *Sharh al-Qawaid al-Fiqhia*, Dar al-Galam, Dimashq, 1989, p. 55.

⁸William Graham Summer, *A History of Banking in all the Leading Nations*, Sentry Press, New York, 1986, p. 1.

theory of deposit which stresses on the safe-keeping, the Islamic doctrine of deposit had been much more comprehensive as regards making use of deposit or *Wadiah*. The prominent jurists of the Sunni schools of law had elaborated the theory in adequate details that contained various provisions capable to address any subsequent developments even prior to the evolution of banking industry. The jurists have elaborated in detail the possibility of making use and utilization of deposit, mixture of deposits, trading with the property deposited, and lending out the property deposited. In addition, much more has been elaborated in respect of distribution of the profits generated from the use of such deposit or *Wadiah*. The jurists allowed the person with whom the deposit was kept to specifically dispose of it provided that permission had been given whereby the depository is permitted to utilize it on condition that the deposit had to be guaranteed and returned upon demand. The legal position of the person with whom the property is deposited might change to a guarantor instead of being mere trustee required to safe-keep the deposit only.

In changing the legal basis of the contract to be a mere loan in the context of Islamic banks, it had been argued that upon obtaining the permission from the owner to make use of the property deposited the duty of safe keeping would no more be valid. Once again this argument has not been accurate, because the duty of safe keeping would continue until the recovery of the property deposited subject to the rules of guarantee, in the sense that even in the contract of loan, in the context of banking, the element of safe keeping in all cases would be present (Rasool, 1984)⁹.

There may be an agreement that the prerequisite of “permission” obtained from the owner to make use of the property deposited may change the legal basis of the contract to be a loan provided that such practice was only confined to individual’s direct transaction. However, it is hard to accept this argument in the context of banking practices, the reason being that the permission in the banking practice may normally be stated in standard form contract. The argument that consideration should be given to ascertain the real intention of the parties entering into a contract may be acceptable where the dealing was only confined to the individual dealing directly.

As a matter of fact where a customer approaches a bank to open a current or saving account his real intention is to safe-keep his money as well as to enjoy the facilities offered in terms of convenience in deposit and withdrawal of his money. The bank on the other hand, may not be confined only to safe keeping of the money deposited, rather as a financial institution carrying on banking business with the view of making profit, its real intention is to make use and utilize the money deposited in an account so long so as it remains with the bank. The bank has manifested its real intention in standard form contract which normally necessitates that the other party has to comply with or to go without, though there may be occasions, in which the negotiation may take place while opening an account. In order to compromise between the mutual intentions of the parties to

⁹Ali Abdul Rasool, Notes on Islamic Banking, Islamic University, Omdrman, 1984, p. 97.

contract, the preferential mode is to adopt the concept of deposit guarantee custody which was originally laid down to meet the people's need for safe keeping of their properties with the view of at any time be recovered. Thus, the bank may satisfy its real intention based on the injunctions of guarantee (*Bank Islam Malaysia, 1995*)¹⁰. Accordingly it is allowed to utilize the property deposited in several ways and enjoy lawfully any proceeds or profits generated.

Another way of compromising in order to harmonize the legal basis of banking deposit funds is by reading the term "permission" in the light of the principles of contracts in Islamic law, bearing in mind the main characteristics of current and saving accounts. However, where a customer approaches the bank to open a saving account for instance, the bank may request the permission to utilize the fund, the obtaining of permission in this case is necessary because deposit in the saving account may probably remain with the bank for a reasonable period of time which is sufficient to make use of the amount (*Bank Islam Malaysia, 1995*)¹¹. Conversely, where a customer approaches the bank to open current account, the request of permission should be subject to the principles of deposit guaranteed custody, based on the assumption that there may be a less probability as regards whether or not the bank may be able to utilize the account (*Bank Islam Malaysia, 1995*)¹².

4. Deposit in Banking System of Sudan

4.1. Current Account

In the context of banking system of Sudan the legal basis given to the deposits received on a current account is that, where a bank is permitted to use and utilize the sum deposited, the contract is considered as a contract of loan. This legal basis was clearly stated in an opinion delivered by Bank Faisal's supervisory board which maintained that "whenever the owner of the property deposited gives permission to the bank to make use and utilize the deposits on a condition that the bank has guaranteed such deposits, the contract shall be considered as a contract of loan or benevolent loan" (*Faisal Islamic Bank of Sudan, 1982*)¹³. The purport of this legal opinion was later codified in section (458) which provides: "in case the property deposited was in form of money or a thing that may be consumed by means of use, and the depositor permits the trustee to use or utilize it, the contract shall be considered as that of loan" (*Civil Transactions Act of Sudan, 1984*)¹⁴. The adapted contract of loan by the banks may assist the process of depositing and withdrawal of money in or from the current account.

4.2. Saving Account

As for the saving account, the legal basis which covers the current account is also

¹⁰Bank Islam Malaysia, Organization and Operations, The Bank Publications, 1995, p. 10.

¹¹Ibid.

¹²Ibid.

¹³Faisal Islamic Bank, Fatawa, FIB Publications, Khartoum, 1982, p. 55.

¹⁴Civil Transactions Act of Sudan 1984, Section, 458.

applicable in respect of the saving accounts. However, such deposits in saving accounts do not take the legal description given to the deposit in its juristic sense, because the bank is permitted to make use of it, and thus generate profits. As such it takes the legal effect of the contract of loan as to, the guarantee of repayment and the repayment of an equivalent amount. As regards the services rendered in saving account, there is no collection of charges in return. Moreover, the bank may create some sort of awards to the public. The practice of awarding savers a specified amount of money out of the profits generated, in return for making use of their funds has been criticized on the ground that such practice may amount to be usurious, and subsequently prohibited particularly when it is seen from the viewpoint of the savers as a motivation to save their money. Saving account is legally covered by the contract of deposit or *Wadiyah*, but where permission has been obtained from the customer in order to make use of the fund on condition that the bank guarantees the refunding, the contract shall take the position of a loan contract.

Awards to the public are allowed provided that depositors should not have a previous knowledge of them, moreover the bank is not permitted to declare to the public any awards in return for their savings. Clearly this argument is inconsistent with the tradition of the Prophet (s.a.w) in respect of loan settlement, in so many cases, it was proven that the Prophet (s.a.w) himself used to borrow money or other items and settle his debt by paying extra money over and above the amount borrowed by him as the token of appreciation, and he did encourage people to do so (Al-Hamshari, 1983)¹⁵. Therefore, Islamic banks shall take the initiative to reward in particular saving and current account holders with a specified amount of money as a token of appreciation and the Central Bank shall guarantee such payment in certainty.

5. Deposit in Banking System of Malaysia

5.1. Current Account

The legal basis of current account in the interest free banking of Malaysia is established on the basis of the concept of deposit guaranteed custody. Banks provide wide number of rules to be observed in respect of current account. Initially, a bank “accepts deposits from its customers looking for safe custody of their funds and absolute convenience in their use, in the form of current accounts on the principles of *al-wadiyah Yad Damana* (guaranteed custody)” (Bank Islam Malaysia, 1994)¹⁶. The acceptance of deposit for the purpose of safe-keeping indicates that a bank may only be a trustee that is required to refund the sum deposited on demand without being a guarantor for any destruction or reduction of its exact quantity. As a matter of fact, banks normally accept money on the basis of deposit contract, however, the real intention of any bank definitely is to utilize deposits in order to make or generate profit. Hence, it is inevitable for the

¹⁵Abdul Allah Mustafa al-Hamshari, *al-Amaal al-Masrafia wa al-Islam*, al-Maktab al-Islami, Beirut, 1983, p. 113.

¹⁶Bank Islam Malaysia Berhad, BIM Publications, Kuala Lumpur, 1994, p. 54.

bank administration to expressly stipulate that acceptance of deposit will be on the basis of guaranteed custody. The main task of a bank is to carry on commercial business with a view of making profits.

Therefore, “the bank requests permission from its customers to make use of their funds so long as these funds remain with the bank. As a general rule the bank is considered a trustee, and as such the bank is not allowed to make use of the funds belonging to the customers unless upon permission to be obtained from the customers (Bank Islam Malaysia, 1994)¹⁷. In Islamic law of contract, the permission may either be express or implied, thus all terms of current account are found in standard form contract in which the customer is required to comply with or to go without. Moreover, the bank is free to include additional rules within the framework of the above mentioned contract the rules have to be agreed upon and complied with by the customers”. However, the permission may not be expressly negotiated rather it may impliedly be deduced.

The expression “the bank requests permission” may indicate that, the bank is prepared to make a deal with those customers who may reject to grant permission and only be motivated to open an account with the bank for the purpose of safe-keeping of their money, and thus benefit from all or part of the facilities rendered by the bank. The rejection of granting permission is not merely an imposition, previously there was a legal opinion issued by supervisory council instructing the banks to be prepared so as to deal with those customers who may request the bank not to make use of their funds.

At present, the banks request permission to make use and utilize the customer deposits. The banks may stipulate that all profits generated from the use of such funds will be the property of the bank alone, in the sense that the customer has no share in any profits generated (Bank Islam Malaysia, 1994)¹⁸. However, where a connection is made between the “request of permission” and the stipulation to own the entire profit generated, such practice may indicate that the parties have intended to enter into a loan contract. The question of acquiring title to all profits generated by the bank has been controversial. The jurists who support the bank’s stipulation have maintained that, under Islamic law where a bank requests a customer for permission to use his fund for the purpose of generating profits, and the bank stipulates the whole profitability and nothing for the customer, upon the acceptance of the customer, the contract will be a benevolent loan. The term request permission is a sufficient presumption indicating the real intention of the bank to enter into contractual obligations. According to the second view, the jurists have maintained that the request of permission and the stipulation to acquire the whole profit generated is the absolute right of the bank, because the profit earned is made out of its undertaking of guarantee of refunding subject to the rules of guarantee or *Daman* in Islamic law.

The contract of deposit or *Wadiah* is normally made for the purpose of safe-keeping of a property with the view of recovering it at any time. Hence, as

¹⁷Ibid.

¹⁸Ibid.

banking practice, customers may withdraw a part or the whole of their deposits at any time they so desire and bank shall guarantee the refund of such deposit. The banking practice emphasizes the right of the customers to recover the property deposited in whole or partly at any time depending on their will, thus the arrangement on the issue of recovering the property deposited is left to the parties concerned. However, where a customer chooses to withdraw the whole amount deposited in current account, the *Wadiah* contract shall not be terminated because the customer is always required to keep a small amount as balance in his account, this may facilitate to the customer the process of restoration of his account with the bank on the basis of *Wadiah* (Bank Islam Malaysia, 1994)¹⁹.

5.2. Saving Account

The rules which govern the saving account are almost similar to that of the current account. In the same manner, a bank accepts deposits from its customers looking for safe custody of their funds and degree of convenience in their use together with the possibility of some profits in the form of savings account on the principles of deposit-guaranteed custody or *al-Wadia Yad Dhamanah* (Bank Islam Malaysia, 1994)²⁰. The practice is almost similar to the rules which are explained in respect of current account, unlike the case in current account the customer in saving account contemplates from the beginning to get some of the profits generated. The contemplation is usually accompanied by an element of uncertainty, in the sense that the share in profit amount is unknown from the beginning. Although it has been clearly stated that all the profits generated from the use of such funds are based on the permission obtained earlier and the bank may at its absolute discretion reward the customers by returning a portion of the profits generated from the use of their funds from time to time. The reward given in the absolute discretion of the bank would take the form of gift or *Hiba*. According to Islamic law, a gift or *Hiba* indicates the transfer of ownership of property to another without a consideration (Qudama, 1958)²¹. In the context of banking, gift normally takes the form of a specified amount of money given on the absolute discretion of a bank, as such one may appreciate the interference of the Central Bank in assuring the payment of the reward with certainty and not to be left to the absolute discretion of the banks.

6. Conclusion and Recommendation

The primary objective of this paper was to examine the legal basis of money had and received in either current or saving accounts in both conventional and interest free banking with the view of rewarding the account holders a sum of money in certainty. In conventional banking the legal basis of the current account is found in the concept of creditor-debtor relationship which was described as contractual in nature. At present the current account attracts neither

¹⁹Ibid.

²⁰Ibid.

²¹Ibni Qudama Abdul Allah Ibn Ahmed, al-Mughni, Cairo, 1958, Vol, 12, p. 41.

interest nor a profit. The legal basis of depositor fund accepted in interest free banking is controversial. Banks operate in Sudan have adopted the legal basis which is quite similar to that of conventional banking, though the legal reasoning to some extent is different. In Malaysia banks accept deposits from their customers looking for safe custody and absolute convenience in the form of current account under the concept of deposit guaranteed custody. Banks request permission to make use of the customer funds, and all the profits generated belong to the banks. The saving account carries the same features; however, in contrast with current account the bank may at its absolute discretion reward its customers. In the context of conventional banking one may recommend that, the authorities concerned are encouraged to enforce the public policies related to social justice, reduction of poverty and just distribution of wealth so as to reward the current account holders by returning some of the profits generated so long as the customer's balances stay with the banks. The interest free banking which maintains current and saving accounts is recommended to reward its customers a sum of money with certainty based on the tradition of settlement in best manner as practiced in benevolent loan. The reward can also be made to the customers who hold current and saving accounts on the legal basis of the concept of deposit guaranteed custody not on the absolute discretion of banks but with certainty.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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