20 True or False

Decide, then check the answer and reason below each statement.

Question 1

Lien gives the holder a right to retain goods until a lawful debt is paid.

TRUE

Retention, not sale, is the core meaning of lien.

Question 2

Lien automatically gives the holder the right to sell the retained goods.

FALSE

An ordinary lien is only a right to retain; sale requires special status like banker's lien.

Question 3

Possession is essential for a valid lien to exist.

TRUE

Without possession of the goods, no lien can arise.

Question 4

Ownership of goods transfers to the lien holder once the lien is created.

FALSE

Ownership remains with the original owner; lien only affects possession, not title.

Question 5

A particular lien can be used to cover any unrelated old debt owed by the same person.

FALSE

Particular lien is limited strictly to dues from the same specific transaction.

Question 6

General lien is available to any ordinary creditor, not just specific professional categories.

FALSE

General lien is reserved for categories like bankers, factors, wharfingers, policy brokers and attorneys.

Question 7

General lien includes the right to sell the retained goods.

FALSE

General lien only allows retention of goods, not sale, even for a general balance due.

Question 8

Banker's lien is treated by courts as an implied pledge.

TRUE

This special treatment gives banks the right to sell securities to recover dues.

Question 9

Under banker's lien, the bank can sell securities after reasonable notice to recover dues.

TRUE

This right to sell is the key feature distinguishing banker's lien from ordinary lien.

Question 10

Banker's lien is subject to the standard three-year limitation period like an ordinary loan recovery claim.

FALSE

As long as securities remain with the bank, banker's lien is treated as having no limitation period.

Question 11

Safe custody articles kept purely for safekeeping are covered by banker's lien.

FALSE

Items deposited only for safekeeping fall outside the scope of banker's lien.

Question 12

Banker's lien cannot arise on securities that were stolen.

TRUE

No valid lien can be created on stolen property.

Question 13

The same-capacity rule allows a bank to use one customer's security to recover another customer's debt.

FALSE

The debtor and owner of the goods must be the same person in the same capacity for lien to apply.

Question 14

Negative lien involves the borrower physically handing over the asset to the bank.

FALSE

Under negative lien, the asset stays with the borrower; the bank only holds a written promise.

Question 15

Negative lien creates an enforceable security interest in favour of the bank.

FALSE

Negative lien is only a restriction on the borrower, not a real security interest.

Question 16

A negative lien typically restricts the borrower from selling or charging the asset without the lender's consent.

TRUE

This written undertaking is the essence of a negative lien arrangement.

Question 17

A pledge involves delivery of goods as security along with a right to sell on default.

TRUE

This distinguishes pledge, which carries an inherent sale right, from ordinary lien.

Question 18

Lien and pledge mean exactly the same thing in banking law.

FALSE

Lien is only a right to retain, while pledge involves delivery of goods with a right to sell on default.

Question 19

An unmatured or not-yet-due debt can still support a valid lien claim.

FALSE

Lien requires a debt that is actually due; it does not apply to unmatured debts.

Question 20

Lien in banking law commonly appears in exams as simple one-line definitional questions only.

FALSE

The article notes lien rarely appears as a definition and usually shows up as a case-based question.