20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **A lien is the right to retain goods, not the power to sell them.**
   The creditor can hold on to the property but cannot sell it off under a plain lien.

2. **A negative lien is only an undertaking by the borrower not to charge or sell certain assets without the bank's consent.**
   It is a personal promise, not a right over the property itself.

3. **Under a negative lien, the bank holds no possession and gets no charge over the asset.**
   The asset stays with the borrower throughout the arrangement.

4. **A negative lien has no statutory definition under Indian law.**
   It is understood from the normal course of banking business rather than from a specific statute.

5. **The three conditions to exercise an ordinary lien are possession, a lawful debt, and no contract to the contrary.**
   If any of these three conditions fails, the right of lien cannot stand.

6. **A bank lien can arise when a bank loan funds the purchase of an asset such as a car.**
   If the borrower fails to repay, the bank can take the financed asset into its possession.

7. **A judgment lien is placed on an asset by a court, usually due to a lawsuit.**
   It differs from a bank lien because it arises from a court order rather than a loan agreement.

8. **A mechanic's lien attaches to real property when a contractor is not paid for services rendered.**
   It protects the contractor's right to be paid for work done on the property.

9. **A tax lien is created by law when tax authorities place a claim on a taxpayer's property for unpaid taxes.**
   It is one of the five common types of lien discussed alongside bank, judgment, mechanic's and real estate liens.

10. **Under a negative lien, the borrower remains free to deal with the assets and can even sell them.**
    This is a key difference from an ordinary lien, where the creditor holds the goods.

11. **A negative lien is often drafted as an agreement between the borrower and the bank.**
    It functions as a negative covenant restricting the borrower from creating a charge without consent.

12 **A negative lien cannot be directly used by a bank to realise its debt from the asset.**
Because no charge is created, the bank has no direct recourse against that specific property.

13 **Registering a negative lien can act as a public notice discouraging others from taking a charge on the assets.**
This registration protects the bank's interest indirectly, even without possession or a formal charge.

14 **A negative lien can appear in loan agreements alongside deeds of hypothecation or mortgage.**
Such deeds may specifically mention the negative lien over the assets charged or secured.

15 **In an ordinary lien the creditor possesses the goods; in a negative lien the borrower keeps possession.**
Possession of the asset is the key distinguishing factor between the two concepts.

16 **A negative lien is a personal assurance with binding effect but confers no right over the property.**
It creates no encumbrance and no charge on the property itself.

17 **The topic of negative lien falls under JAIIB Principles & Practices of Banking (PPB).**
PPB tests candidates on the difference between real charges and mere undertakings like negative liens.

18 **A lien differs from a pledge because a lien only allows retention, not sale.**
Confusing lien with pledge is a common mistake students make in the exam.

19 **A real estate lien gives the legal right to seize or sell property when contract terms are unfulfilled.**
It differs from an ordinary lien because it can extend to a power of sale in specific circumstances.

20 **A negative lien protects the bank's interest even though it creates no charge over the asset.**
The borrower's formal promise not to encumber the assets still safeguards the bank's position.