20 True or False

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

Question 1

A lien gives the creditor the power to sell the retained goods immediately.

FALSE

A lien only gives the right to retain the goods, not the power to sell them.

Question 2

A negative lien is an undertaking by the borrower not to charge or dispose of certain assets without the bank's consent.

TRUE

It is a personal assurance rather than a right over the property.

Question 3

Under a negative lien, the bank takes possession of the borrower's assets.

FALSE

Under a negative lien the asset stays with the borrower; the bank never takes possession.

Question 4

There is no statutory definition of negative lien under Indian law.

TRUE

The concept is understood from the normal course of banking business rather than from a specific statute.

Question 5

One of the three conditions for exercising an ordinary lien is that the goods must be in the creditor's possession.

TRUE

Possession, a lawful debt, and no contract to the contrary are the three required conditions.

Question 6

A bank lien can arise when a bank loan is used to purchase an asset like a car.

TRUE

The financed asset can become subject to the bank's lien if the loan is unpaid.

Question 7

A judgment lien is created purely through a private agreement between borrower and bank.

FALSE

A judgment lien is placed on an asset by a court, usually following a lawsuit.

Question 8

A mechanic's lien can attach to real property when a contractor is not paid for services rendered.

TRUE

This lien protects a contractor's right to payment for work done on the property.

Question 9

A tax lien can be created by law when a taxpayer has unpaid taxes.

TRUE

Tax authorities can place liens on a taxpayer's property for outstanding tax dues.

Question 10

Under a negative lien, the borrower is free to sell the assets if they choose to.

TRUE

Since no charge is created, the borrower retains full control including the right to sell.

Question 11

A negative lien is always drafted purely as an oral understanding with no documentation.

FALSE

A negative lien is normally drafted as an agreement, not left as an undocumented oral promise.

Question 12

A negative lien allows the bank to directly realise its debt from the listed assets.

FALSE

Because no charge is created, the bank cannot directly realise debt from those specific assets.

Question 13

Registering a negative lien can act as a public notice discouraging others from taking a charge on the assets.

TRUE

Registration signals to third parties that an undertaking exists over those assets.

Question 14

A negative lien can be mentioned in deeds of hypothecation or mortgage tied to a loan agreement.

TRUE

Such deeds may specifically record the negative lien over the assets charged or secured.

Question 15

Possession of the asset is a key difference between an ordinary lien and a negative lien.

TRUE

In an ordinary lien the creditor holds the goods; in a negative lien the borrower retains possession.

Question 16

A negative lien creates a formal charge and encumbrance on the borrower's property.

FALSE

A negative lien creates no charge and no encumbrance; it is only a personal undertaking.

Question 17

The negative lien topic is studied under JAIIB Principles & Practices of Banking (PPB).

TRUE

PPB tests the distinction between real charges and mere undertakings such as negative liens.

Question 18

A lien and a pledge mean exactly the same thing in banking law.

FALSE

A lien only permits retention of goods, while a pledge can permit sale under default, so they differ.

Question 19

A real estate lien can give the legal right to seize or sell property when contract terms are unfulfilled.

TRUE

This is one of the five common types of lien described, distinct from a plain retention right.

Question 20

A negative lien offers the bank no protection at all since it creates no charge.

FALSE

Even without a charge, the borrower's formal promise and possible registration still protect the bank's interest.