20 True or False

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

Question 1

The right of set-off allows a bank to adjust a customer's credit balance against their debit balance owed to the bank.

TRUE

This is the core meaning of set-off, arising from the dual debtor-creditor relationship between bank and customer.

Question 2

Set-off requires the customer's debt to be due, certain, and legally recoverable before the bank can apply it.

TRUE

These are the basic conditions that must all be satisfied for set-off to be valid.

Question 3

A banker's lien allows a bank to retain and, if needed, sell securities or goods held on the customer's behalf.

TRUE

Lien acts as an implied pledge over tangible items in the bank's possession, unlike set-off's cash adjustment.

Question 4

The right of set-off is a topic covered under JAIIB PPB Module A Chapter 7 on the banker-customer relationship.

TRUE

It is a well-known, frequently examined topic in that chapter.

Question 5

Set-off generally cannot be used to recover one joint holder's individual personal loan from a joint account balance.

TRUE

The joint funds are usually not held in the same capacity as the individual borrower's personal debt.

Question 6

Giving a customer reasonable notice before exercising set-off is considered good banking practice.

TRUE

While not always a strict statutory requirement, prior notice is the practice banks are expected to follow.

Question 7

A future EMI that has not yet fallen due cannot be set off against a customer's savings balance today.

TRUE

Set-off applies only to debts that are already due and payable, not future obligations.

Question 8

Set-off requires that both the credit and debit balances belong to the customer in the same capacity or right.

TRUE

This same-capacity condition prevents a bank from mixing funds held in different legal roles.

Question 9

Funds a person holds purely as a trustee generally cannot be used to set off that person's own personal loan.

TRUE

Trust funds are not the trustee's own money, so they fail the same-capacity requirement for set-off.

Question 10

Set-off deals with adjusting money balances between accounts, while a banker's lien deals with securities and goods.

TRUE

This is the key distinction students are expected to remember between the two banking remedies.

Question 11

The right of set-off permits a bank to sell a customer's pledged shares to recover an outstanding loan.

FALSE

Selling pledged securities falls under a banker's lien, not the right of set-off, which only adjusts money balances.

Question 12

A bank can apply set-off to a debt that is not yet due, such as a loan EMI payable next month.

FALSE

Set-off applies only to debts that are already due and payable, so a future EMI cannot be set off in advance.

Question 13

A bank must always obtain fresh written consent from the customer before every single act of set-off.

FALSE

Once the legal conditions for set-off are met, fresh consent is usually not required for the bank to act.

Question 14

The right of set-off and a banker's lien are exactly the same legal concept in banking law.

FALSE

They are distinct remedies: set-off adjusts money balances, while lien allows retaining and selling securities or goods.

Question 15

A bank can use funds a customer holds purely as a guardian to clear that same person's private personal loan.

FALSE

Guardian or trustee funds are not held in the same capacity as the person's own debt, so set-off does not apply.

Question 16

A joint account can always be freely set off against the personal loan of any one joint account holder.

FALSE

Set-off generally fails on joint accounts unless the joint funds are held in the same right as the individual debt.

Question 17

A time-barred debt that is no longer legally recoverable can still be recovered by the bank through set-off.

FALSE

Set-off requires a legally recoverable debt, so a time-barred debt does not qualify.

Question 18

The right of set-off is tested only in CAIIB and never appears as a topic in the JAIIB syllabus.

FALSE

The right of set-off is specifically covered in JAIIB PPB Module A Chapter 7.

Question 19

Under the right of set-off, a bank must take physical possession of goods before it can recover a debt.

FALSE

Taking physical possession of goods relates to a banker's lien, not the right of set-off, which works on account balances.

Question 20

An uncertain or undetermined amount can be immediately adjusted through set-off without it first being made certain.

FALSE

Set-off requires the debt amount to be certain and clearly determined before it can be applied.