

UNIT III

BANKING CORRESPONDENCE

Introduction

Banks as we all know are intimately connected with business and industry. They are, in a way, business houses, which supply, sell or rent finance for business; that is to say, they deal in credit. Originally, the functions of the bankers were very few. With the passage of time, bankers began to perform a number of functions which are novel in nature. Therefore, the bank is an indispensable institution in the modern society.

Banking Letters

In performing these services, the banker has to correspond with a number of persons. The reputation of a banker is judged not only by the efficiency of his services but also by the appearance of the passbook and his correspondence. That is why tactful, courteous and precise letters go a long way in building up a banker's name.

Elements of a Good banking correspondence

The essential elements of a good banking correspondence are secrecy, style, tact, courtesy and clearness.

1. Secrecy :

Bankers deal only with money matters and secrecy in many matters is the first thing that a client expects from his banker. Except in cases of enquiry from fellow bankers, a client's account and its details are treated as absolutely secret and are never revealed to any other person.

Absolute secrecy about the state of a customer's account is the basic guarantee in bank dealings. Even when an enquiry is made by another bank, the reply should be very brief and to the point. The customer's credit should not be injured in any way.

2. Style (Brevity and Conciseness)

Good Style in bank letters is brevity and conciseness because the customers are businessmen and they have no time to waste on superfluous reading. The banker should not be too impersonal or formal in his letters.

3. Tact and Courtesy

Tact and courtesy are of paramount importance in banking letters. It is very easy to level allegations against a customer and thereby to lose his account. Courtesy is particularly very important while writing about overdrawn accounts and while asking for additional security. Similarly when a request for overdraft is to be refused, the language should be diplomatic so that the customer takes no offence.

4. Clarity

Clarity in bank letters must be considered as a basic necessity. The matter should be learned and precise and there should be no ambiguity. However, clearness should never be sacrificed for the sake of brevity. All unnecessary details should be avoided. If opinions are expressed, they should not be loose opinions or mere surmises; opinions lead to decisions and hence they must be backed by actual facts.

Besides, the bank letters should also possess all the essential qualities of a business letter. "The You Attitude" must be present in all the letters.

Types of banking correspondence

Banking correspondence can be broadly classified as follows:

1. Form letters.
2. Individual letters.

1. Form Letters

Bankers usually use a number of form letters with a set text of the matter. They have a fixed phraseology meant to be used on different occasions in the course of business operations of the bank. They are printed with some blanks left, to be filled in by the customers or by bank officials at the time of transacting any deal. For example, account opening forms, loan applications, credit reports etc. are all standardised in their contents. They are generally prepared by legal experts and are suitably designed in physical appearance, tone and appropriateness of the message to be conveyed. These letters reduce the cost of correspondence by economising on time for dictation, transcription and handling. However, they are used only when the intimation or communication is of a routine nature and when no special or persuasive emphasis is necessary.

2. Individual Letters

Individual letter, in this context, refers to each letter which is individually written in each case depending on the subject concerned and sent to others. Therefore, they are not standardised letters like form letters. Individual letters can be again classified into three kinds namely,

1. Letters between the bankers and their clients
2. Letters from one bank to another
3. Letters between the head office and the branch office.

1. Letters between the Banker and the Customers:

These comprise of

- (i) Letters from the banker to the customer, and
- (ii) Letters from the customer to the banker.

1) Letters from Banker to Customers

The most important and crucial part of banker's correspondence consists in communication with the customers. They include answering inquiries by customers, complying with the standing instructions of the customers, handling complaints of the customers regarding dishonour of their cheques, wrong statement of accounts, debits of bank charges etc. Besides answering requests for overdrafts, bank loans etc., there are also other occasions when correspondence is conducted with the customers.

2) Letters from the Customers to the Banker

These mainly consist of requests for opening accounts, enquiries about the interest rates, status enquiries, application for loans and overdrafts, standing instructions regarding making payments etc.,

2. Letters between One Banker to another

These relate to status enquiries, negotiations of bill exchange, clearance of cheques etc., Here technical terms normally used in the banking business can be freely used but should not be used in letters to the customers.

3. Letters between Head office and Branch Offices

These consist of

1. Letters from Head office to the Branch office, and
2. Letters from Branch Office to the Head Office.

1) Letters from Head Office to Branch Office

These include letters from the Head office to the Branch, which deal with matters of administration, and convey the decisions and policy of the head office to its network of branches. The Head Office should serve as a model for the branches to follow both as regards to its mode of administration and its methods of correspondence. Therefore, the letters from the Head Office to the Branch should serve as a model in all those qualities such as accuracy, clearness, courtesy etc. They should be drafted carefully and precisely.

2) Letters from the Branch Office to the Head Office :

Letters from branches to the head office generally consist of :

1. Various monthly, quarterly, half-yearly or annual reports submitted by the branch manager. These are only factual reports and generally form letters.
2. Reports from branch managers giving suggestions for further development of business in the branch.
3. Letters recommending appointment of staff, promotion and transfer.

4. Letters containing the date of advances granted to the customers.

5. Letters which explain some unconventional decisions.

Letter No. 1 : A letter requesting a Banker to open an account.

VASANTH KULKARNI & COMPANY

61, 5th Main,
Vijayanagar,
Bangalore,
May 17,
200....

Dear Sir,

Sub : Request for opening an account

I am desirous of opening a current account with you. I have sent your printed application form duly filled in with specimens of my signature and the letters of introduction from one of your customers, Shri N. Guru, Proprietor Madhu Sweet Mart" through my personal assistant, Miss N. Maya, who will pay a sum of Rs. 5000 (Rupees five thousand only) as initial deposit.

Kindly send with her a cheque book containing 25 leaves, a Pass Book and paying-in-slip book for purposes of remittances.

Thank you,

Yours faithfully,
Vasanth Kulkarni,
Proprietor.

