

KASNEB

CCP PART II SECTION 4

LAW GOVERNING CREDIT PRACTICE

THURSDAY: 25 May 2017.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) Describe three covenant clauses used in corporate bonds. (6 marks)
- (b) With reference to consumer agreements, explain the term "deferred payment" in relation to the following parties:
- (i) The borrower. (2 marks)
 - (ii) The buyer. (2 marks)
 - (iii) The seller. (2 marks)
- (c) William borrowed Sh.300,000 from Grace and Grace kept William's motor vehicle as security for payment of the debt.
- Required:**
- (i) Identify the legal relationship created between William and Grace. (2 marks)
 - (ii) Discuss three characteristics of the relationship in (c)(i) above. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Summarise five duties of the secured creditor who is in possession and control of a collateral. (5 marks)
- (b) (i) With reference to land as a collateral, explain the term "second mortgage". (2 marks)
- (ii) Discuss four advantages of second mortgages. (8 marks)
- (iii) With reference to the discharge of chattel mortgages, outline five particulars that are contained in the discharge memorandum. (5 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) With reference to consumer protection, explain three remedies that are available to the cardholder for incurring unauthorised charges on a credit card. (3 marks)
- (b) Propose five ways through which the government could promote good corporate governance. (10 marks)
- (c) Explain seven purposes of the anti-money laundering prudential guidelines for licensed financial institutions. (7 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Identify six securities which might be subjected to a banker's lien. (6 marks)
- (b) The Sacco Societies Regulatory Authority (SASRA) is an unincorporated body that discharges all its duties and exercises all its rights as a body corporate.
- Highlight seven reasons to justify the above statement. (7 marks)
- (c) In light of consumer protection under credit agreements, enumerate seven disclosures which might be included in a credit agreement. (7 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) In relation to indemnities:
- (i) Discuss three circumstances under which the indemnifier might be held liable. (6 marks)
 - (ii) Highlight three types of indemnity clauses. (6 marks)
- (b) Explain the procedure for the discharge of a charge. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Explain four circumstances under which crystallisation of a floating charge could take place. (8 marks)
- (b) Propose six consequences of an adjudication order with respect to a debtor. (12 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) With regard to land as a collateral, discuss four covenants between the chargor and the chargee which are binding on the chargor as implied in every charge document. (8 marks)
- (b) Explain two duties of the bailee. (4 marks)
- (c) A merchant who intends to borrow money for his business could be required by a lender to provide security for the loan.
- With reference to the above statement, analyse eight formal types of securities that the merchant could use to secure the loan. (8 marks)
- (Total: 20 marks)**
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