

Resumé - A Current Account Contract

Opening a bank account is nowadays a part of everyday life. A current account is a deposit account held at a bank or other financial institution in order to provide for its holder a secure and quick access to deposited funds on demand and to carry out operations with the monetary funds on the account. The main purpose of a current account is therefore to enable its owner to use their money in a clearing. There are various types of bank accounts offered by the banks to suit all their customers' different needs (e.g. personal, bussiness, student, children accounts etc.).

To open an current account, the law requires a written agreement where both contracting parties – a bank and an account holder (owner) – have to be properly identified (hence opening an annonymous account is de facto forbidden by law). In practise, though, banks sometimes require a minimum deposit too. An account holder may be an individual or an entity. One current account may be opened for more that one person (owner). If the account is established for two or more persons, each of them has the status of an account holder. Therefore co-owners dispose with the account jointly and their shares in the balance of monetary funds in the account shall be equal, unless the contract (or a court) stipulates otherwise.

Within the Czech Commercial Code (Act No. 513/1991 Coll., as amended) a current account contract is regulated by sections 708-715a. Most of the provisions were amended with effect from January 1th 2003 and subsequently with effect from January 1th 2005. The fundamental provision (article 708, in context of article 710 subsection 1) sets down that under a current account contract a bank undertakes to establish a current account for its holder from a certain date and in a specific currency (Czech crowns or a foreign currency). Futhermore it determines, that on the basis of a current account contract a bank is obligated to accept on such account deposits and payments in favour of the account owner and to pay out a requested sum of money or effect payments upon orders made out by the account holder or by persons entitled to dispose of the monetary funds in the account (that includes persones whose specimen signature was handed over to the bank by the account holder or other persons under the conditions specified in the contract).

Current account offers various flexible payment methods to allow its owner to distribute money directly to others. Most current accounts provide the facility to

arrange standing orders, direct debits, or may come with a cheque book. Popular payment instruments are credit cards that a bank issue to a client for carrying out operations with funds on the account, very comfortable is to arrange an electronic banking too. Generally, a bank must fulfill payment orders duly and on time subject to available balance of money in the account, but a current account contract usually also allow borrowing via an (pre-agreed) overdraft facility, which occurs when withdrawals from a bank account exceed the available balance. Thus an overdraft agreement provides a kind of security that in a case of insufficient monetary means in the account, the bank will still carry out payments up to a certain limit.

Eventhough current accounts are meant neither for the purpose of earning interests nor for the savings purposes, the bank has a duty to pay interest on the account balance to the account owner, unless it is agreed that no interest will be paid. A fixed interest rate or a method of its calculation may be stipulated in the contract - if it isn't an interest rate will be half of the discount rate determined by the Czech National Bank. Unless anything else is agreed, the interest is payable at the end of each calendar month and is credited to the current account.

A bank, of course, has also other duties, e.g. to notify an account owner of every payment accepted and made within a timelimit stipulated in the contract, otherwise without undue delay after every calendar month. A bank also must notify of the account balance at the end of each calendar year, both in form of a statement of account. On the other hand, one of an account holder duties is to pay for a service (commission) fee charged by a bank for administration and „use“ of the account and funds deposited there, usually according to a bank's price list.

As to the termination of a current account contract the Commercial Code specifies only a written notice though there are also other means how to cancel the contract (e.g. by an agreement between contracting parties). According to our law a current account contract may be terminated by either party. When the account holder wants to cancel the contract he/she has the right to terminate it in writing at any time with immediate effect (i.e. to the day when a written notice is delivered to the bank). The bank, on the other hand, is allowed to do so also at any time, but with the effect from the end of the calendar month following the month in which a notice was delivered to the account owner. Just in case that the account holder breaks (violates) their contractual obligations seriously, the bank has the right to terminate the contract extraordinarily

(i.e. with immediate effect). After expiration of the current account agreement the bank shall settle mutual claims and liabilities and then close the account and pay off the balance to the owner or to a third person determined by him/her or transfer the remaining funds to another account indicated by the owner. Important is also the last section concerning a current account contract which says that upon death of an account holder, the contract does not terminate.

Klíčová slova

Běžný účet – a current account

Smlouva o běžném účtu – a current account contract

Obchodní zákoník – Commercial Code

Banka – a bank

Majitel účtu – an account holder (owner)

Obchodní podmínky bank – banking bussiness terms (conditions)

Peněžní prostředky – monetary funds (means)