

DO NOT REMOVE THE QUESTION PAPER FROM THE EXAMINATION HALL

UNIVERSITY OF LONDON

CENTRE FOR FINANCIAL AND MANAGEMENT STUDIES

MSc Examination

Postgraduate Diploma Examination

for External Students

91DFMC240

91DFMC340

FINANCE (BANKING)

FINANCE AND FINANCIAL LAW

Financial Law

Specimen Examination

*This is a specimen examination paper designed to show you the type of examination you will have at the end of the year for **Financial Law**. The number of questions and the structure of the examination will be the same but the wording and the requirements of each question will be different. Best wishes for success on your final examination.*

The examination must be completed in **THREE** hours.

Answer **THREE** questions, *at least ONE* question from **Section A**.

The remaining two questions can be chosen from *either* Section A *or* Section B.

The examiners give equal weight to each question; therefore, you are advised to distribute your time approximately equally over the three questions. The examiners want to see evidence of your ability to use legal authorities, including legislation and case law, to back up your arguments. Answer all parts of multipart questions.

In the questions in **Section A**, it is essential that you give reasons for your answer, applying the law appropriately to the situation described.

In the questions in **Section B**, it is important that your answers not only show an accurate knowledge of the law but also contain a reasoned analysis of the question, with a contribution of your own thought.

PLEASE TURN OVER

Section A

You must answer at least **ONE** question from this section.

1. Buchanan Trading Ltd has borrowed: £300,000 from Thameside Bank plc, secured by a mortgage on its premises; £20,000 from Dominic Finance Ltd., secured by a fixed charge on a packaging machine; and £30,000 from Carter Finance plc, secured by a floating charge over its stock. On 25 January 2005, Buchanan Trading Ltd went into insolvent liquidation owing: £5,000 to Pacific Fruit Company in respect of stock supplied but not yet paid for; £10,000 to Adam Brown in respect of a consultancy fee; and £30,000 in salaries owed to its 15 employees. On that date Buchanan Trading Ltd had: a bank balance of £1,000; stock at its premises valued at £35,000; and, a fleet of three vans, valued at £3,000 each.

To what extent will each of the company's creditors recover what they are owed?

2. Peter has an account with Bloomsbury Bank plc. In settlement of a fee of £150 owed to Chancery Consultancy Ltd, he sent them a cheque. Charlotte Villiers of Chancery Consultancy paid this cheque into the company account at Camden Bank plc on 9 November 2004. On 16 February 2005, Chancery Consultancy receive a letter from Camden Bank plc, informing them that the cheque has been dishonoured; it subsequently transpires that the reason is that Peter Macmillan closed his account with Bloomsbury Bank on 31 January 2005.

Advise Chancery Consultancy Ltd.

3. *Answer BOTH parts of this question.*
 - a) Charlotte's handbag is snatched in Marchmont Street. It contained £80 in cash. 45 minutes later, after she provides a description to the police of the thief, the thief is apprehended coming out of the Kings Arms pub. He still has Charlotte's purse but it now contains only £20; with the remainder, he admits to have paid off a £50 debt to Jimmy and then had a few beers in the pub.

Can Charlotte recover her money from either Jimmy or the management of the King's Arms?

- b) Sandra owes £200 to Davidson's in respect of work done. She offers to pay in cash, but Robert, Davidson's Finance Manager, explains that it is their company policy not to accept payments of more than £50 in cash; payment should be by credit or debit card or cheque. Sandra has only recently arrived in the UK from Argentina and does not yet have a UK bank account; further, the use of either her Argentina debit card or credit card will involve large bank charges.

Advise Sandra.

4. Charles is the senior portfolio manager of Judd Investments Ltd., a small securities company. One of his customers is Sophie, who has invested £15,000 with Judd over the last 5 years. Sophie is not at all happy to discover that, despite the fact that it was agreed that Charles would only invest her money in low to medium risk investments, her portfolio now has a value of approximately £3,000. Charles explains that he always made clear that the value of securities could go down as well as up and, further, that the investments he chose were low to medium risk and that no one could have foreseen that a terrorist attack on the United States would damage the profits of Disney World, a tsunami would damage the Thai hotel industry or that a boycott would reduce the profits of French and Spanish companies exporting to the United States. Sophie is less than convinced and is even more displeased when she discovers that Charles personally owned securities in the Thai holiday corporation and French glassware manufacturers in which he invested much of her funds, while he also received substantial commissions from the brokers through whom he made these investments but never disclosed these to her.

Advise Sophie on the possible remedies that she may have.

Section B

5. Discuss the different sources of English financial law. What part has each played in the creation of the body of commercial/financial law as a whole?

6. Discuss the various forms of obtaining security for a loan. What are the advantages and disadvantages of each, from the standpoint of both lender and borrower?

7. The value of the Banking Act 2009 is diminished by the complexity and inconvenience of many of its provisional sections requiring participation or consultation with tri-parties in a marriage decision.
Discuss.

8. “The legal rules relating to consumer credit are all that stand in the way of personal borrowers being left to the mercy of lenders. This being so, it is essential that they be robust.”
Discuss.

[END OF EXAMINATION]