

Cheque

A cheque is a written order that instructs a bank to pay a specific amount of money from the drawer's (the person who writes the cheque) bank account to the payee (the person or entity to whom the cheque is written).

Essentials of a valid cheque

For a cheque to be considered valid, it must meet certain criteria and have specific features. Here are the key features of a valid cheque:

1. **Date:** The cheque must have a valid date. It should not be post-dated (dated in the future) or pre-dated (dated before the current date). The date is crucial in determining when the cheque can be presented for payment.
2. **Payee's Name:** The cheque should clearly indicate the name of the person or entity to whom the payment is intended. This is typically written on the line that says "Pay to the order of."
3. **Amount in Figures and Words:** The cheque must specify the amount of money to be paid both in numerical figures and written words. The two amounts should match to avoid confusion or disputes.
4. **Drawer's Signature:** The cheque must be signed by the drawer (the person issuing the cheque). The signature is essential for the cheque to be valid. It is a security measure to verify the authenticity of the cheque.
5. **Drawee Bank's Name:** The cheque should indicate the name of the bank where the drawer has an account. This is the drawee bank, which is responsible for honoring the cheque.
6. **Account Number:** The cheque usually includes the account number of the drawer. This helps in identifying the specific account from which the funds are to be withdrawn.
7. **Crossing (Optional):** While not mandatory for validity, crossing a cheque by drawing two parallel lines across its face adds a layer of security. Crossed cheques can only be deposited into a bank account, not cashed over the counter.
8. **Words "Or Bearer" (if applicable):** The words "or bearer" or "or order" on the cheque determine whether it is payable to anyone who presents it (bearer) or only to the person named on the cheque (order). The absence of these words makes the cheque a bearer cheque by default.
9. **Proper Form and Format:** The cheque must be in the proper form and format as per banking standards. Any alterations or corrections should be duly initialed by the drawer.

भारतीय स्टेट बैंक
State Bank Of India

New Delhi
Kapil Bazar NH, 65 Ram Ghat
Mahadev Road - 110025
IFC CODE - SBIN0011256

केवल 3 माहों के लिए वैध / VALID FOR 3 MONTHS ONLY
0 1 0 1 2 0 2 0
D D M M Y Y Y Y

PAY **Teach Lane** को या उनके आदेश पर OR ORDER

रुपये **RUPEES Five Thousand Only**

अदा करें ₹ **5000/-**

खा. सं. / A/c No. **8563261452630** VALID FOR Rs. 100000/- & UNDER

Prefix : 1515900002

Here Signature → *Dipak Das*
Dipak Das
Please sign above

MULTI-CITY CHEQUE Payable at Par at All Branches of SBI

INDIA STATE BANK OF INDIA

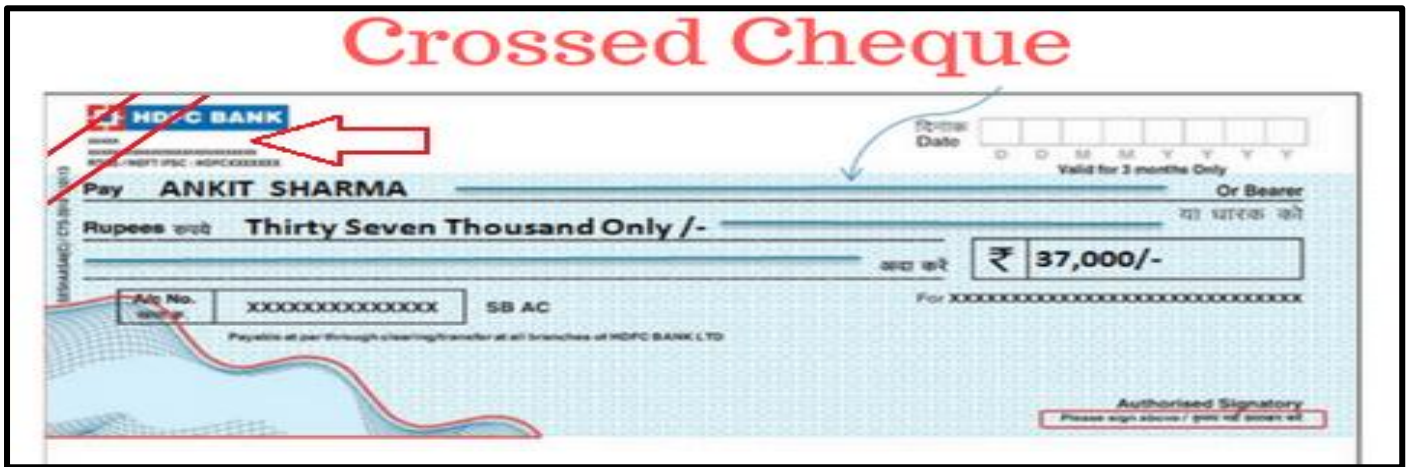
950020 695002032 002860 31

Cheque No **MICR Code** **RBI A/C NO** **Transaction Code**

**Note: All the images are used for demonstration purpose only*

Crossed Cheque:

A crossed cheque is one that has two parallel lines drawn across its face. This indicates that the cheque should be paid into a bank account and not cashed over the counter. The crossing serves as a security measure to prevent the cheque from being fraudulently cashed.



Uncrossed/ Bearer Cheque (Open Cheque):

An uncrossed cheque does not have the parallel lines across its face. It can be cashed at the counter of the bank by the person in whose name it is drawn. However, nowadays, many cheques are crossed by default.



Post-Dated Cheque:

A post-dated cheque is a cheque in which the drawer specifies a date in the future as the date on which the cheque is to be honored and becomes negotiable. It is commonly used for future-dated payments and cannot be cashed until the specified date.

- **Expired Validity of Cheque:** A cheque that has passed its expiration date must be presented for payment within three months of the drawer issuing it. If the check is not presented to the bank within three months, it becomes invalid. When a bank receives an expired check, it bounces.
- **Overwriting:** A check will bounce if it has been overwritten with the drawer's signature, the amount of the check, or any other statement.
- **Damaged cheque:** A cheque that has been damaged or defaced, with the details obscured or covered in stains or marks, will bounce.
- **Signature Mismatch:** The check will bounce if the drawer's signature is illegible, missing, or does not match the one on file with the bank.
- **Mismatch of Figures or Amounts:** The check will bounce if the amount on the check is different in words and figures.

Rules regarding Dishonoured cheques in India

In India, the rules related to dishonored cheques are primarily governed by the **Negotiable Instruments Act, 1881**. Here are the key points related to dishonored cheques in India:

Legal Framework:

The Negotiable Instruments Act, 1881, governs the use and enforcement of cheques in India.

Dishonor of Cheque: When a cheque is presented for payment, and the bank refuses to honor it due to insufficient funds, mismatched signatures, overwriting, post-dating, or any other irregularity, the cheque is considered dishonored.

Legal Recourse:

- The payee of a dishonored cheque can take legal action against the drawer under **Section 138** of the Negotiable Instruments Act, 1881.
- The payee must issue a **notice** to the drawer **within 30 days** of receiving information about the dishonor from the bank.
- The drawer has **15 days** from the receipt of the notice **to settle** the amount. If the drawer fails to make payment within this period, the payee can file a complaint in the appropriate court within 30 days from the expiry of the 15-day period.

Criminal Liability: Under Section 138 of the Negotiable Instruments Act, 1881, dishonoring a cheque is a criminal offense punishable with imprisonment for a term that may extend to two years or with a fine that may extend to twice the amount of the cheque, or with both.

Compounding of Offense: The drawer and the payee can settle the matter by mutual agreement. If the drawer makes payment of the cheque amount along with the applicable penalty within the stipulated time, the payee may agree to compound the offense. This involves withdrawing the complaint filed against the drawer.

Presumption of Debt: In cases of dishonor of cheques, there is a presumption under the law that the cheque was issued for the discharge, in whole or in part, of any debt or other liability.