



DHANLAXMI BANK

POLICY ON DISHONOUR OF CHEQUES

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3	Ms. Shalin Markose	Assistant Manager	Author -Revision

Policy on Dishonour of Cheques	Business Development & Planning	Head Business Development & Planning	Department Heads	MD &CEO	Board
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1. Introduction

The policy is based on the guidelines advised by RBI vide their circular letter No. DBOD.BC.Leg.113/09/ 09.12.001/2002-03 dated 26th June, 2003, for dealing with the procedure for dishonoured cheques for Rs. 1 Crore and above and vide circular no. RBI/2009-10/213, DBOD. NO. Leg.BC.59/09.07.005/2009-10 dated November 9, 2009 containing guidelines for dealing with incidents of frequent dishonor of cheques of value less than Rs.1 crore and frequent dishonor of ECS Mandates and Master Circular on Customer Service in Banks dated 1st July 2015.

2. Guidelines on Dishonour of Cheque

Return / Dispatch of Dishonoured Cheques

The paying branch should return dishonored cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulations and Rules for Banker's Clearing Houses. The collecting Bank on receipt of such dishonored cheques should dispatch it immediately to the payees /holders.

In relation to cheques presented direct to the paying bank for settlement of transaction by way of transfer between two accounts within the bank, it should return such dishonored cheques to the payees /holders immediately.

Cheques dishonored for want of funds in respect of all accounts should be returned along with a memo indicating therein the reason for dishonor as "Insufficient Funds".

Dealing with Incidence of Frequent Dishonour

- ✓ With a view to enforce financial discipline among the customers in the event of dishonor of cheque valuing Rs.1.00 crore and above drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. This is communicated to all customers while issuing fresh cheque book. Also, the bank may consider closing of account at its discretion. However, in respect of advances accounts or overdraft account, the need for continuance or otherwise of these credit facilities to these accounts should be reviewed by appropriate authority higher than the sanctioning authority.

- ✓ The condition mentioned above in relation to operation of the existing accounts, bank's branches should, at the time of issuing new cheque book, advise the constituents suitably.
- ✓ When a cheque is dishonored for a third time on a particular account of the drawer during the financial year, bank shall issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonored on fourth occasion on the same account during the financial year. Similar cautionary advice may be issued if the Bank intends to close the account.

Evidence in respect of Dishonoured Cheques

Cheque return memo should be issued in case of dishonoured cheques for the purpose of adducing evidence to prove the fact of dishonor of cheque on behalf of a complainant (i.e. payee / holder of a dishonored cheques) in any proceeding relating to dishonored cheque before a court, consumer forum or any other competent authority.

3. Procedure for handling dishonoured Cheques

(i) For Cheques tendered at the base branch:

The cheque shall be returned to the customer as early as possible. If he is a customer visiting the branch regularly either personally or through his representative the cheque shall be delivered to him/his representative across the counter on the very next day if not on the same day.

In other cases, the cheque will be dispatched to him within three day through Registered Post / Courier at the cost of the customer.

(ii) For cheques tendered at non-base branch:

The cheque shall be returned to the customer through the base branch. The non-base branch shall send the cheque to the base branch. On receipt of the cheque at the base branch, that base branch shall deliver the cheque to the customer as specified above. In this case, additional actual postage charges incurred by the non-base branch to send the cheque to the base branch shall also be collected by the base branch.

(iii) Procedure for return/dispatch of dishonoured Cheques:

- ❖ The paying branch should return dishonoured Cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulation and Rules of Bankers' Clearing Houses.
- ❖ Cheques dishonoured for want of funds in respect of all accounts should be returned along with the memo indicating therein the reason for dishonour as "insufficient funds."

(iv) Information on dishonored Cheques:

- Data in respect of each dishonoured cheque for amount of Rs.1 crore and above should be extracted by the branches and reported to respective Regional Office and to the Head Office. A quarterly report is submitted to the Board on such cases by Head Office.
- Data in respect of Cheques drawn in favour of stock exchanges and dishonoured should be consolidated separately by the branches irrespective of the value of such cheque and should be reported to respective Regional Office and to the Head Office.

4. Dealing with incidence of frequent dishonour:**(I) Frequent dishonour of Cheques / ECS mandate for amount above 1 Crore**

- ✓ With a view to enforce financial discipline among the customers, branch will introduce a condition for operation of accounts with cheque facility that in the event of dishonour of cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during a financial year for want of sufficient funds in the account, bank will send notice advising to maintain sufficient balance in the account before issuing cheques. Further the account shall be reviewed and closely monitored.
- ✓ For the purposes of introduction of the condition mentioned above in relation to operation of the existing accounts, branch may, at the time of issuing new cheque book, issue a letter advising the constituents of the new condition.
- ✓ If a cheque is dishonoured for a third time in case of value rupees one crore and above on a particular account of the drawer during the quarter, branch will issue cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion for value rupees 1 crore and above on the same account during the financial year.
- ✓ Similar cautionary advice will be issued if a branch intends to close the account with the permission of appropriate authorities / Regional Head.

(II) Frequent dishonour of Cheques / ECS mandate for amount below 1 Crore

- At the time of issuance of cheque – book / accepting mandate of ECS the customer would be put on notice that it is their responsibility to ensure that adequate funds are maintained in the account to honour their commitment of payment.
- On reaching the number of incidents of dishonour of cheque / ECS mandate on four occasions during the financial year cautionary advice would be issued stating that any more instances would disentitle the customer from availing facility of cheque – book / ECS mandate.

- In respect of Cash – Credit / OD accounts additionally, clarification would be sought as to the circumstances under which adequate funds were not maintained in the account and this factor would be given weight age at the time of renewal / review of credit facilities.
- Despite the customer being cautioned if such incidents of dishonour persist, in the event of dishonour of cheque valuing rupees one crore and below drawn on a particular account of the drawer on four occasions during a quarter for want of sufficient funds in the account, bank will send notice advising to maintain sufficient balance in the account before issuing cheques. Further the account shall be reviewed and closely monitored.
- In continuation of the above, if the cheque return in a particular account persists continuously for two quarters, under such accounts the branch should be instructed not to issue fresh cheque book without permission of appropriate authorities / Regional Head.
- If considered appropriate, Bank can give adequate notice of 15 days and close the account by recovering charges / dues if any and remitting the remaining balance by pay order / draft to the address on record of the Bank by registered post.

5. General

For the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant (i.e. payee / holder of a dishonoured cheque) in any proceeding relating to dishonoured cheque before a court, consumer forum or any other competent authority, branch should extend full co-operation, and should furnish him / her documentary proof of fact of dishonour of Cheques.

Instruments not conforming to CTS 2010 standard will be returned, as there is no other provision to validate the instrument. Charges will not be collected from the account in such cases, as the return reason is a non-financial one. The return reason will be 'Kindly Contact Drawee / Drawer bank/branch'.

Bank retains the right to amend / modify the policy and display of the same on notice board of branches / on the web site would be deemed to be adequate notice to customers of the said change.

6. Policy Revision

This policy is subject to revision based on the extant RBI and IBA guidelines from time to time. Review of the policy will be carried out on an annual basis.
