

NI, 1881

①. Introduction



③. 4 | 5 | 6

④. sec 19 | 22 → TI / DI

⑤. Classification - 11/12

⑥. Inchoate / Ambig

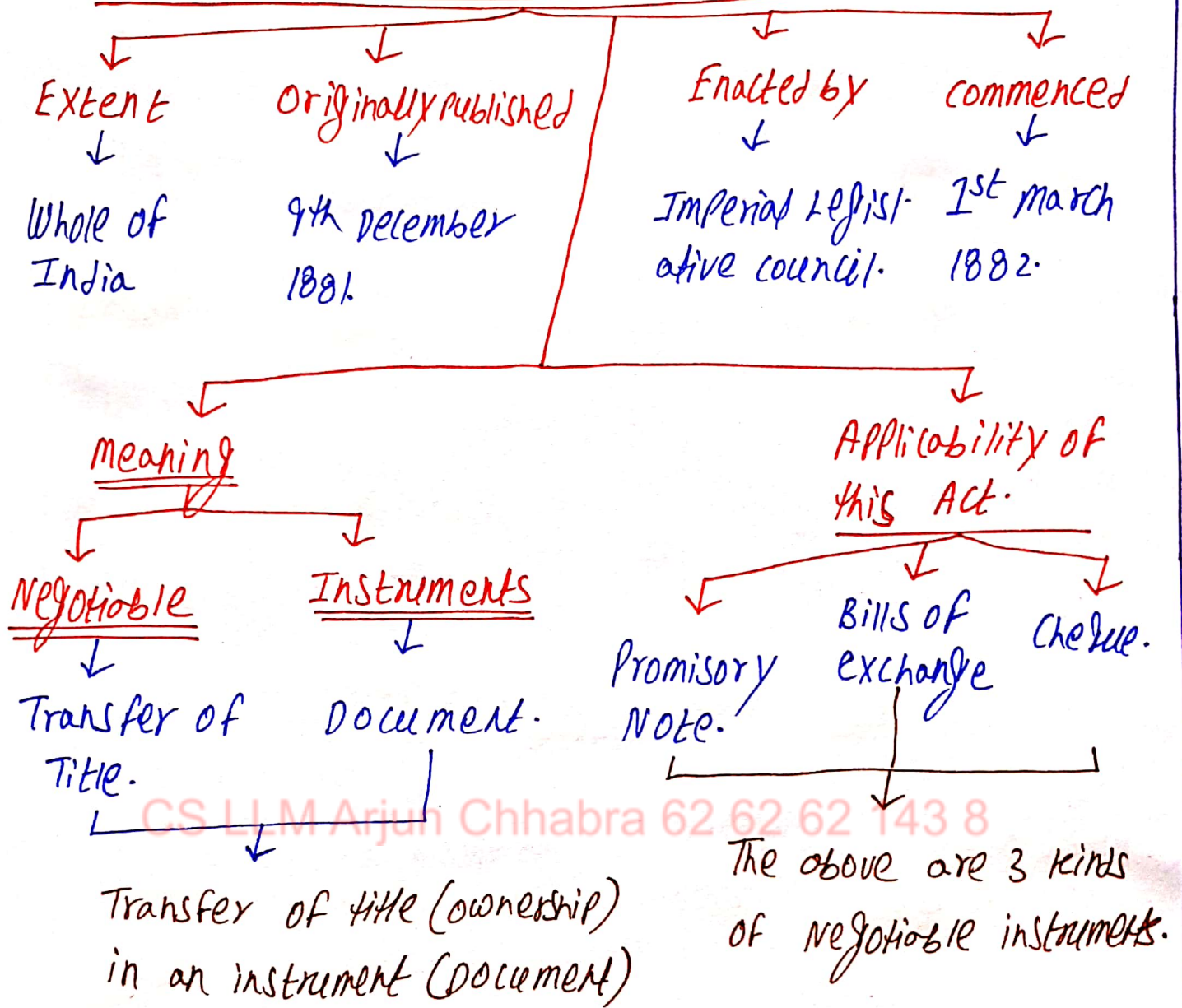
↓
20 ↓
 17

⑦. Delivery = 14 → intention
47 → Deliver
48 → E + D.

⑧. sec 46 / 57
↓
Delivery → AC
 → Con - Agent
→ Special Purpose

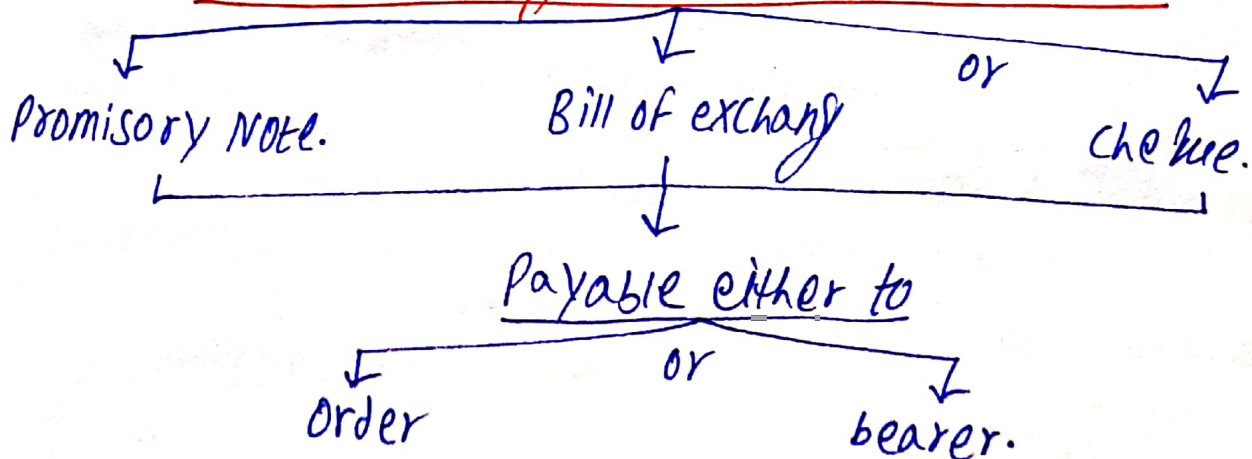
④. 138 ↓ penal provision
139 → Presumption
140 → Inssy → is not a reference.

THE NEGOTIABLE INSTRUMENTS ACT, 1881

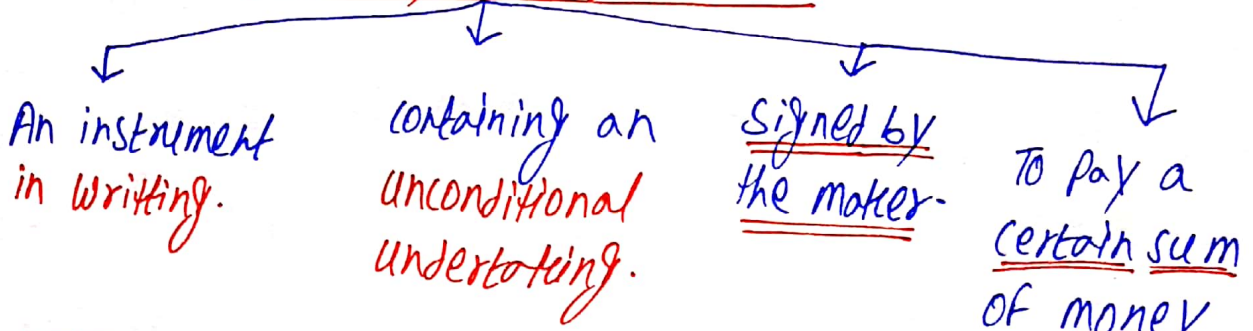


Note:- The Act does not define the term "negotiable Instruments". It provides the types of NI u/s 13.

Section-13 - "Negotiable Instrument" means



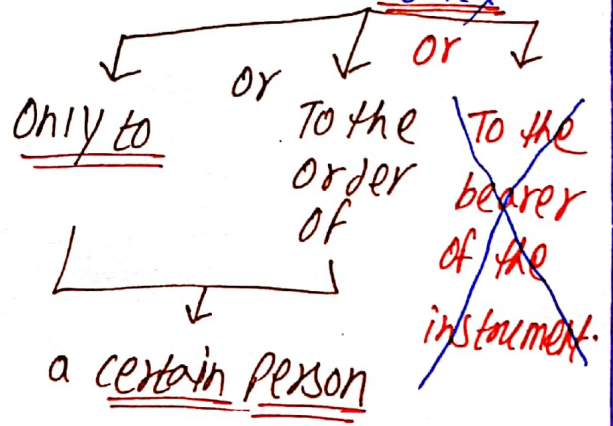
Promissory Note [section 4]



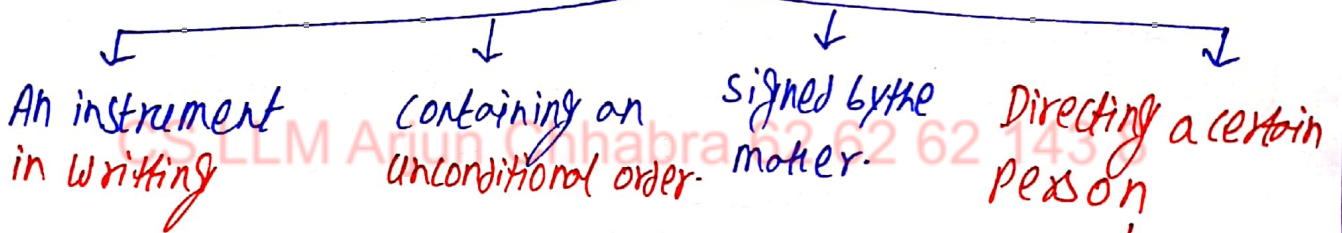
₹5000 Pune
29/03/2021

Three months after date, I promise to pay Mr. Rohul or his order the sum of Rupees five thousand, for value received.

★ [maker] Revenue Stamp.



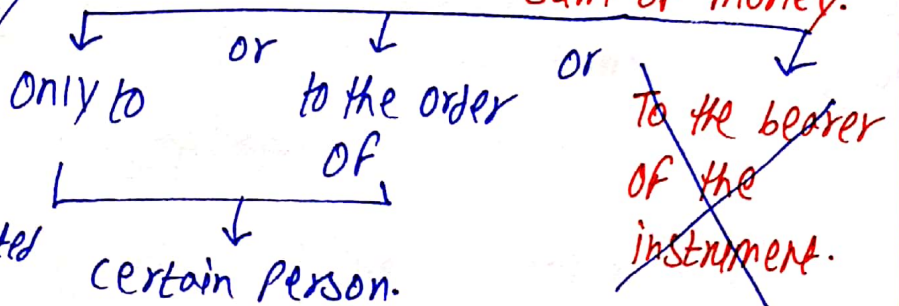
"Bill of exchange" - [section -5]



Arjun = seller/drawer/maker/payee

Sushil = Purchaser/drawee/Payer.

Note = payee may be Arjun himself or other person as directed by Arjun.



Stamped

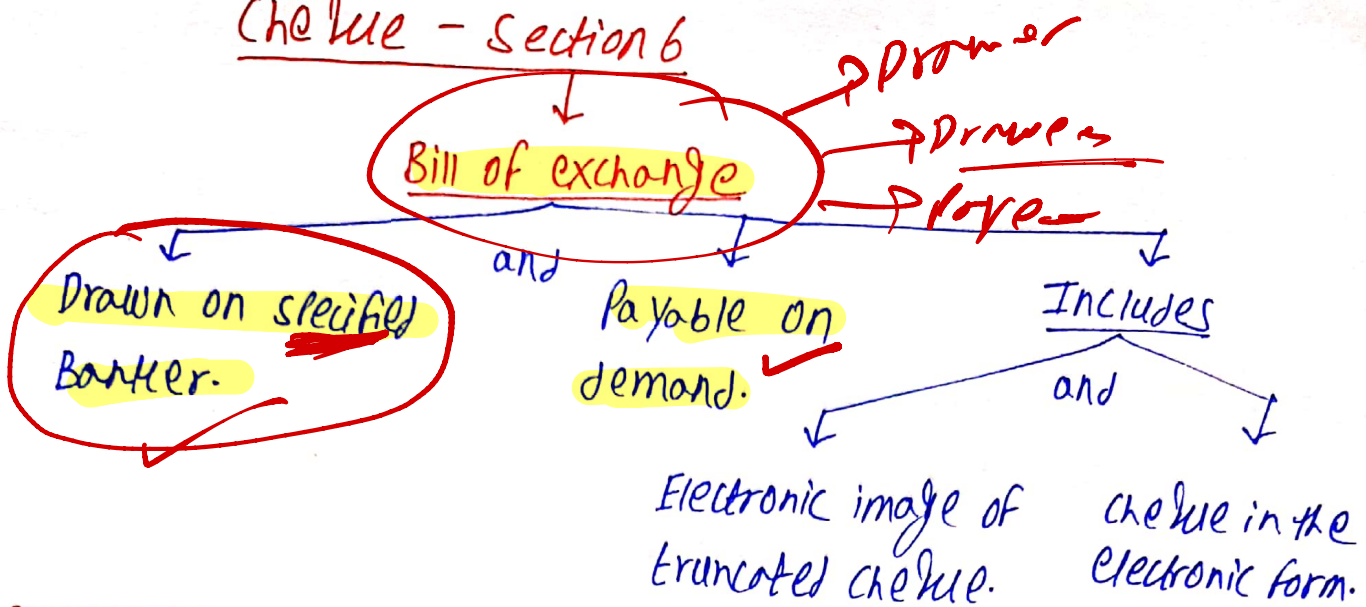
₹10,000/- MR. Arjun [Drawer]
Pune - 29/3/21.

Four months after date, pay to Mr. Karan (payee) a sum of ₹ 10,000, for value received.

To, Signature
Mr. Sushil [Drawee] MR. Arjun ★

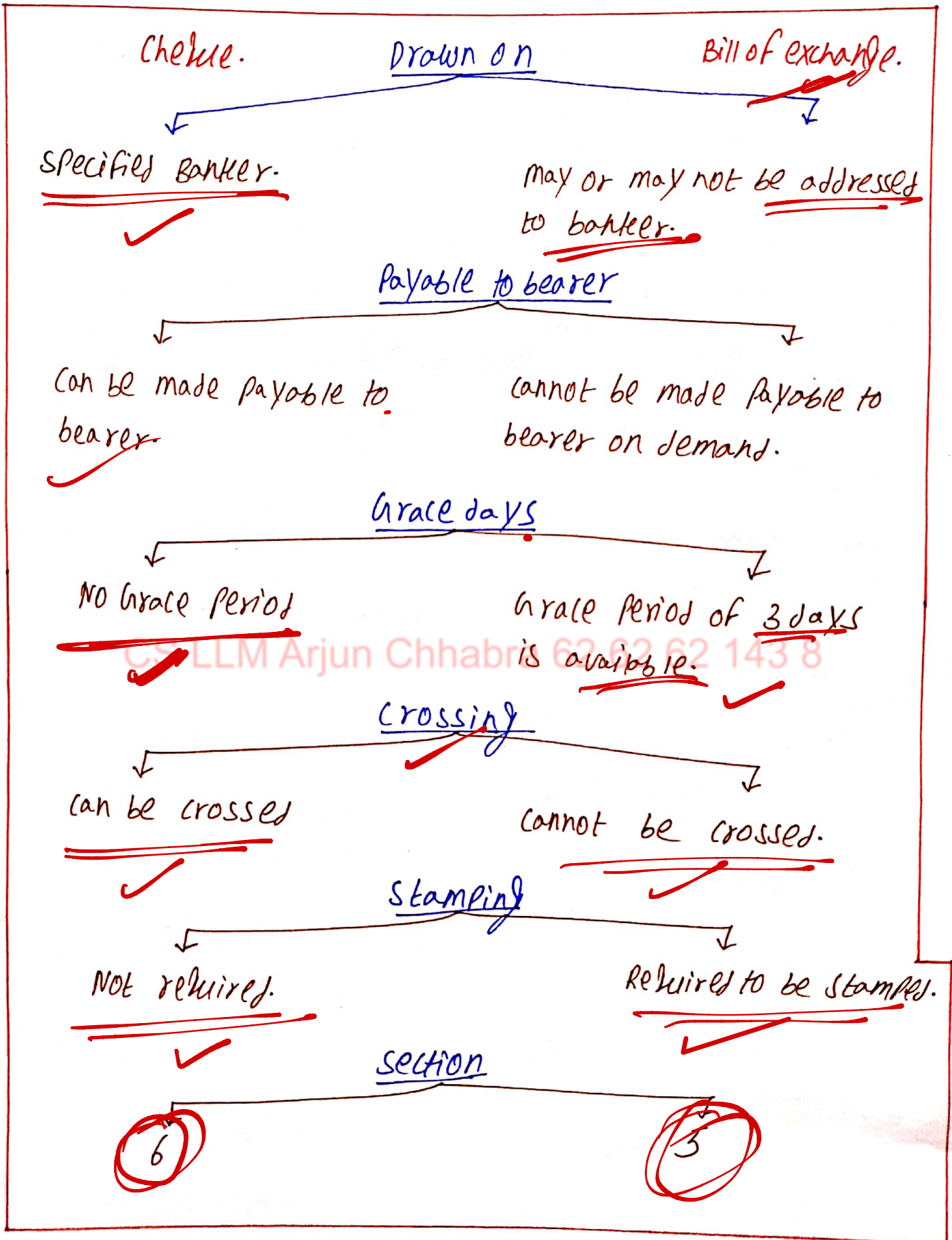
Note 2 = In case of Promissory note, maker is payer but in BOE maker is payee.

Cheque - Section 6



Electronic cheque.	Truncated cheque.
<u>FORM</u>	
Electronic cheque is never on paper form	Truncated cheque is initially a regular cheque on paper. It is submitted to Bank as usual for clearance.
<u>original writing</u>	
Original writing itself is in electronic form.	Duly written and signed on paper. subsequently converted into electronic form.
<u>Signature</u>	
Original signature is digital signature.	original signature is in ink.

Bill of Exchange v. Cheque.



Section-7

Drawee in case of need.

When in the bill

Name of any person is given in addition to the drawee

To be resorted in case of need

Such person is called a "drawee in case of need".

Acceptor for honour

When the BOE

Noted or Protested

For

Non-Acceptance or for better security

And any person accepts it supra protest for honour of the drawer

called Acceptor for honour.

Section-113

Payment for honour

When the BOE

Noted or Protested

For Non-payment

Any person may pay the same for honour of any party liable to pay the same.

Provided.

AND.

Person paying or his agent declared before notary public the party for whose honour he pays.

Declaration recorded by such notary public.

Acceptance for honour v. Payment for honour

When

AFH is given before Bill is due

PFH is only after Bill is due.

consent of Holder

Necessary in case acceptance for honour.

not necessary in case of Payment for honour

"Payment in due course"- Section 10

means

Payment as per apparent tenor of the instrument.

in good faith and without negligence.

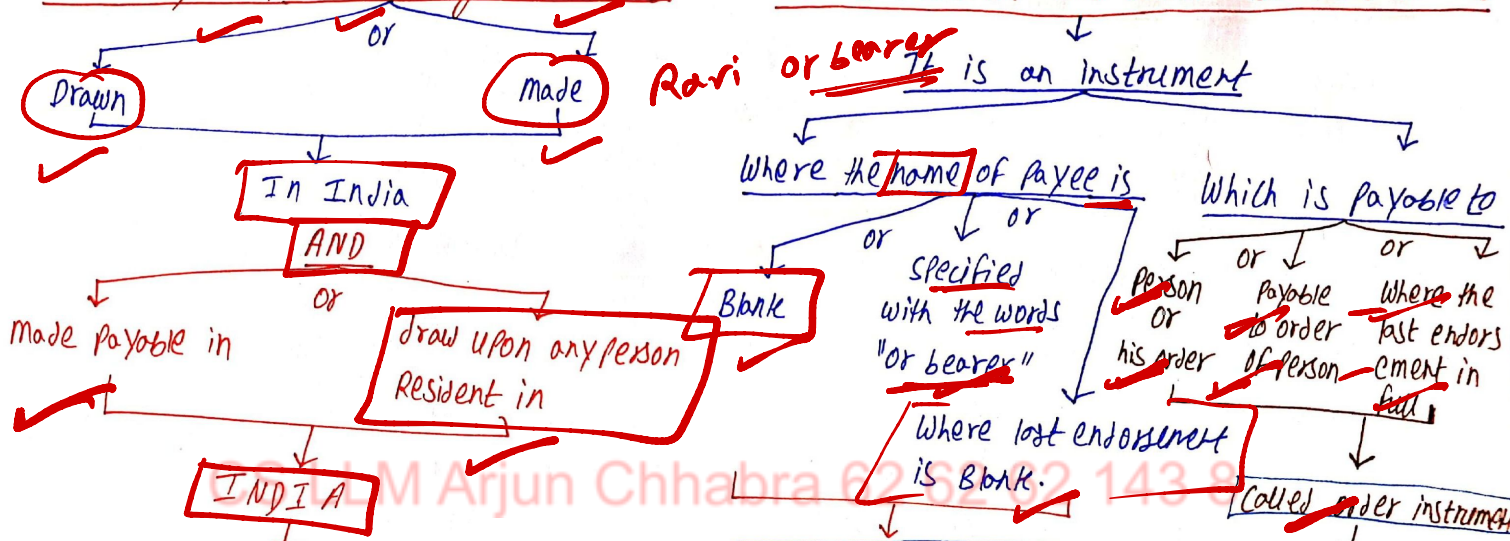
To person in possession of Instrument.

Under circumstances

↓
Which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount mentioned.

A Promisory note, bill of exchange or cheque

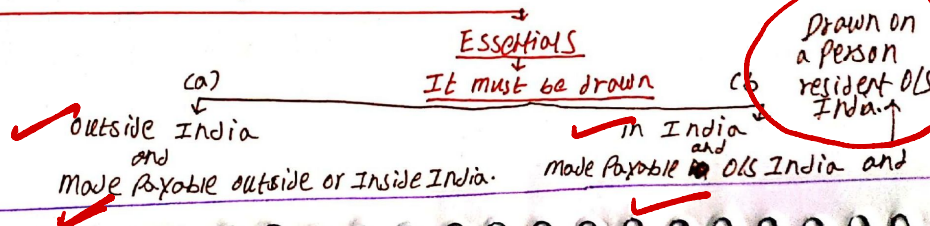
"Bearer instrument" and "order instrument" [Sec 13]



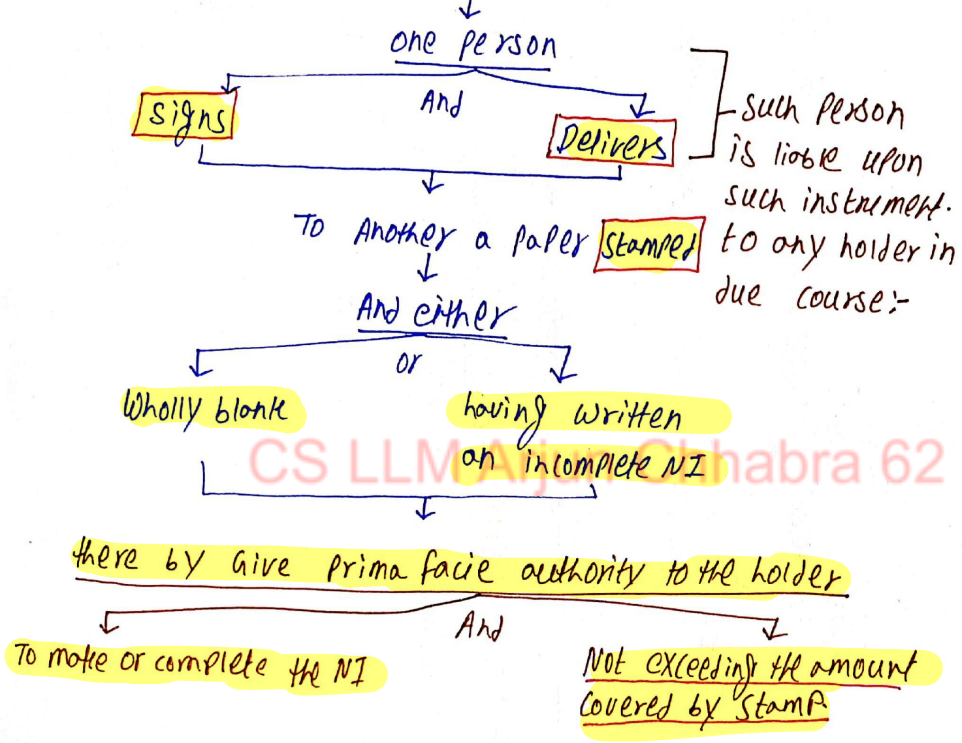
Section 11 - INLAND INSTRUMENT

Section 12 - Foreign instrument :

An instrument which is not inland instrument is deemed to be a foreign instrument.

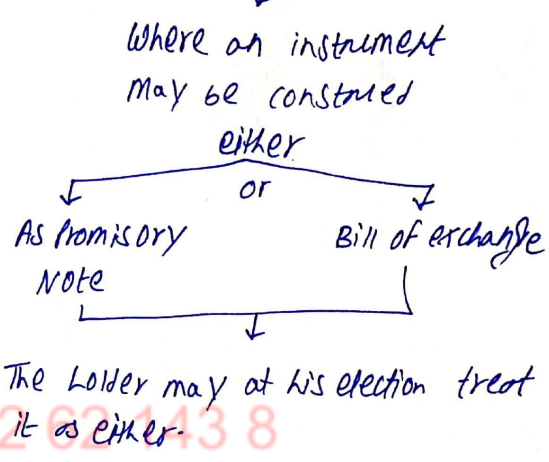


Section 20 - Inchoate stamped Instruments.



Note:- No person other than HIPC shall recover from the person delivering the instrument anything in excess of the amount intended by him to be paid.
₹ 1 lakh ₹ 70000

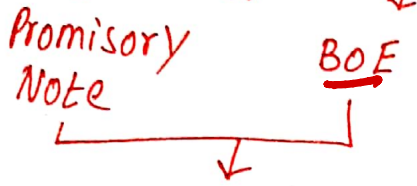
Section 17 - Ambiguous instruments



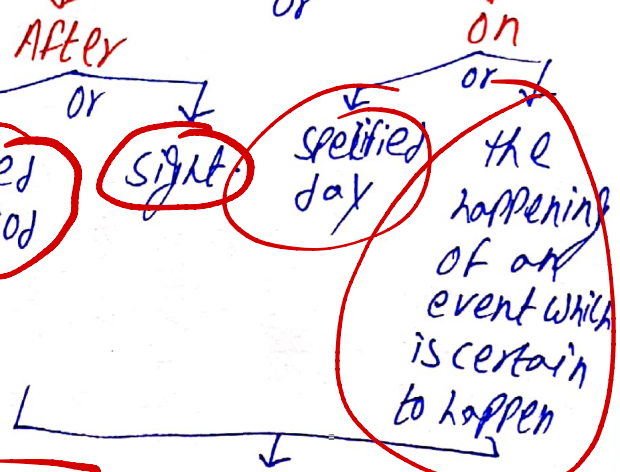
Other words:- AI may be one with the defective language.

Demand and Time Instrument

Section - 18 [DI]



Section - 22 [TI]



in which NO TIME FOR PAYMENT IS MENTIONED IS PAYABLE ON DEMAND.

Bills and notes ✓

cheques

payable either

Always payable on demand.

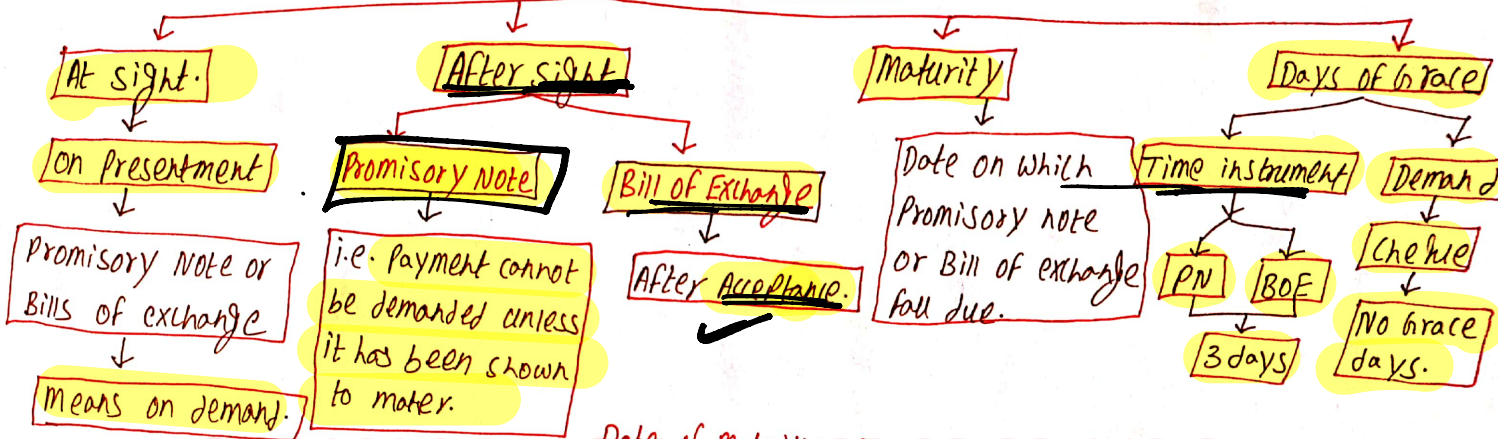
Time instrument.

On demand

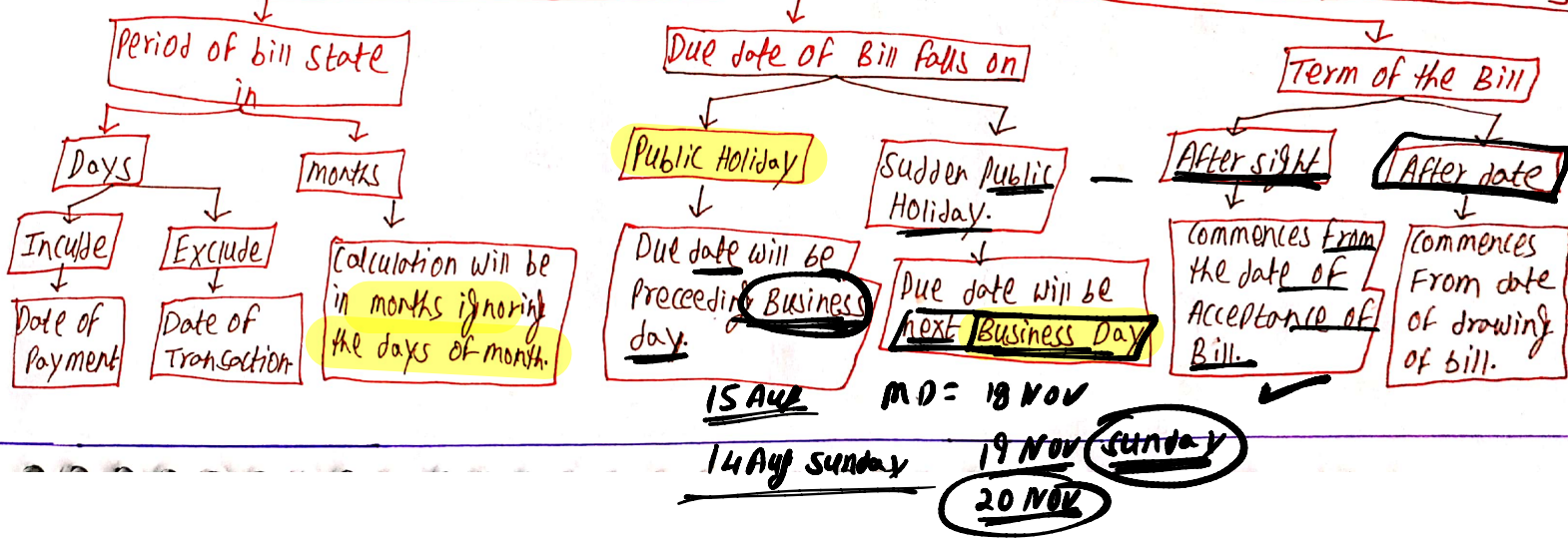
at fixed future time

LLM Anur Chhabra 62 62 62 143 8

NEGOTIABLE INSTRUMENT ACT, 1881.



Date of Maturity of Bill and Promisory notes [Section 24 and 25]



NI expressed to be payable on
 $\frac{1}{4}/2019 + 3 \text{ days} = \underline{4/4/2019}$
 $\frac{15}{\text{NOV}}/19 + 3 \text{ days} = \underline{18/\text{NOV}/19}$

Holder and Holder in due course [sections 8 and 9]

Holder: means a person entitled in his own name to the possession of a negotiable instrument and to receive the amount due on it. [Holder in Law]

Holder in Law	Holder in Facts
Person must be named in the instrument as - payee or - endorsee or - he must be the bearer.	Person who has obtained possession of an instrument by theft, or under a forged instrument. Not entitled to recover Posses the instrument.

Holder in due course (9)

- (i) He must be the holder of the instrument.
- (ii) Obtained the instrument for value or consideration.
- ~~(iii)~~ Obtained before maturity. ✓
- (iv) Obtained in good faith.

NOTE:- Holder in due course is in a privileged position.

He is not only protected against all defects of persons from whom he received the instrument but also protect all subsequent holders.

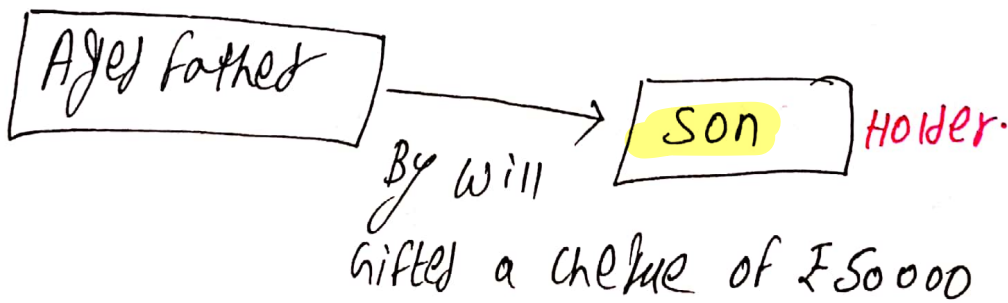
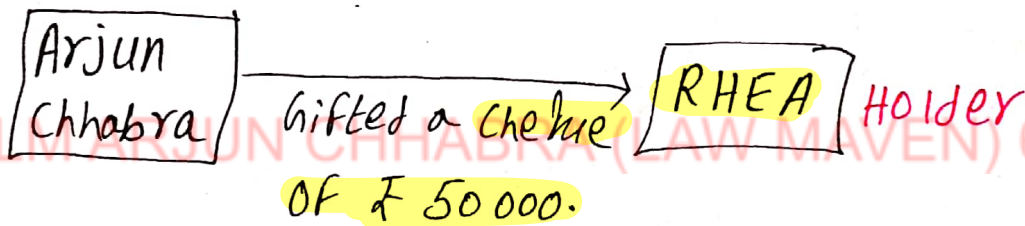
It does not matter whether consideration paid by some of the previous parties to the instrument

or

there was a defect of title from a party from whom he took it.

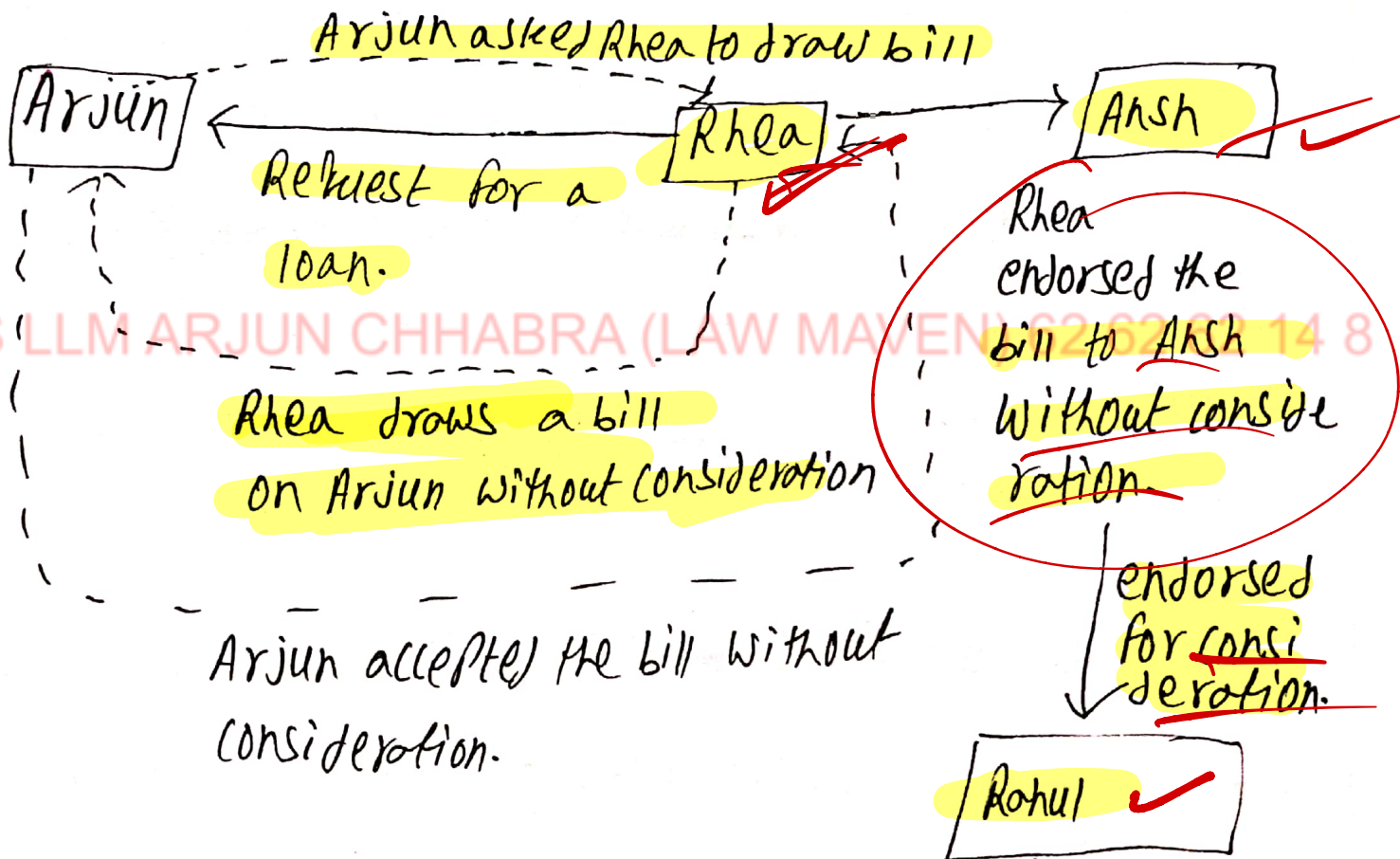
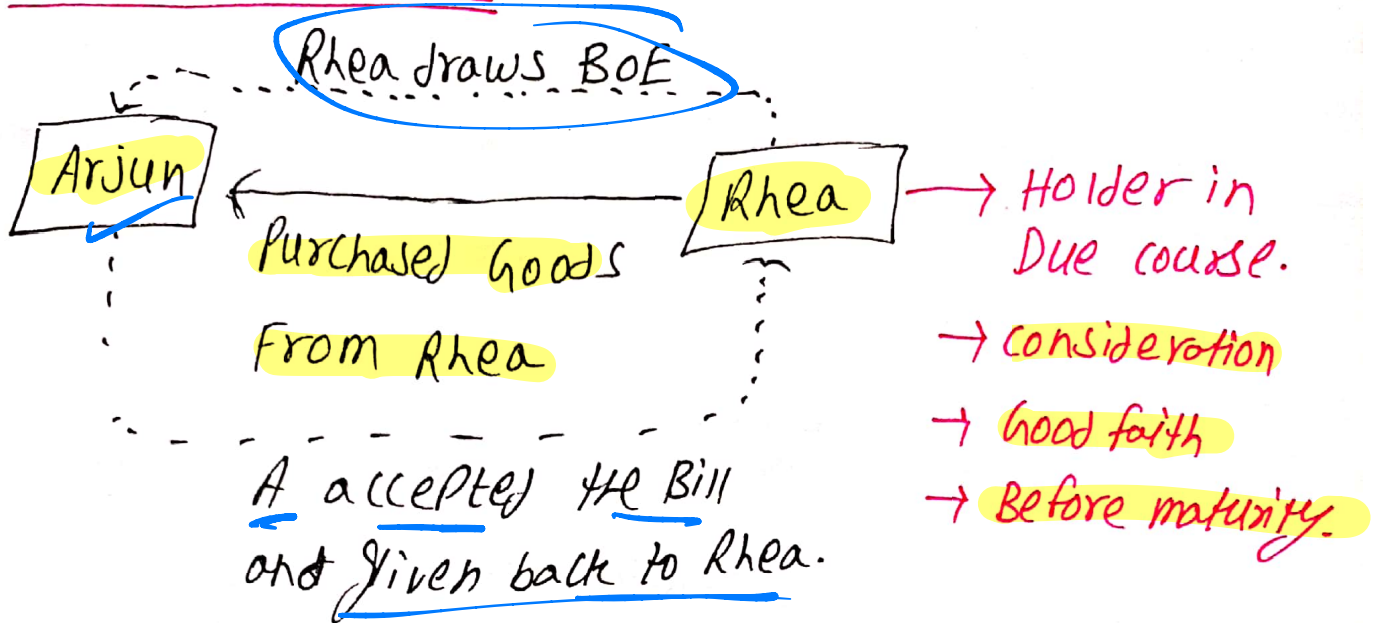
HE CAN RECOVER THE AMOUNT FROM ALL THE PREVIOUS PARTIES.

Important Note:- Holder in due course includes HOLDER.



Arjun having a cheque → Not stolen by → Rhea Neither holder Nor H.D.C.

Holder in due course

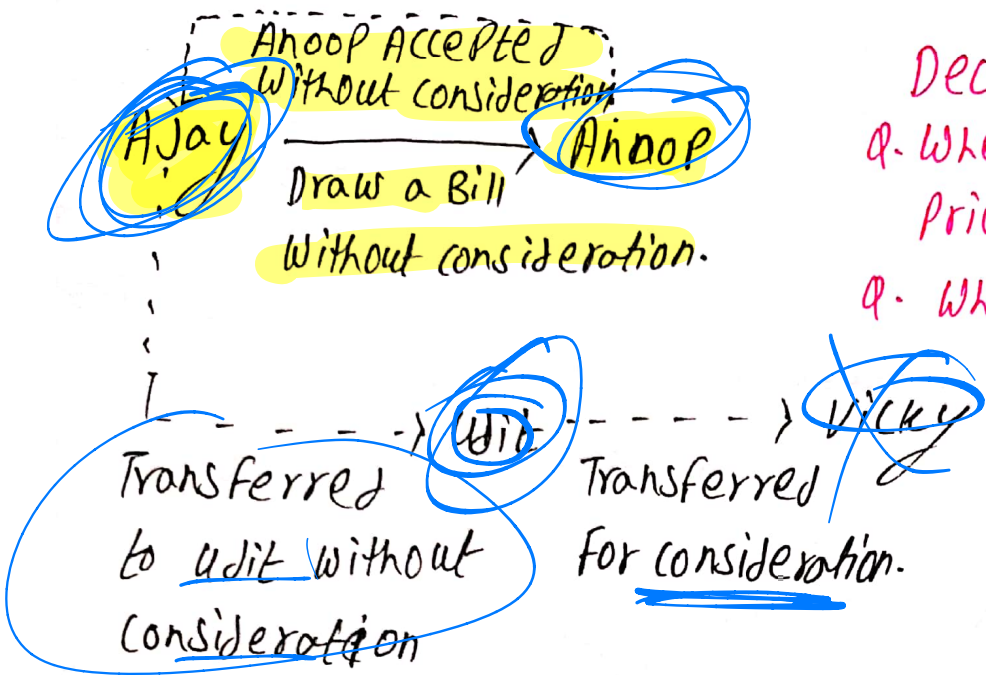


Conclusion: Rohul can claim the money from Ansh, Rhea and Arjun.

HIDC v all prior parties

- ↓
- HIDC
- consideration
- Good faith
- Before maturity.

Question 3(a) June 2019. [8 marks]



Decide.

Q. Whether vicky can sue Prior parties to Bill.

Q. Whether Prior parties other than vicky have any right??.

Answer:-

Section 43 of Negotiable Instrument Act, 1881.

Where an Instrument made, drawn, accepted, transferred without consideration creates no obligation of payment between the parties to the transaction.

But if any such party has transferred the instrument to a holder for consideration, such holder, and every subsequent holder may recover the amount due on such instrument from transferor or any prior party.

ci) In the instant case, Ajay has drawn a bill on Anoop and Anoop accepted the bill without consideration. Later on in the next transfer by Udit to

to vicky is for value.

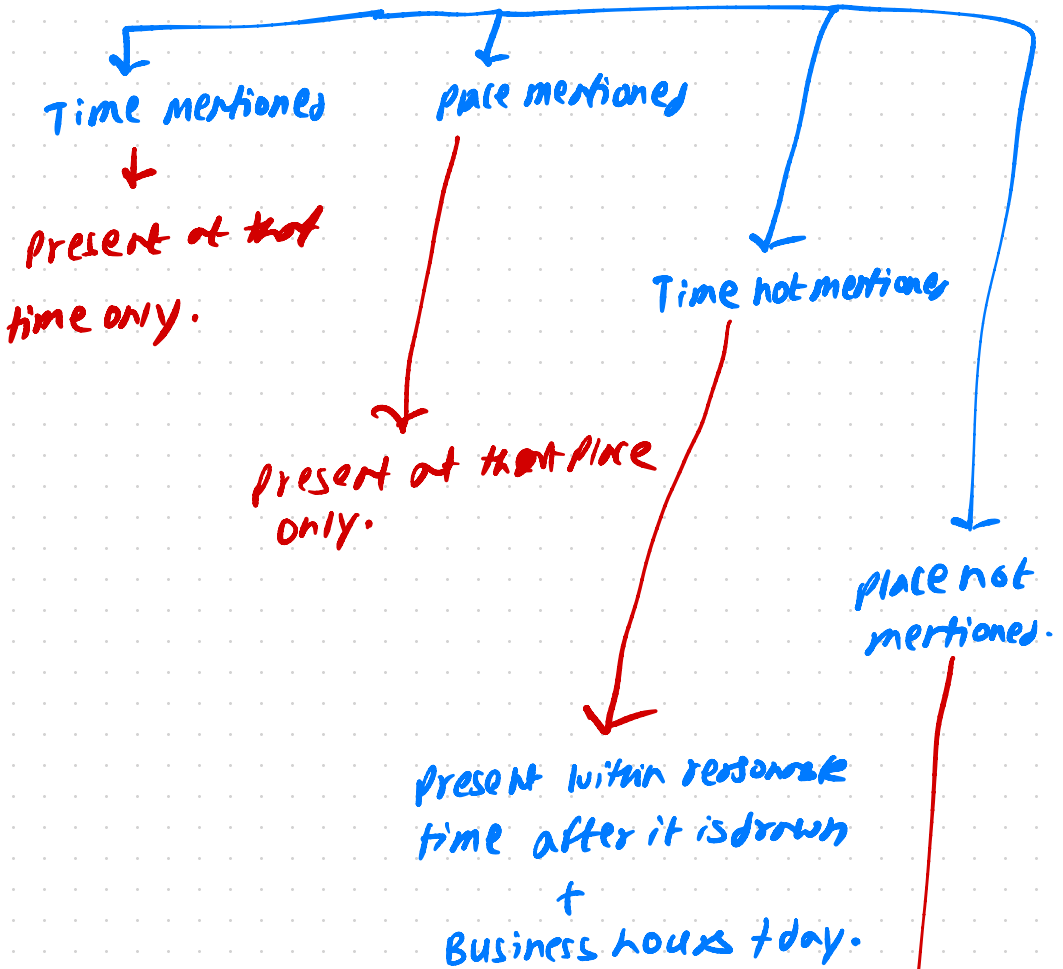
According to the Above provision, the bill ultimately transferred to vicky with consideration.

Therefore, vicky can sue any of the parties i.e. Ajay, Anoop or Udit, as vicky derived a good title on it being taken with consideration.

Cii) As regards the second part of problem, the prior parties before vicky i.e. Ajay, Anoop and Udit have no right of action because First part of section 43 has clearly lays down that Negotiable instrument, made, drawn, accepted or transferred without consideration creates no obligation of payment between the parties to transaction prior to the parties who receive it on consideration.

Present for Acceptance [61]

↓
BoE [After sight]



Who will present

Ans: - person entitled to demand acceptance. [Payee/endorsee]

What if not presented

Present for acceptance in a place where drawer usually reside or his business place.

Ans! Then no party to the bill shall be liable.

Custom - Registered Post

Ans! - Low fee

If drawer is not found by reasonable search.

Ans! Bill D.H.

↓
If there no POB or fixed residence
↓
Wherever found.

Presentment of promissory note for sight [Section 62]

The provision you're referring to, Section 62 of the Negotiable Instruments Act, deals with the presentment of a promissory note that is payable at a certain period after sight:

1. **Nature of the Promissory Note: A promissory note payable at a certain period after sight** is a note where the payment is due a specified time after the note is presented (or 'sighted') to the maker.
2. **Requirement of Presentment for Sight:** According to Section 62, when dealing with such a promissory note, it **must be presented to the maker for sight within a reasonable time after it is made**. This presentation must occur during the maker's **business hours on a business day**.
3. **Who Should Present the Note:** The note should be presented for sight **by a person entitled to demand payment**. This typically means the holder of the promissory note or someone acting on their behalf.
4. **Reasonable Time:** The concept of reasonable time is crucial here. What constitutes a reasonable time depends on the circumstances of each case, including the nature of the note and the parties involved.
5. **Consequences of Default in Presentment:** If the promissory note is not presented for sight within a reasonable time as per the provisions of Section 62, then **no party to the note is liable on it to the person making the default in presentment**.

Example: Suppose Johny issues a **promissory note payable 60 days after sight to Sarah**. Sarah receives the note on **January 1, 2024**. To comply with Section 62, Sarah must present this note to John (the maker) for sight within a reasonable time after receiving it.

Let's say **Sarah presents the note to John for sight on March 1, 2024**. In this case, the presentation might be considered late if the circumstances suggest that it should have been done earlier. If John can show that the delay in presentment caused him harm (for example, by affecting his financial planning), he might argue that he is no longer liable on the note due to the default in presentment.

Therefore, it's essential to understand and comply with the requirements of Section 62 to ensure the enforceability of promissory notes payable after sight. Presenting such a note in a timely manner is crucial to maintain the obligations of the parties involved and avoid potential disputes over liability.

Drawee's time for deliberation [Section 63]

The holder must, if so required by the drawee of a bill of exchange presented to him for acceptance, allow the drawee **48 hours (exclusive of public holidays)** to consider whether he will accept it.

Presentment for payment [Section 64]

Section 64 of the Negotiable Instruments Act deals with the requirement of presentment for payment of promissory notes, bills of exchange, and cheques.:

1. **Presentment for Payment:**
 - According to Section 64, these negotiable instruments (promissory notes, bills of exchange, and cheques) **must be presented** for payment to the respective parties liable for payment:

- **Promissory note** to the maker (the **person who promised to pay**).
- **Bill of exchange** to the acceptor (the **person who accepted the bill**).
- **Cheque** to the drawee (the **bank on which the cheque is drawn**).

2. **Effect of Non-Presentation:**

- If these instruments are not presented for payment as required by the Act, the **other parties (besides the one to whom the presentment should have been made) are not liable to the holder of the instrument**.

3. **Presentation via Registered Post:**

- Presentation for payment can be made **through the post office by means of a registered letter if authorized by agreement or usage**. This method provides a way to fulfill the presentment requirement **without direct physical delivery**.

4. **Exception for Promissory Notes Payable on Demand:**

- If a **promissory note is payable on demand and does not specify a particular place of payment, no presentment is necessary to charge the maker**. The holder can demand payment immediately without presenting the note.

Example: Suppose John issues a promissory note payable to Sarah on demand. The note does not specify a particular place of payment. In this case:

- **Scenario:**
 - Sarah, as the holder of the promissory note, wishes to collect payment from John.
 - Sarah can demand payment from John immediately without the need to formally present the note to him.

Hours for presentment (Section 65)

Presentment for payment must be made during the usual hours of business, and, if at a banker's within banking hours.

Presentment for payment of instrument payable after date or sight (Section 66)

A promissory note or bill of exchange, made payable at a specified period after date or sight thereof, must be presented for payment at maturity.

Maturity Date:

- The maturity date of the instrument is calculated based on the specified period **after the date** of the instrument (e.g., 30 days **after the date of the promissory note**) or **after the sight** of the instrument (e.g., 60 days **after the acceptance of the bill of exchange**).
- **Scenario:**
 - John issues a promissory note to Sarah on January 1, 2024, payable 60 days after the date.

- The promissory note matures on March 1, 2024 (60 days after January 1, 2024).
- **Presentment for Payment:**
 - On March 4, 2024, Sarah, as the holder of the promissory note, presents the note to John (the maker) for payment.
 - Sarah is fulfilling the requirement of Section 66 by presenting the note for payment on its maturity date.
- **Result:**
 - John, as the maker of the promissory note, is obligated to make the payment to Sarah upon proper presentment of the note at maturity.
 - If Sarah fails to present the note for payment on its maturity date, she may lose the right to hold John liable for the payment.

Presentment for payment of promissory note payable by instalments (Section 67)

A promissory note payable by instalments **must be presented for payment on the third day after the date fixed for payment of each instalment**; and non-payment on such presentment has the same effect as non-payment of a note at maturity.

Presentment for payment of instrument payable at specified place and not elsewhere (Section 68)

A promissory note, bill of exchange or cheque made, drawn or accepted payable at a specified place and not elsewhere must, in order to charge any party thereto, be presented for payment at that place.

Scenario:

- John issues a **cheque** to Sarah on January 1, 2024, drawn on ABC Bank and **payable at ABC Bank branch located at 123 Main Street, City A.**

Presentment for Payment:

- To charge John (the drawer of the cheque) and ABC Bank (the drawee bank) with liability for payment, Sarah, as the holder of the cheque, **must present the cheque for payment specifically at the ABC Bank branch located at 123 Main Street, City A.**
- Sarah **cannot present the cheque for payment at any other location** to hold John and ABC Bank liable.

Result:

- If Sarah presents the cheque for payment at the specified ABC Bank branch location on the cheque, and the **cheque is dishonored** (not paid due to insufficient funds, etc.), **she can take appropriate legal action against John and ABC Bank based on the dishonor of the cheque.**

Instrument payable at specified place (Section 69)

A promissory note or bill of exchange made, drawn or accepted payable at a specified place must, in order to charge the maker or drawer thereof, be presented for payment at that place.

Presentment where no exclusive place specified (Section 70)
A promissory note or bill of exchange, not made payable as mentioned in sections 68 and 69, must be presented for payment at the place of business (if any) or at the usual residence , of the maker, drawee or acceptor thereof, as the case may be.
Presentment when maker, etc., has no known place of business or residence (Section 71)
If the maker, drawee or acceptor of a negotiable instrument has no known place of business or fixed residence, and no place is specified in the instrument for presentment for acceptance or payment, such presentment may be made to him in person wherever he can be found .
Presentment of cheque to charge drawer (Section 72)
A cheque must, in order to charge the drawer, be presented at the bank upon which it is drawn before the relation between the drawer and his banker has been altered to the prejudice of the drawer.
Presentment of cheque to charge any other person (Section 73)
A cheque must, in order to charge any person except the drawer, be presented within a reasonable time after delivery thereof by such person .
Presentment of instrument payable on demand (Section 74)
A negotiable instrument payable on demand must be presented for payment within a reasonable time after it is received by the holder.
Presentment by or to agent, representative of deceased, or assignee of insolvent (Section 75)
Presentment for acceptance or payment may be made to the duly authorised agent of the drawee, maker or acceptor, as the case may be, or, where the drawee, maker or acceptor has died, to his legal representative, or, where he has been declared an insolvent, to his assignee.
Excuse for delay in presentment for acceptance or payment (Section 75A)
Delay in presentment for acceptance or payment is excused if the delay is caused by circumstances beyond the control of the holder, and not imputable to his default, misconduct or negligence. When the cause of the delay ceases to operate, presentment must be made within a reasonable time.
When presentment unnecessary (Section 76)
Section 76 of the Negotiable Instruments Act outlines situations where presentment for payment is deemed unnecessary, and the instrument is considered dishonored at the due date for presentment. (a) Situations where Presentment is Unnecessary: 1. Intentional Prevention of Presentment: <ul style="list-style-type: none">• If the maker, drawee, or acceptor intentionally prevents the presentment of the instrument.

- Example: John, the maker of a promissory note, is aware of the due date for payment but deliberately avoids being available or accessible to the holder for presenting the note for payment.

2. Closure of Place of Business:

- If the instrument is payable at the maker's, drawee's, or acceptor's place of business, and they close the place on a business day during usual business hours.
- Example: Sarah's bill of exchange is payable at ABC Company's office, but when Sarah attempts to present the bill for payment during business hours, she finds the office closed intentionally.

3. Absence at Specified Place:

- If the instrument is payable at a specified place other than the maker's, drawee's, or acceptor's place of business, and neither they nor any authorized person attends at such place during usual business hours.
- Example: A cheque is payable at a specific bank branch, but when the payee goes to the branch during business hours, no authorized person is available to make payment.

4. Inability to Locate the Maker/Drawer/Acceptor:

- If the instrument is not payable at any specified place, and the maker, drawee, or acceptor cannot be found after due search.
- Example: The payee tries to locate the drawer of a cheque for payment but cannot find the drawer after reasonable efforts.

(b) Engaged to Pay Despite Non-Presentment:

- If any party to the instrument has engaged to pay the amount due regardless of non-presentment.
- Example: The maker of a promissory note explicitly agrees to pay the amount due on the note even if the note is not presented for payment at the due date.

(c) Waiver or Part Payment After Maturity:

- If, after maturity, a party with knowledge that the instrument has not been presented, makes a part payment on account of the amount due, promises to pay the amount due, or waives the right to take advantage of any default in presentment.
- Example: The acceptor of a bill of exchange, after the due date for presentment, acknowledges the amount due and makes a partial payment towards the bill, indicating a willingness to settle the remaining amount.

(d) Drawer Not Suffering Damage:

- If the drawer (issuer) of the instrument would not suffer any damage from the lack of presentment.
- Example: The drawer issues a cheque knowing that it will not be presented for payment promptly due to an understanding with the payee, and the drawer is not negatively affected by the delay in presentment.

Liability of banker for negligently dealing with bill presented for payment (Section 77)

When a bill of exchange, accepted payable at a specified bank, has been duly presented there for payment and dishonoured, if the banker so negligently or improperly keeps, deals with or delivers back such bill as to cause loss to the holder, he must compensate the holder for such loss.

1. Presentation for Payment at Specified Bank:

- Section 77 specifically applies when a bill of exchange is accepted payable at a specified bank. This means that the drawee (the bank) is identified in the bill as the place where payment should be made.

2. Duty of the Banker:

- When a bill of exchange is duly presented for payment at the specified bank and the bank dishonors the bill (refuses to pay), the banker has a duty to handle the bill with reasonable care and diligence.

3. Negligent or Improper Handling:

- If the banker negligently or improperly keeps, deals with, or delivers back the bill of exchange in a manner that causes loss to the holder (the person presenting the bill for payment), the banker becomes liable to compensate the holder for such loss.

Scenario: Sarah holds a bill of exchange drawn by John, accepted by XYZ Bank, and payable at XYZ Bank on a specified date.

Presentation and Dishonour:

- On the due date, Sarah presents the bill of exchange to XYZ Bank for payment as specified in the bill.

Banker's Negligent Handling:

- The bank clerk at XYZ Bank mishandles the bill by misplacing it or delaying the processing without valid reasons.

Resulting Loss to the Holder:

- Due to the bank's negligence, Sarah is unable to receive the payment on time, resulting in financial loss (such as missing out on other business opportunities, incurring additional costs, or facing legal consequences).

Rules for Compensation (Section 117)

The compensation payable in case of dishonour of promissory note, bill of exchange or cheque, by any party liable to the holder or any endorsee, shall be determined by the following rules:

(a) Amount Due to the Holder:

- The holder of the dishonoured instrument is entitled to receive the principal amount due on the instrument, along with any expenses properly incurred in presenting, noting, and protesting the instrument.

- **Example:** Sarah presents a bill of exchange to John for payment, but John fails to pay. Sarah is entitled to claim the principal amount of the bill plus the expenses she incurred in presenting, noting, and protesting the bill.

(b) Current Rate of Exchange:

- If the person liable resides at a place different from where the instrument was payable, the holder is entitled to receive the payment at the current rate of exchange between the two places.
- **Example:** If a bill of exchange drawn in one country is payable in another country, the holder is entitled to receive the payment converted at the prevailing exchange rate between the two countries.

(c) Compensation for Endorser:

- An endorser who pays the amount due on the instrument upon dishonour is entitled to be reimbursed the amount paid, along with **interest at 18% per annum** from the date of payment until the amount is recovered, plus all expenses caused by the dishonour and payment.
- **Example:** If Sarah endorses a cheque and the drawer fails to honour it, Sarah pays the amount of the cheque and is entitled to reimbursement of the principal amount, interest, and related expenses.

(d) Current Rate of Exchange for Endorser:

- Similar to (b), if the person charged (the liable party) and the endorser reside at different places, the endorser is entitled to receive reimbursement converted at the current rate of exchange between their respective places of residence.
- **Example:** If an endorser residing in one country pays on behalf of the drawer (residing in another country) upon dishonour, the endorser is entitled to reimbursement converted at the prevailing exchange rate between the two countries.

(e) Drawing a Bill for Compensation:

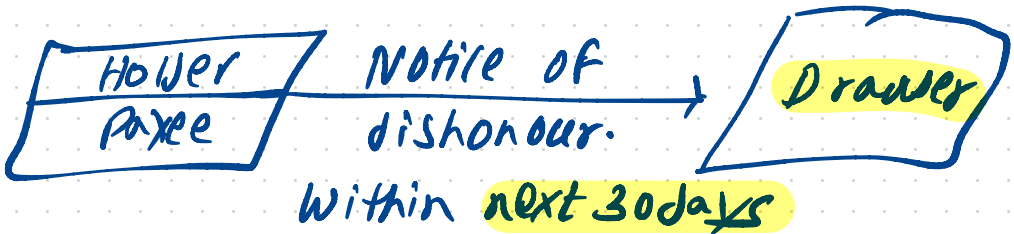
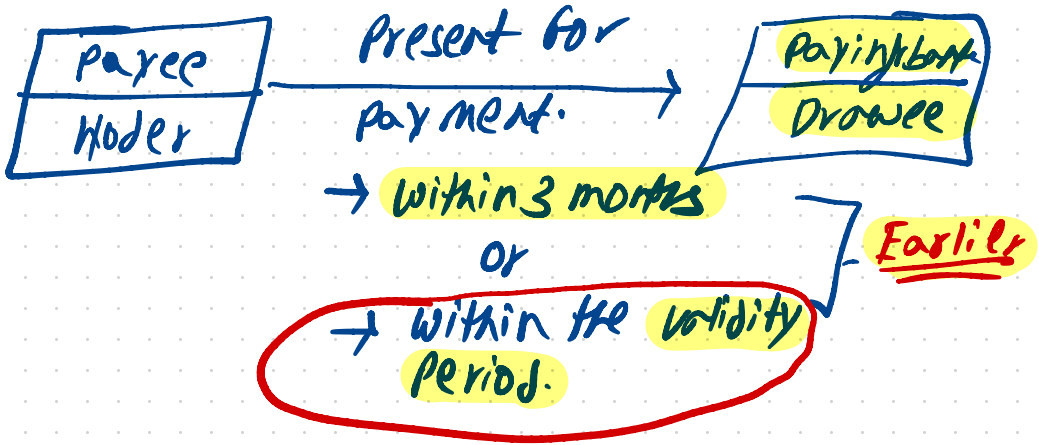
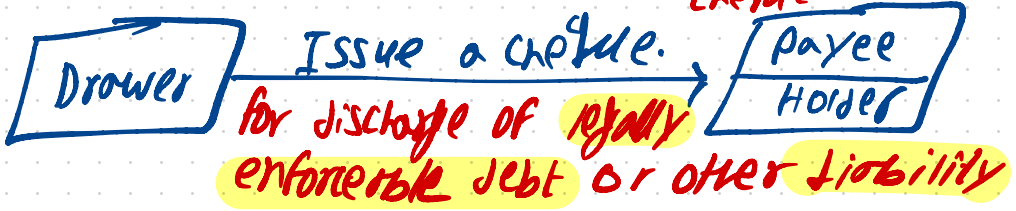
- The party entitled to compensation may draw a bill upon the party liable to compensate, payable at sight or on demand, for the amount due, along with all related expenses. If this bill is dishonoured, the party dishonouring the bill becomes liable for compensation.
- **Example:** Sarah, entitled to compensation from John for a dishonoured bill, draws a bill upon John for the amount due. If John fails to honour this drawn bill, he becomes liable for compensation in the same manner as the original dishonoured bill.

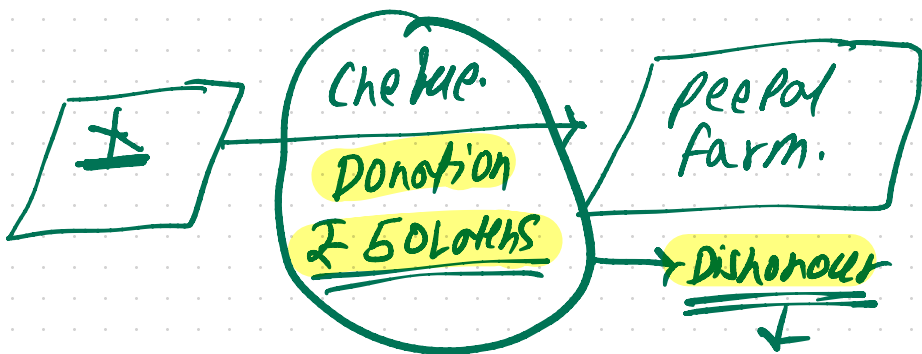
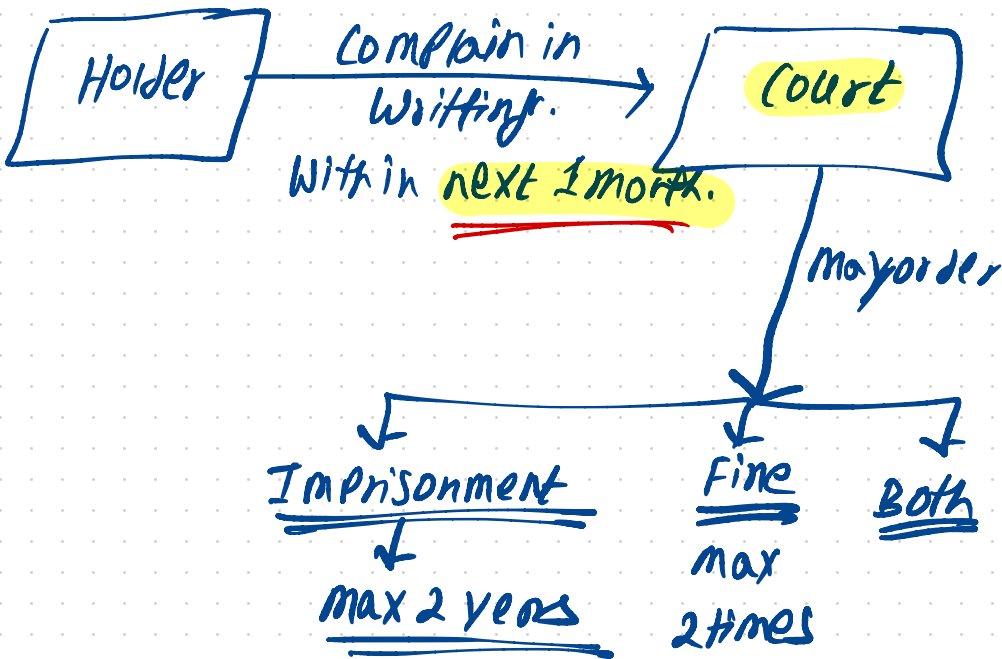
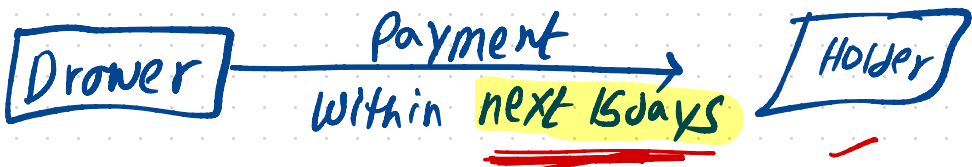
Notary: The Central Government, for the whole or any part of India, and any State Government, for the whole or any part of the State, may appoint as notaries **any legal practitioners** or other persons who possess such qualifications as may be prescribed.

Functions of Notary Public in India:

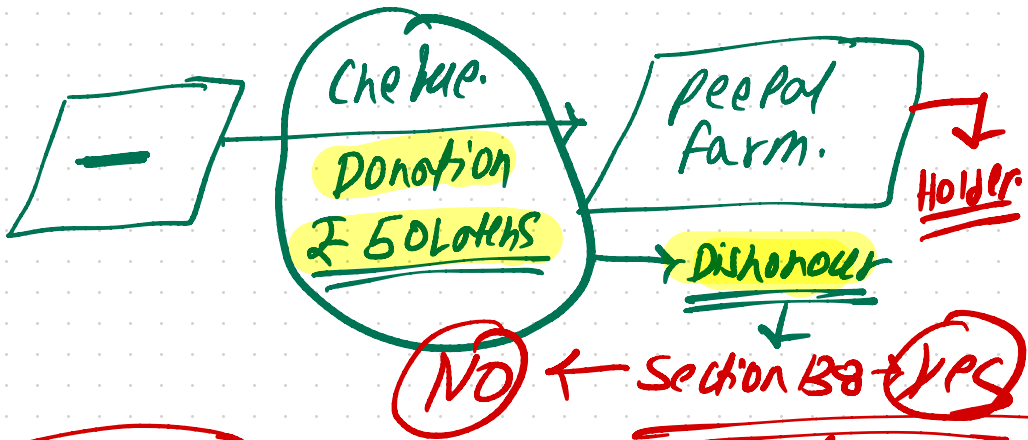
1. Witnessing Signatures
2. Administering Oaths and Affirmations
3. Certifying Copies
4. Noting and Protest for Negotiable Instruments

Section 138 → Bouncing or dishonour of cheque.





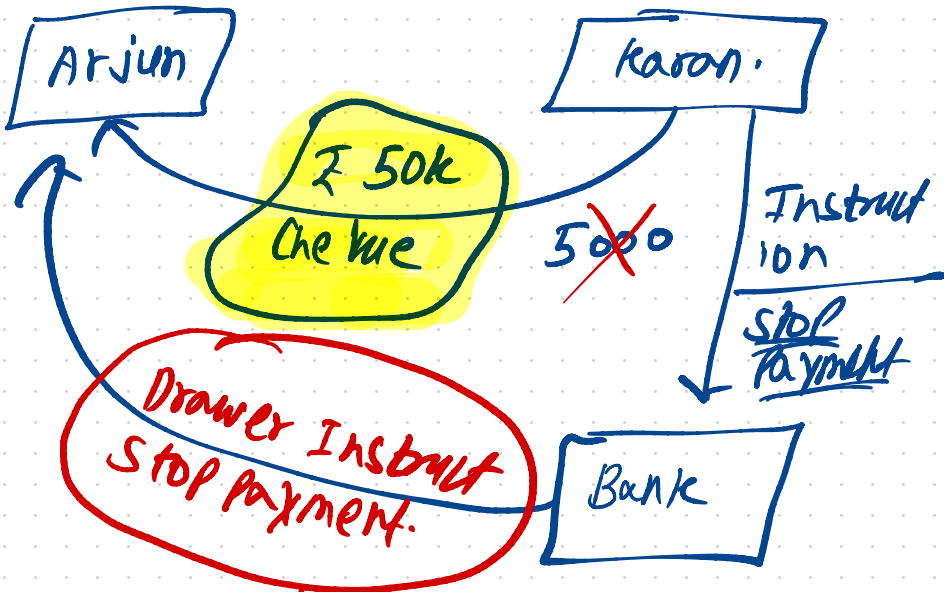
NO ← Section 138 attract??
Applicable??



Section 138 → presumptions in favour of Holder

→ Donation with

It shall be presumed unless the contrary is proved that the holder of a cheque received the cheque for the discharge, in whole or in part, of any debt or other liability.



Section 138 → Attract

Low motor intention

- Insufficient
- stop payment
- All close

Insufficient of fund