

CA FOUNDATION



CHANKYA

NITI

**THE NEGOTIABLE
INSTRUMENTS ACT, 1881**

One-Shot Lecture



By – CA Gurpreet sir



TOPICS COVERED

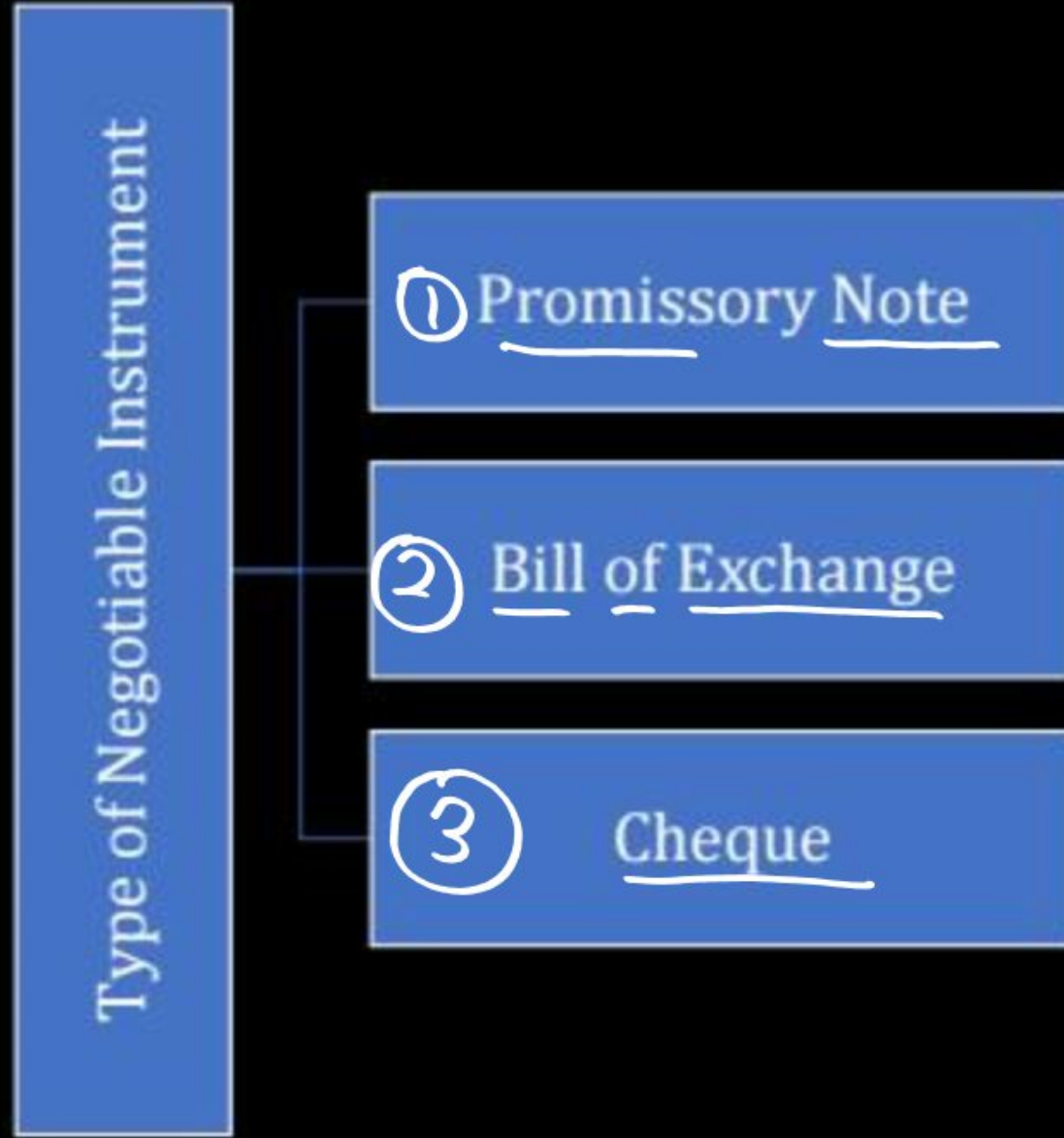
➔ **ALL TOPICS OF ICAI MATERIAL**





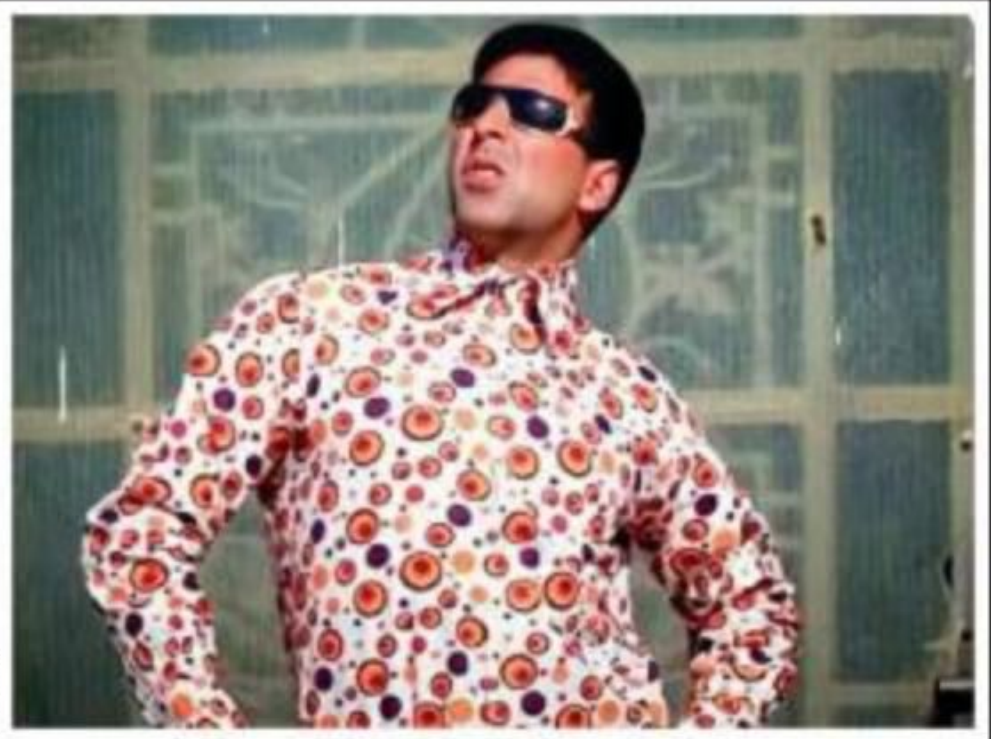
Ques-1 ⇒ What is Negotiable Instrument??

⇒ There is no definition given
in Negotiable Instrument Act, 1881





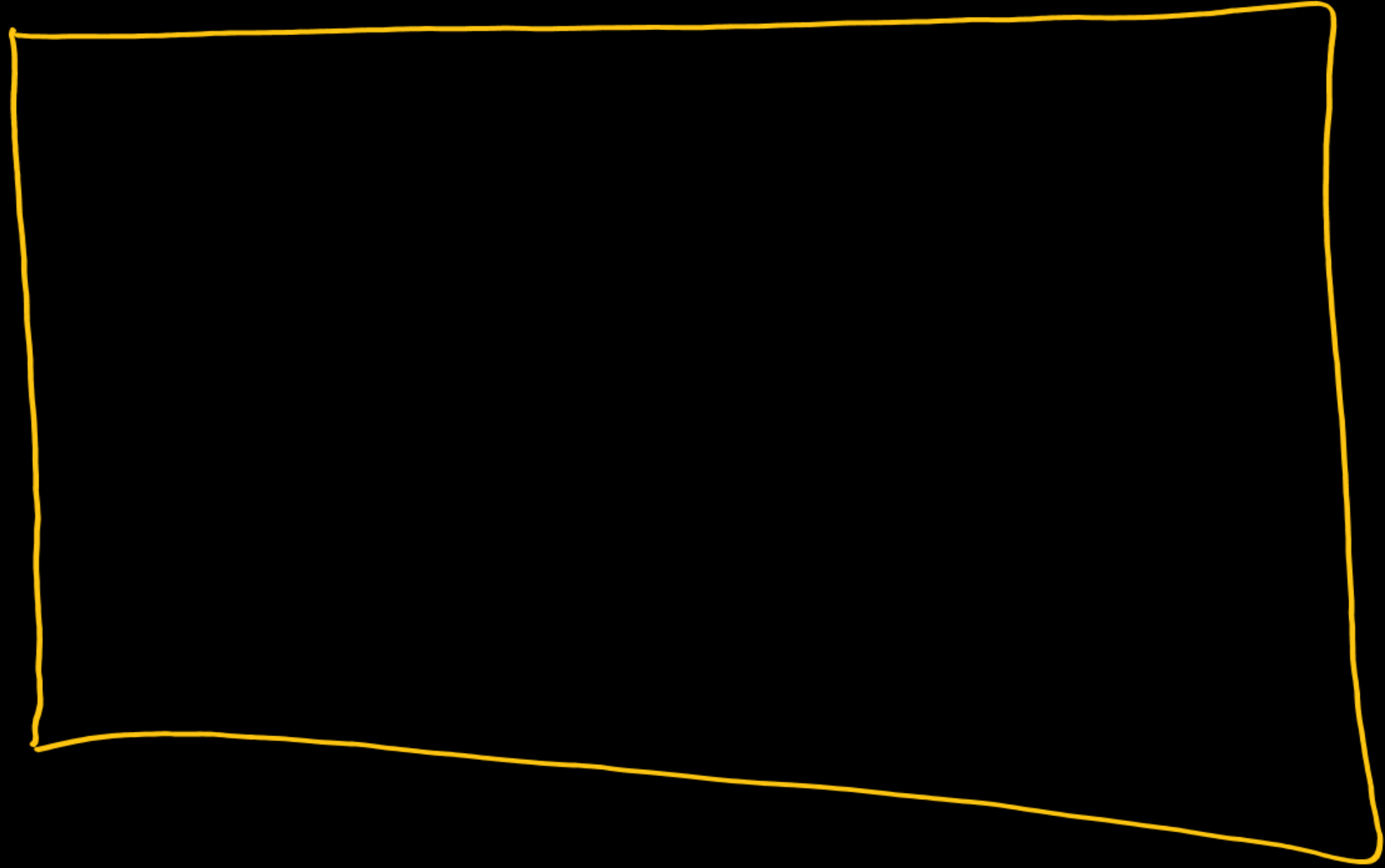
Mobile



30,000 after 1 Month

- ① Oral Contract ⇒ Valid Contract
- ② Written Contract ⇒ Valid Contract

Rajiv
Shop owner





Topic : PROMISSORY NOTE

Pg. No. 7.5

Specimen of Promissory note ⇒ Maker ⇒ Gurpreet Payee ⇒ Raju

Rs.30,000

Pune

April 2, 2024

One month after date, I promise to pay Shri Raju (Payee) or to his order the sum of Rupees Thirty Thousand, for value received.

Gurpreet Singh
(maker)

To,
Shri Raju,
B-20, Green Park, Mumbai.
(Payee)



Ilaij

30,000

⇓
Promissory Note

⇓
Guarantee

Pay to Dr. Kavita

Reiji ⇒ Endorsement + delivery



Negotiable
||
Transfer

Instrument
↓
Legal Document



Type of Negotiable Instrument

Order
Instrument

Bearer
Instrument



Order Instrument

I Promise to pay ₹ 30,000
to Mr. Raju or his order

Bearer Instrument

I Promise to Pay Mr. Raju
or Bearer ₹ 30,000

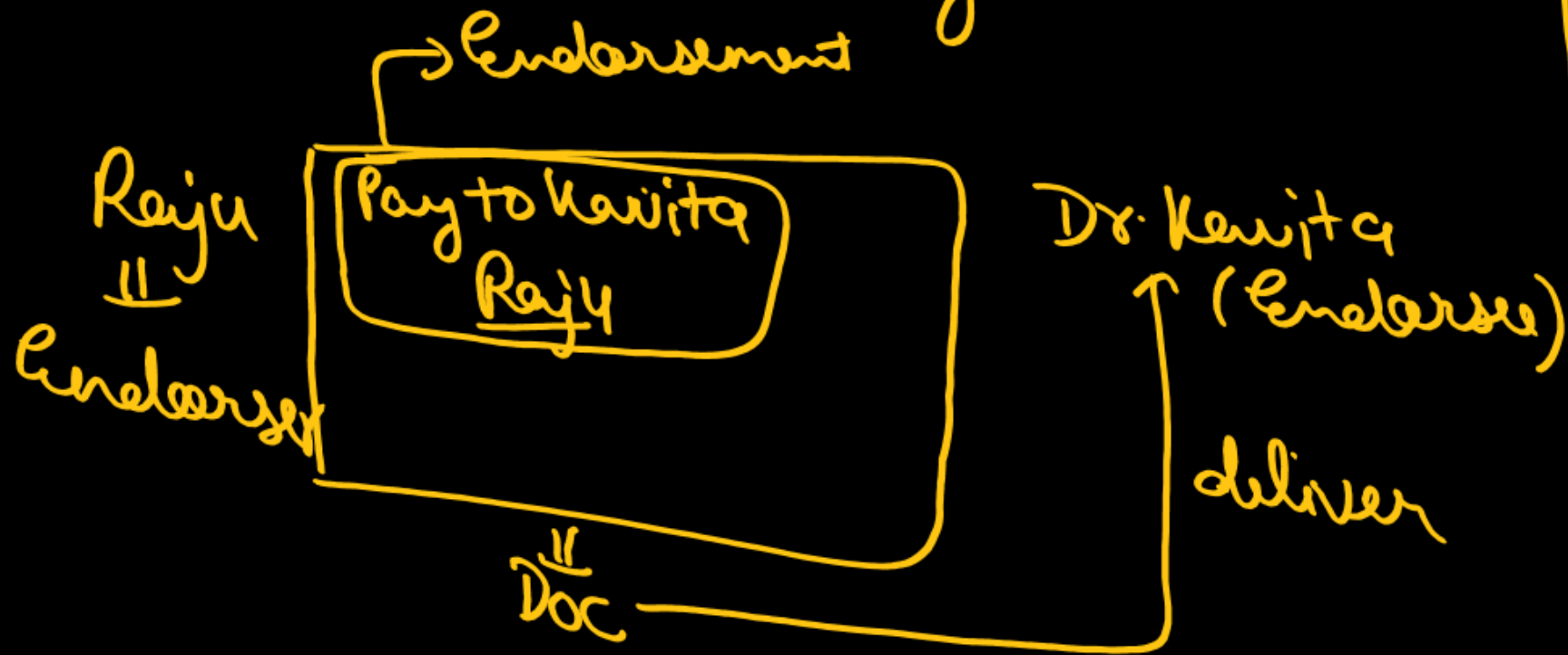


Raju

Order wala Promissory

Note

||
Negotiate

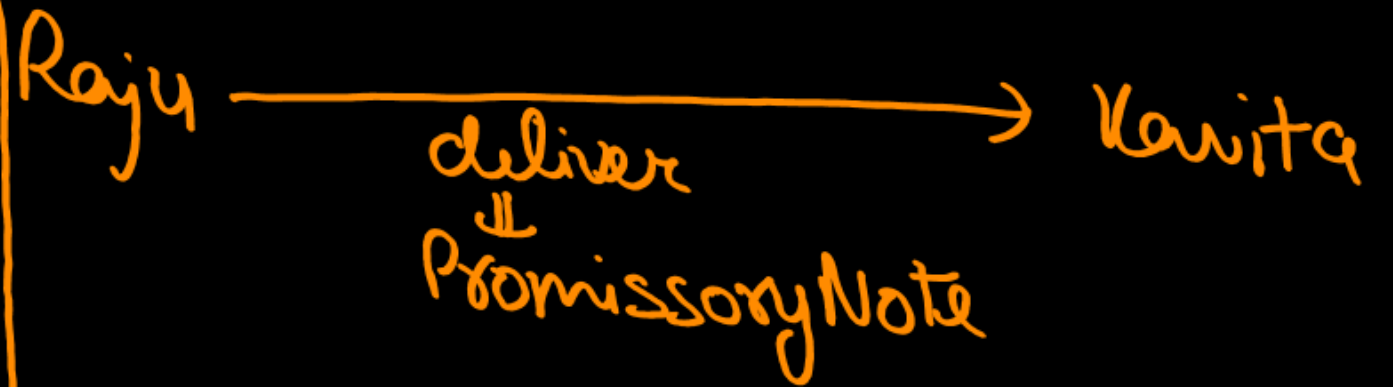


Negotiate ⇒ Endorsement + Delivery

Raju

Bearer wala Promissory

||
Note
Negotiate??



Bearer Instrument ⇒ Only delivery

Negotiation



Order Instrument

-I promise to pay to Mr. B or to his order the sum of Rupees Thirty Thousand

-I promise to pay to Mr. B's order the sum of Rupees Thirty Thousand

Bearer Instrument

-I promise to pay to Bearer the sum of Rupees Thirty Thousand

-I promise to pay to Mr. B or bearer the sum of Rupees Thirty Thousand



Case 1 - I promise to pay to Mr. B
Payer → Specified Person

Case 2 - I promise to pay to Mr. B's order

Case 3 - I promise to pay to Mr. B or his order

Case 4 - I promise to pay to bearer

Case 5 - I promise to pay to Mr. B or bearer

Order/Bearer	Negotiate
Order	Indorsement + Delivery
Order	↑ ↑
Bearer	Only delivery
Bearer	Only delivery

Topic : Meaning Of Negotiable Instruments



Pg. No. 7.3

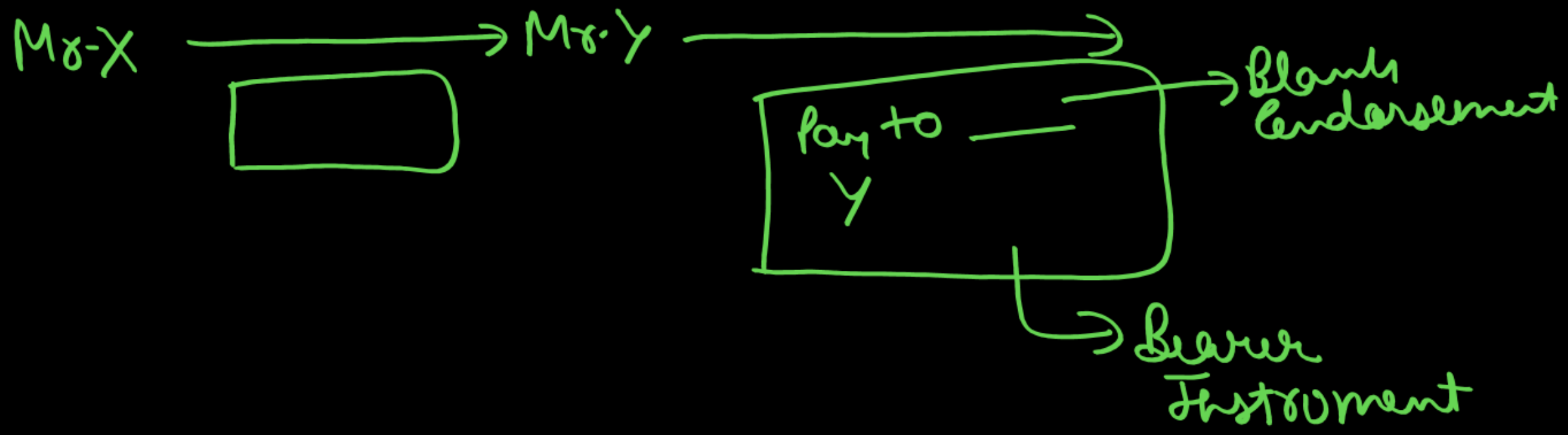
- (1) A negotiable instrument is payable to order when:
- a. It is expressed to be so payable (eg to Mr. B 'Order')
 - b. When it is expressed to be payable to a specified person and does not contain words prohibiting its transfer. (i.e. it is transferrable by indorsement and delivery) (eg:- I Promise to pay to Mr. B)



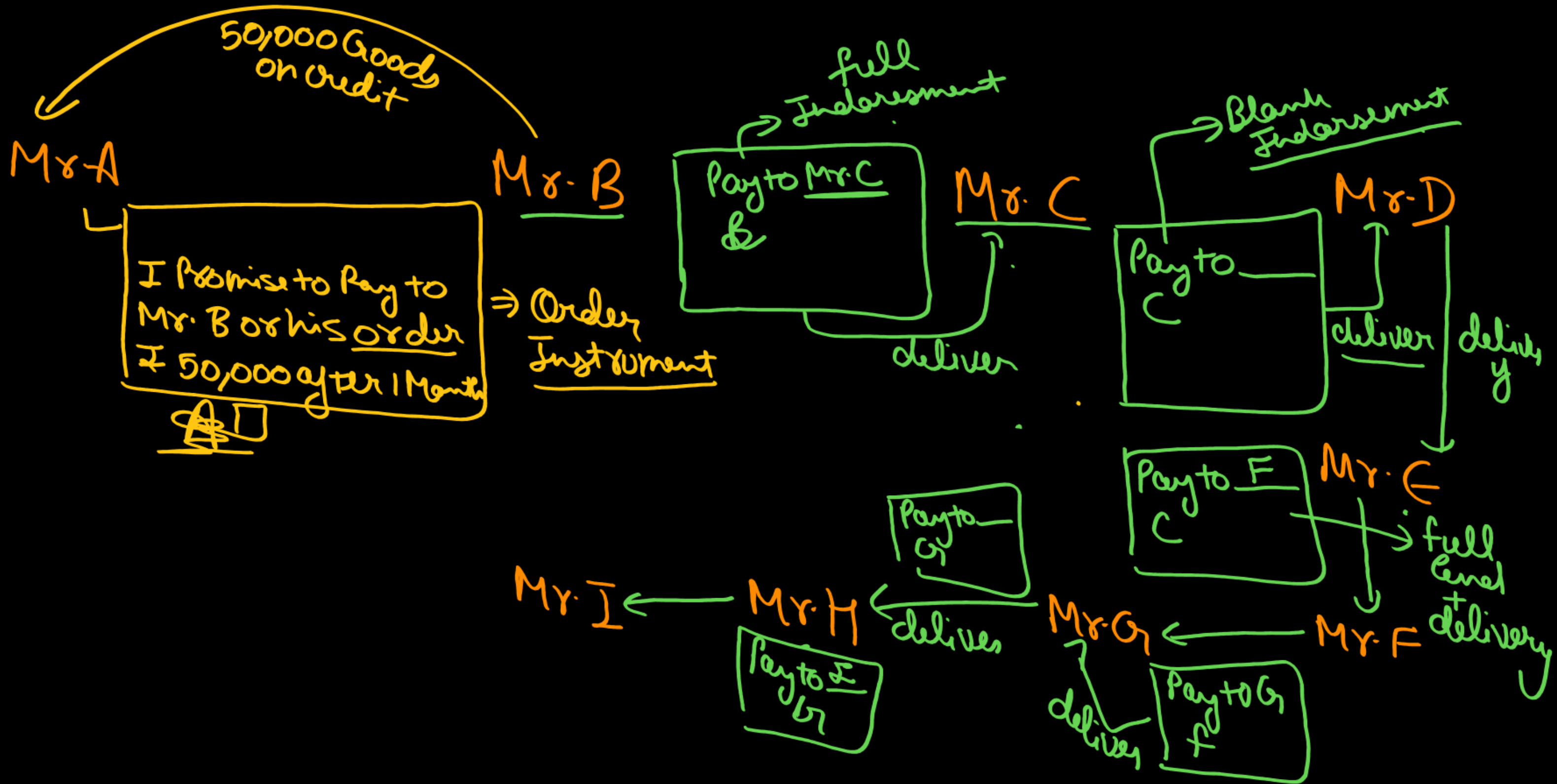
Topic : Meaning Of Negotiable Instruments

Pg. No. 7.3

- (2) A negotiable instrument is payable to bearer when:
- a. When it is expressed to be so payable e.g. pay bearer
 - b. When the only or last indorsement (indorsement means signing of the instrument) on the instrument is an indorsement in blank i.e., the person who possesses it can demand payment. For example,. A cheque made payable to specified person and that cheque is endorsed by signing on the back of the cheque by that specified person.



Advanced Example



Topic : Classification of Negotiable Instruments



Pg. No. 7.12

“Bearer instrument” and “order instrument” [Section 13]

Bearer Instrument: It is an instrument where the name of the payee is blank or where the name of payee is specified with the words “or bearer” or where the last indorsement is blank. Such instrument can be negotiated by mere delivery.

Order Instrument: It is an instrument which is payable to a person or Payable to a person or his order or Payable to order of a person or where the last indorsement is in full, such instrument can be negotiated by indorsement and delivery.

Bearer Instrument

Chiranjeev
Siv

Raju

I Promise to pay to Raju or Bearer
₹30,000 after 1 Month

Pay to _____
Raju || Bearer
Instrument
||
Bearer

Payer ⇒ Bearer
||
Bearer
Instrument

Order Instrument



I Promise to pay Mr. A ⇒ Order
Instrument

I Promise to pay Mr. A or his
Order
||
Order
Instrument

I Promise to pay on Mr. A's Order
||
Order Inst



Topic : Classification of Negotiable Instruments

Pg. No. 7.12

<u>Bearer Instrument</u>	<u>Order Instrument</u>
name of the <u>payee</u> is <u>blank</u> or	payable to a person, or
name of payee is <u>specified</u> with the words "or <u>bearer</u> " or	Payable to a person / his order, or
the <u>last indorsement</u> is <u>blank</u>	Payable to order of a person, or
<u>negotiated by mere delivery</u>	the last indorsement is in full,
	<u>negotiated by indorsement and delivery</u>



Types of N.I ⇒ किसको Pay करने वाला है ⇒ Order
⇒ Bearer

Type of N.I ⇒ कब Pay करने वाला है

- Time Instrument ⇒ Maturity date
- Demand Instrument ⇒ No Maturity date



Payable on Demand

-I promise to pay to Mr. B or to his order the sum of Rupees Thirty Thousand **on demand**

-I promise to pay to Mr. B's order the sum of Rupees Thirty Thousand **on sight**

-I promise to pay to Mr. B's order the sum of Rupees Thirty Thousand **on presentment**

Payable on Time

-**One Month after date**, I promise to pay to Mr. B or to his order the sum of Rupees Thirty Thousand

-**2 Month after Sight**, I promise to pay to Mr. B's order the sum of Rupees Thirty Thousand on sight

-**3 month after presentment**, I promise to pay to Mr. B's order the sum of Rupees Thirty Thousand on presentment



Case 1 - I promise to pay to Mr. B 20 days after date ⇒ Time Instrument ⇒ 3 grace days
add

Case 2 - I promise to pay to Mr. B 20 days after sight ⇒ Time Instrument ⇒ 3 grace days

Case 3 - I promise to pay to Mr. B 20 days after death of Mr. X ⇒ Time Instrument ⇒ 3 grace days

Case 4 - I promise to pay to Mr. B on demand <sup>↓
certain event</sup> ⇒ demand instrument ⇒ No 3 grace days

Case 5 - I promise to pay to Mr. B at sight ⇒ demand instrument ⇒ No 3 grace days

Case 6 - I promise to pay to Mr. B ⇒ demand instrument ⇒ No 3 grace days



Case 1 - I promise to pay to Mr. B or to his order the sum of Rupees Thirty Thousand on demand

Order
Bearer

Time
Demand

Order

Demand

Case 2 - I promise to pay to Mr. B's order the sum of Rupees Thirty Thousand one month after sight

Order

Time

Case 3 - I promise to pay to Bearer the sum of Rupees Thirty Thousand at sight

Bearer

Demand

Case 4 - I promise to pay to Mr. B or bearer the sum of Rupees Thirty Thousand two month after date

Bearer

Time

Case 5 - I promise to pay to Mr. B or bearer

Bearer

Demand

Case 6 - I Promise to Pay to Mr B ₹ 30,000

Order

Demand

As Per RBI Act,
This is not
allowed



Gurupreet Sir → Raju

2/04/2024

I promise to pay to Raju or his order,
₹ 30,000, one month after date.

To
Mr. Raju
(Payee)

Gurupreet
(Maker)



Topic : PROMISSORY NOTE

Pg. No. 7.4

Meaning

1. According to section 4 of the NI Act, 1881,
2. "A 'promissory note' is an instrument in writing
3. (not being a bank-note or a currency-note)
4. containing an unconditional undertaking (Promise)
5. signed by the maker, ^{↳ without any condition}
6. to pay a certain sum of money
7. only to, or to the order of, a certain person, or ^{↳ order}
8. to the bearer of the instrument." ^{↳ Bearer}



Topic : PROMISSORY NOTE

Pg. No. 7.5

Parties to promissory note

1. Maker: The person who makes the promise to pay is called the Maker. He is the debtor and must sign the instrument.

→ Gurpreet

2. Payee: Payee is the person to whom the amount on the note is payable.

→ Raju

Essential characteristics of Promissory Note



- ① In writing
- ② Must contain express promise to pay
- ③ Promise should be definite & conditional
- ④ Promissory Note must be signed by Maker
- ⑤ Promise to pay money only (Not in kind)
- ⑥ Promise to pay a certain sum
- ⑦ Maker & Payee must be diff. person
- ⑧ As per RBI Act, 1934, PN cannot be made payable to bearer
- ⑨ It must be stamped



Topic : PROMISSORY NOTE

Pg. No. 7.5

Essential Characteristics of a Promissory Note

a. In writing- An oral promise to pay is not sufficient.



Topic : PROMISSORY NOTE

Pg. No. 7.5

a. There must be an express promise to pay. Mere acknowledgment of debt is insufficient.

Example 1: (I acknowledge myself to be indebted to B in Rs. 1,000, to be paid on demand, for value received. (Valid promissory note as the promise to pay is definite)

Handwritten notes:
→ Acknowledge debt
↳ only
Promise to pay on demand

Example 2: "Mr. B, I.O.U Rs. 1,000." – Invalid promissory note as there is no promise to pay. It is just an acknowledgement of debt.

Handwritten note:
Owe you



→ Not a P.N

Raju I owe You ₹30,000
Gurpreet

→ Only acknowledge of debt)
(confirm)

→ P.N

I promise to pay to
Raju Rs 30,000



Topic : PROMISSORY NOTE

Pg. No. 7.6

c. The promise to pay should be definite and unconditional. Therefore, instruments payable on performance or non-performance of a particular act or on the happening or non-happening of an event, are not promissory notes.

However, the promise to pay may be subject to a condition, which according to the ordinary experience of mankind, is bound to happen.

Topic : PROMISSORY NOTE



Pg. No. 7.6

Example 3: I promise to pay B Rs. 500 seven days after my marriage with C.
(the promissory note is invalid as marriage with C may or may not happen.)

Uncertain event

Example 4: I promise to pay B Rs. 500 on D's death- as the death of D is certain,
promise is unconditional. Thus, the promissory note is valid.

Certain event

Example 5: I promise to pay B Rs. 500 on D's death, provided D leaves me
enough to pay that sum. Invalid promissory note as promise is
dependent on D's leaving behind money which is not certain.

D Manager ⇒ Certain
||
500 X



Topic : PROMISSORY NOTE

Pg. No. 7.6

- d. A promissory note must be signed by the maker otherwise it is incomplete and ineffective.

Signature
(Maker)



Topic : PROMISSORY NOTE

Pg. No. 7.6

- Promise to pay money only.

⇒ Promise to give something in kind is invalid P.N

Example 6:

I promise to pay B Rs. 500 and to deliver to him my black horse on 1st January next. It is not a valid promissory note, as the promisor needs to deliver its black horse which is not money.

Mr. A

I Promise to Pay to Mr. B
₹ 500 and to deliver
him my Black horse

Topic : PROMISSORY NOTE



Pg. No. 7.6

f. Promise to pay a certain sum.

Example 7: "I promise to pay B Rs. 500 and all other sums which shall be due to him." - Promissory note invalid as the amount payable is not certain.

But sometimes, the language of a promissory note is such that the amount payable can be easily ascertained. In such cases, the promissory note will be valid.

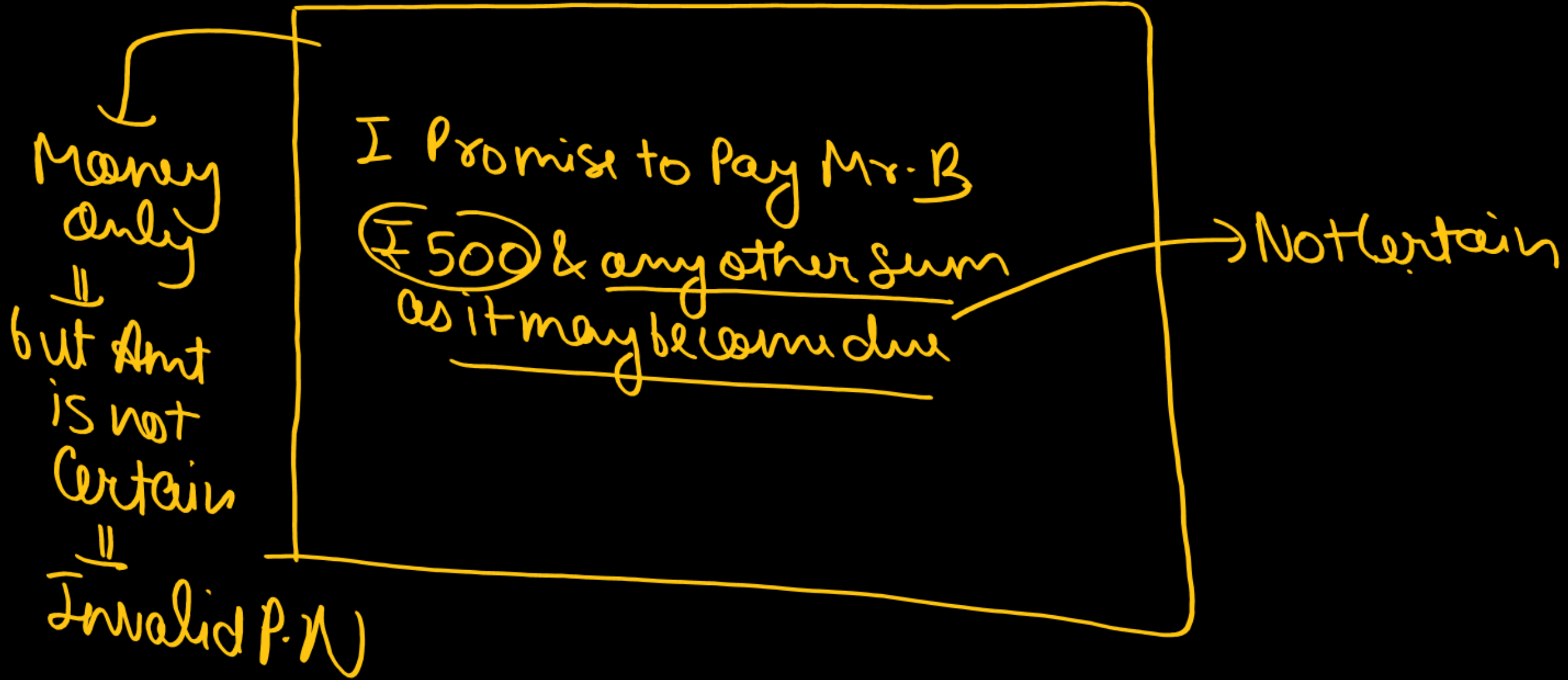
Example 8: "I promise to pay B Rs. 500 along with simple interest at the rate of 12% per annum.



A



B





X

Y

Certain
Amt
↓
Valid
P.N

I Promise to pay to Mr. Y
₹5000 + 12% Intt after
3 Month
X



Topic : PROMISSORY NOTE

Pg. No. 7.6

g. The maker and payee must be certain, definite and different persons. A promissory note cannot be made payable to the bearer [Section 31 of the ^{Reserve} Bank of India Act, 1934 (RBI Act)]. Only the Reserve Bank or the Central Government can make or issue a promissory note 'payable to bearer'.

I Promise to Pay to Mr. Gurpreet
₹ 5000 after 1 Month
Gurpreet



Types of Promissory Note



NI
1881



RBI
1934





4. Rama executes a promissory note in the following form, 'I promise to pay a sum of ₹10,000 after three months'. Decide whether the promissory note is a valid promissory note. ↳ Payee name is not mentioned ⇒ Bearer

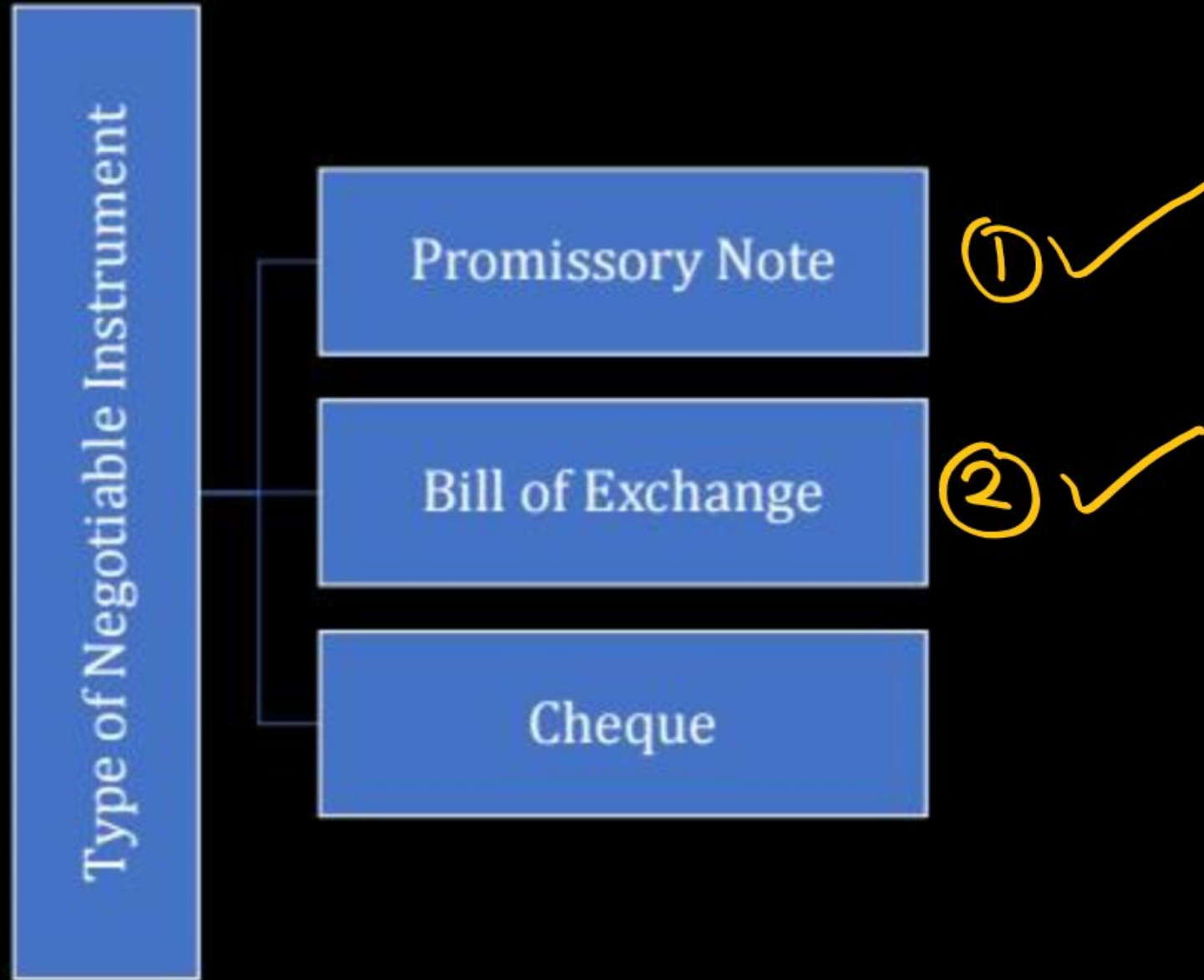
4. The promissory note is an unconditional promise in writing. In the above question the amount is certain but the date and name of payee is missing, thus making it a bearer instrument. As per Reserve Bank of India Act, 1934, a promissory note cannot be made payable to bearer - whether on demand or after certain days. Hence, the instrument is illegal as per Reserve Bank of India Act, 1934 and cannot be legally enforced.



Topic : PROMISSORY NOTE

Pg. No. 7.6

- Stamping: A promissory note must be properly stamped in accordance with the provisions of the Indian Stamp Act and such stamp must be duly cancelled by maker's signatures or initials on such stamp or otherwise.

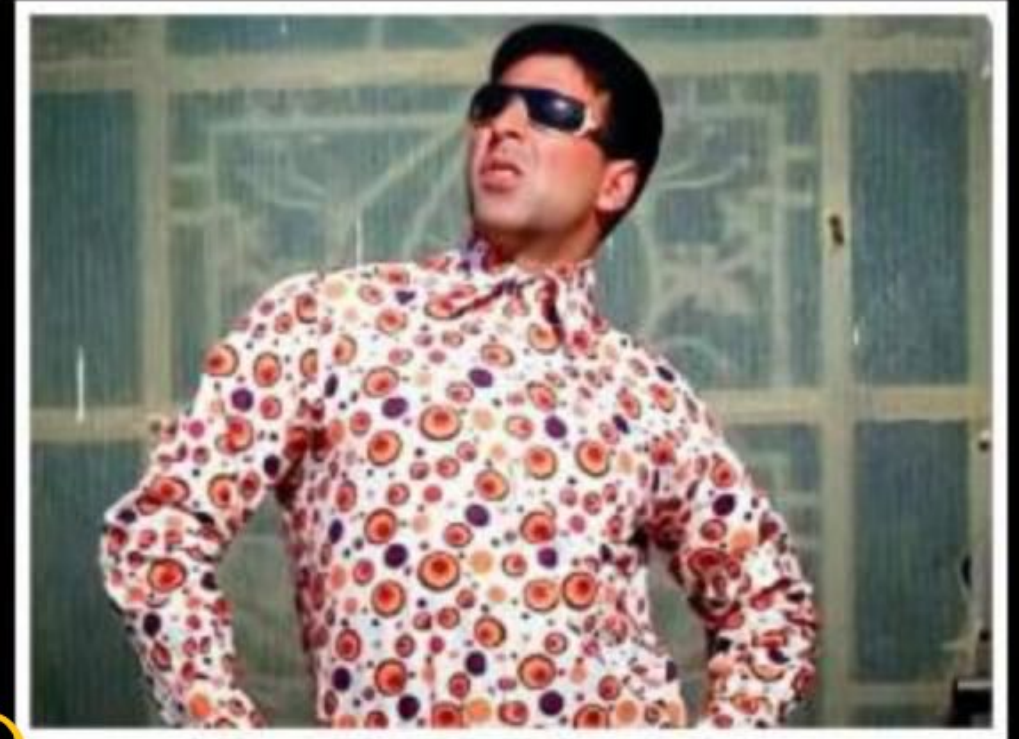




Drawer \Rightarrow Raju

Drawer \Rightarrow Gurpreet \Rightarrow Acceptor

Payee \Rightarrow Dr. Kavita



II
Drawer

II
Acceptor

Bill of Exchange

I order Gurpreet to pay ₹ 30,000 to Dr. Kavita, one month after date
Accepted Gurpreet
Raju

Primary & unconditional

Raju
(Drawer)



Topic : **BILLS OF EXCHANGE**

Pg. No. 7.7

- A "bill of exchange"
- is an instrument in writing
- containing an unconditional order,
- signed by the maker, (drawer)
- directing a certain person to pay a certain sum of money
- only to, or to the order of, a certain person or \Rightarrow order
- to the bearer of the instrument.
 Payee
 Bearer



Topic : BILLS OF EXCHANGE

Pg. No. 7.7

Specimen of Bill of Exchange

Mr. A (Drawer) 48, MP Nagar, Bhopal (M.P.)
April 10, 2022

Rs. 10,000/-

Four months after date, pay to Mr. B (Payee) a sum of Rupees Ten Thousand, for value received.

To,

Mr. C (Drawee)

576, Area Colony, Bhopal (M.P.)

Signature

Mr. A



Topic : BILLS OF EXCHANGE

Pg. No. 7.7

Parties to the bill of exchange

- a. Drawer: The maker of a bill of exchange. ⇒ Raju
- b. Drawee: The person directed by the drawer to pay is called the 'drawee'. He is the person on whom the bill is drawn. On acceptance of the bill, he is called an acceptor and is liable for the payment of the bill. His liability is primary and unconditional. ⇒ Gumpreet
- c. Payee: The person named in the instrument, to whom or to whose order the money is, by the instrument, directed to be paid. ⇒ Dr. Kawita



Topic : BILLS OF EXCHANGE

Pg. No. 7.7

Essential characteristics of bill of exchange

- (a) It must be in writing.
- (b) Must contain an express order to pay.
- (c) The order to pay must be definite and unconditional.
- (d) The drawer must sign the instrument.

Topic : BILLS OF EXCHANGE



Pg. No. 7.8

(e) Drawer, drawee, and payee must be certain. All these three parties may not necessarily be three different persons. One can play the role of two. But there must be two distinct persons in any case. As per Section 31 of RBI Act, 1934, a bill of exchange cannot be made payable to bearer on demand.

Example 9: "On demand pay to the bearer the sum of rupees five hundred, for value received." It is invalid BOE. ⇒ RBI

However, a bill of exchange payable on demand, in which name of the payee is mentioned, is valid. ↳ order

Example 10: "On demand pay to A or order the sum of rupees five hundred for value received." It is valid BOE.



Raju B.O.E.

Drawer \Rightarrow Raju

Drawee \Rightarrow Overprint

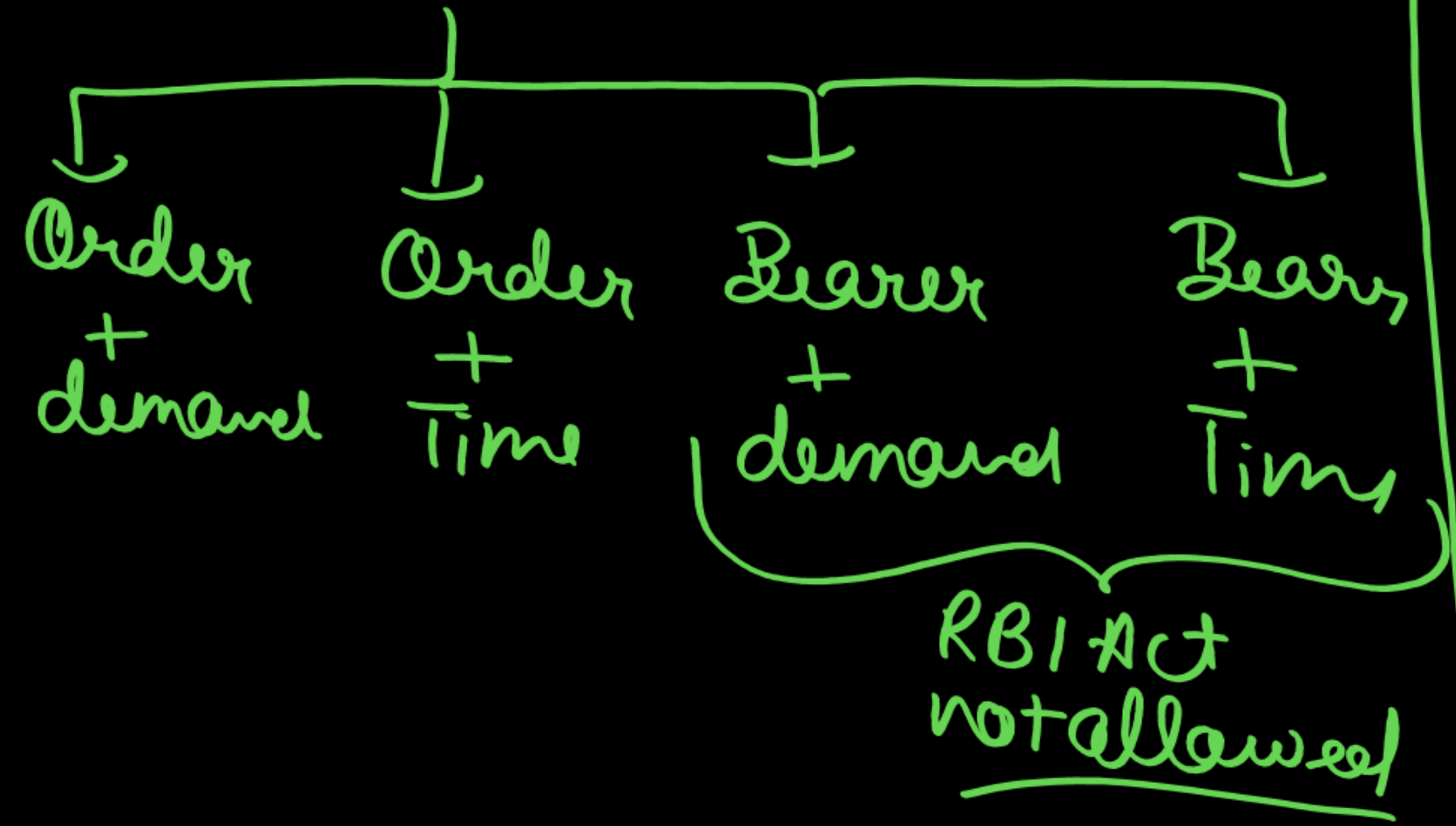
Payee \Rightarrow Raju

I order Overprint to pay
₹30,000 to Mr. Raju one
month after date

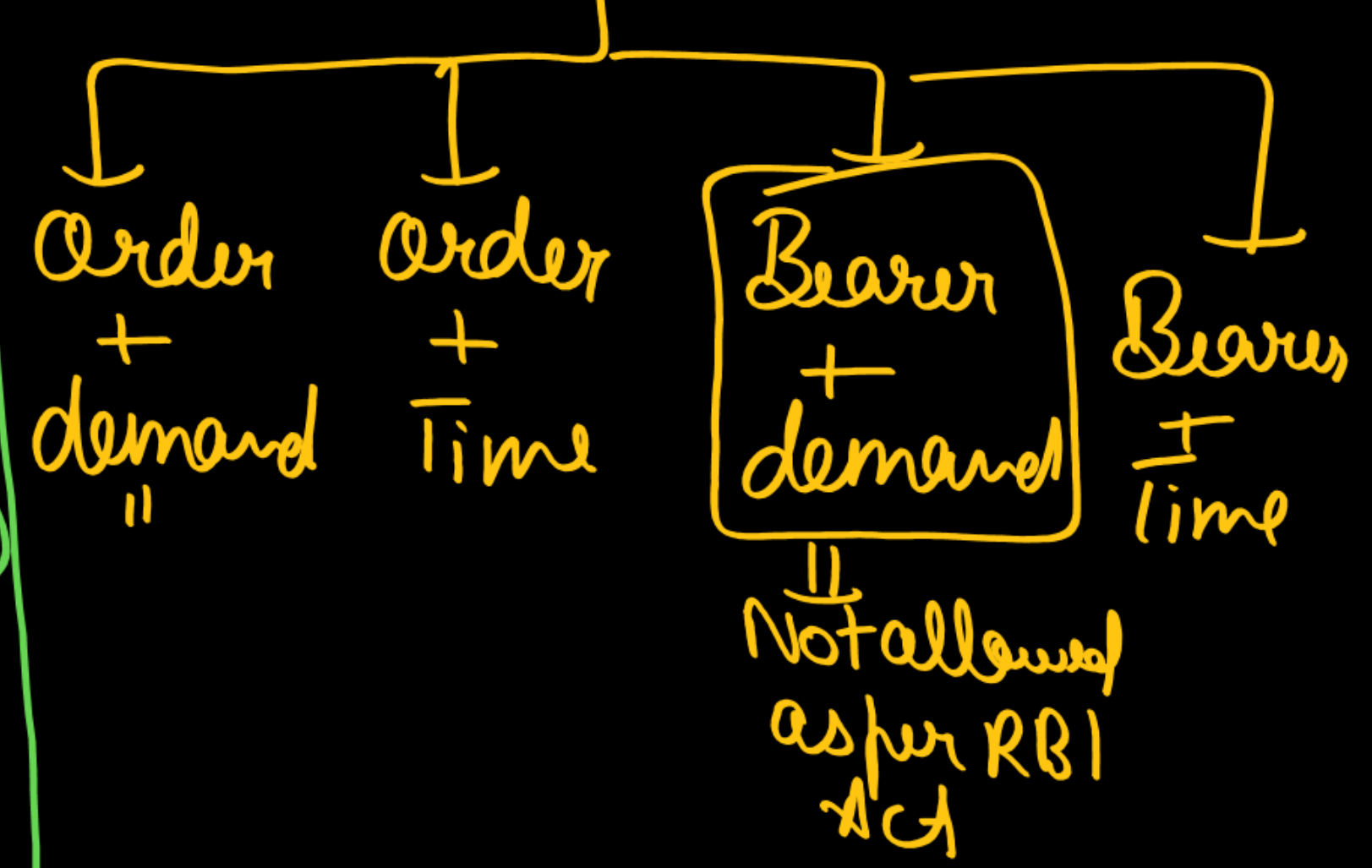
Raju



PN



B.O.E



Topic : BILLS OF EXCHANGE



Pg. No. 7.8

- (f) The sum must be certain.
- (g) The order must be to pay money only.
- (h) It must be stamped.



Topic : BILLS OF EXCHANGE

Pg. No. 7.9

Difference between promissory note and bill of exchange

S.no	Basis	Promissory Note	Bill of Exchange
1.	<u>Definition</u>	"A <u>Promissory Note</u> " is an <u>instrument in writing</u> (not being a banknote or a currency-note) <u>containing an unconditional undertaking signed by the maker</u> , to pay a <u>certain sum of money</u> only to, or to the order of, a <u>certain person, or to the bearer of the instrument.</u>	"A bill of exchange" is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of a certain person or to the bearer of the instrument.
2.	Nature of Instrument	In a <u>promissory note</u> , there is a <u>promise to pay money.</u>	In a bill of exchange, there is an <u>order for making payment.</u>
3.	Parties	In a <u>promissory note</u> , there are <u>only 2 parties</u> namely: i. <u>the maker</u> and ii. <u>the payee</u>	In a bill of exchange, there are <u>3 parties</u> which are as under: i. <u>the drawer</u> ii. <u>the drawee</u> iii. <u>the payee</u>



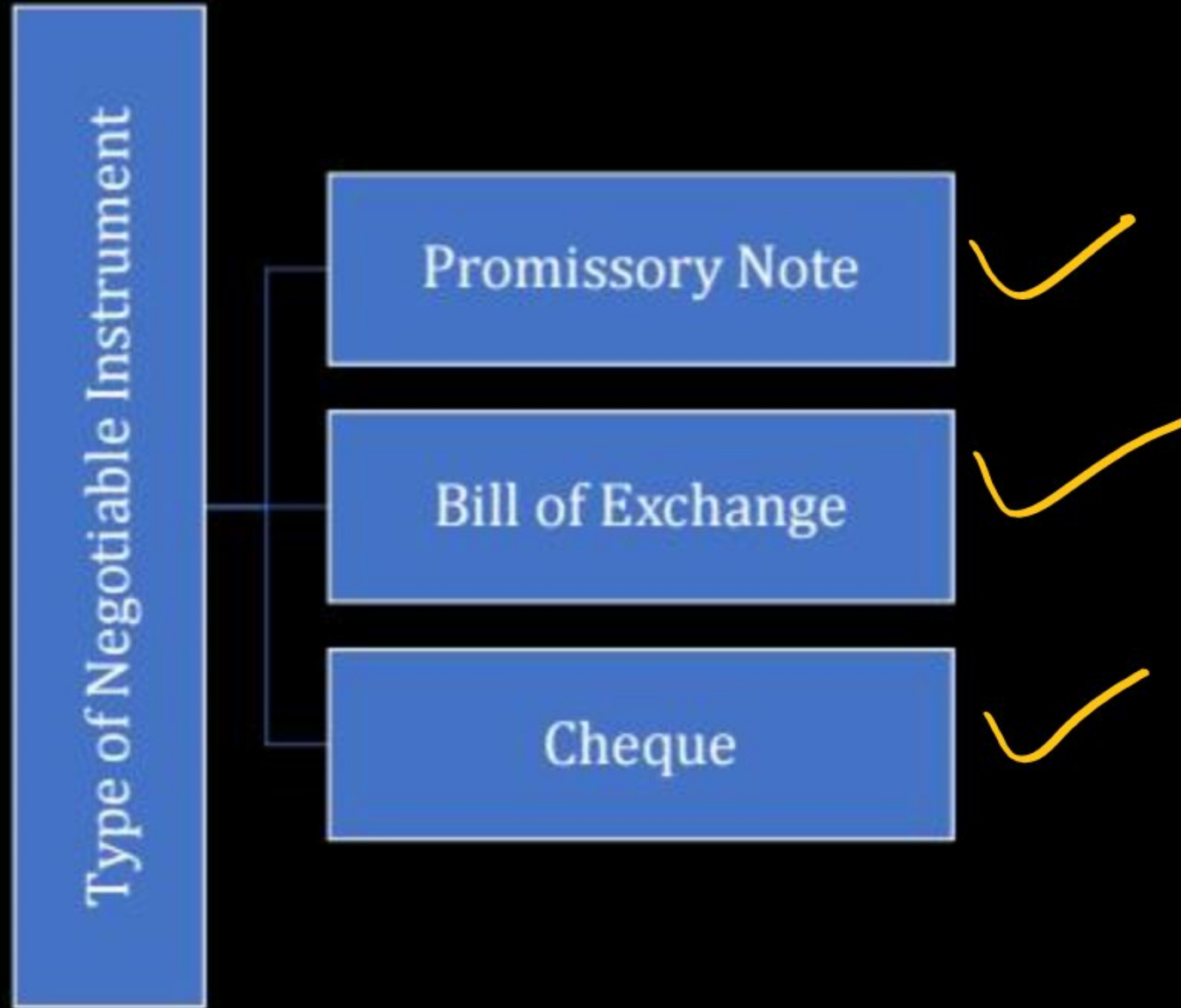
Topic : BILLS OF EXCHANGE

Pg. No. 7.9

Difference between promissory note and bill of exchange

S.no	Basis	Promissory Note	Bill of Exchange
4.	Acceptance	<u>A promissory note does not require any acceptance, as it is signed by the person who is liable to pay.</u>	<u>A bills of exchange needs acceptance from the drawee.</u>
5.	<u>Payable to bearer</u>	<u>A promissory note cannot be made payable to bearer.</u> <i>both demand & time ⇒ As per RBI Act</i>	<u>On the other hand, a bill of exchange can be drawn payable to bearer. However, it cannot be payable to bearer on demand. as per RBI Act</u>

//





Gurpreet $\xrightarrow{30,000}$ Raju
 \Downarrow
Cheque

Drawer ⇒ Gurpreet
Payee ⇒ Gurpreet Raju ⇒ 28/04/2024 → 3 Mahine
Drawer ⇒ ICICI Bank



→ Post dated
Cheque

ICICI Bank
Pune - Camp Branch
111, M.G. Rd. Camp, Pune, Maharashtra-411001
TGS / NEFT / IFSC Code : ICIC0006488

VALID FOR THREE MONTHS ONLY
01 05 2024
D D M M Y Y Y Y

Pay Raju
Rupees Thirty Thousand only
₹ 30,000

A/c No. 777701996909

SBPRV CBS
WEALTH MANAGEMENT : NEW SAVINGS ACCOUNT
Payable at par at all branches of ICICI Bank Limited in India

22/3/24

QR Code

Drawer
in case of Need :- Rishab Sir

GURPREET SINGH
Please sign above

⑈000091⑈ 4112290251 996909⑈ 31



Drawer \Rightarrow Cheque \Rightarrow Draw \Rightarrow Counterfeit

Drawee \Rightarrow Bank \Rightarrow ICICI
Bank

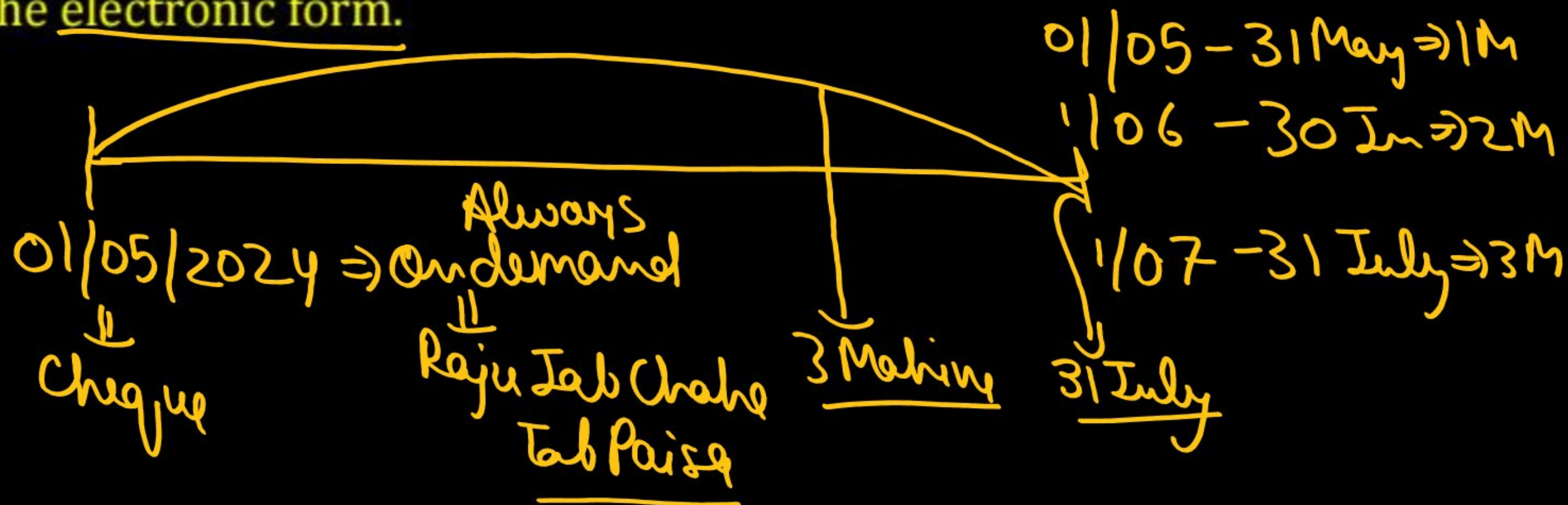
Payee \Rightarrow Mr. Raju

Cheque is a type of Bill of Exchange in which Drawee is always a bank

Topic : CHEQUE [SECTION 6]



- A “cheque” is a bill of exchange
- drawn on a specified banker and \rightarrow eg \Rightarrow ICICI Bank
- not expressed to be payable otherwise than on demand and \Rightarrow Cheque एका ही 211 demand Instrument
- it includes the electronic image of a truncated cheque and
- a cheque in the electronic form.





Cheque
includes

Electronic
image of
Truncated
Cheque

cheque
in the
electronic
form



Topic : CHEQUE [SECTION 6]

Pg. No. 7.10

Explanation I: For the purposes of this section, the expressions-

- (a) Cheque in the electronic form-means a cheque drawn in electronic form by using any computer resource, and signed in a secure system with a digital signature (with/without biometric signature) and asymmetric crypto system or electronic signature, as the case may be;



Topic : CHEQUE [SECTION 6]

Pg. No. 7.10

- (b) "a truncated cheque" means a cheque ^{→ Scan} which is truncated during a clearing cycle, either by the clearing house or by the bank whether paying or receiving payment, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing.

Truncated Cheque

||

Physical Cheque

⇒

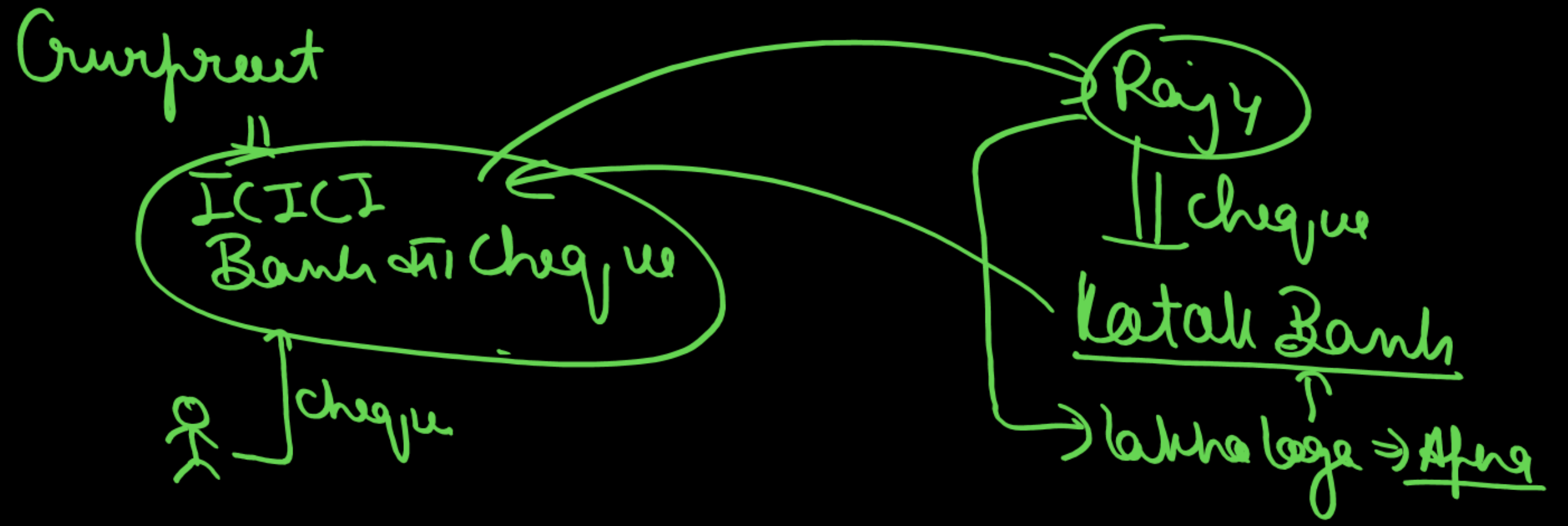
Scan

⇒

Electronic image

⇒

faster clearing



Scan



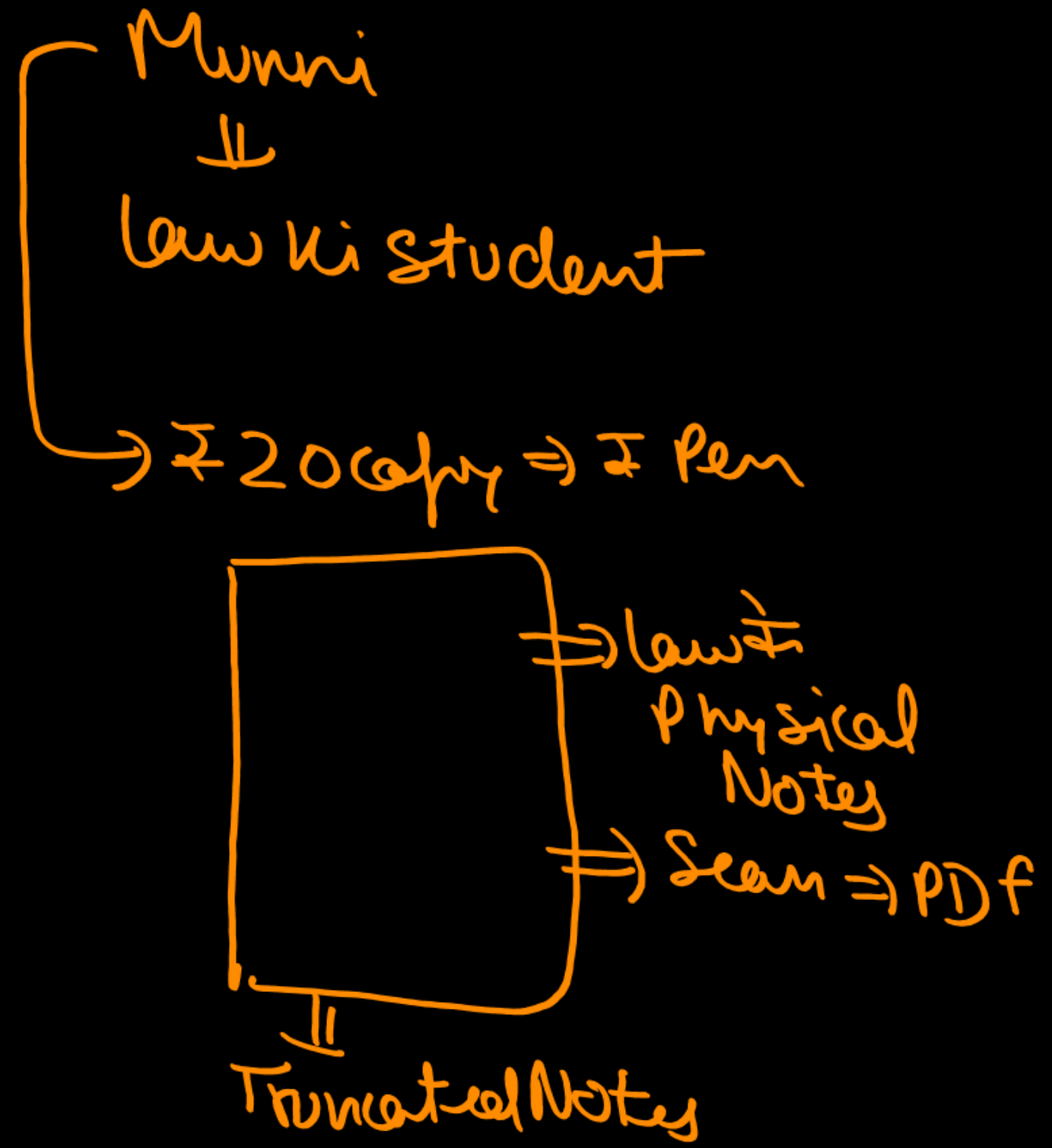
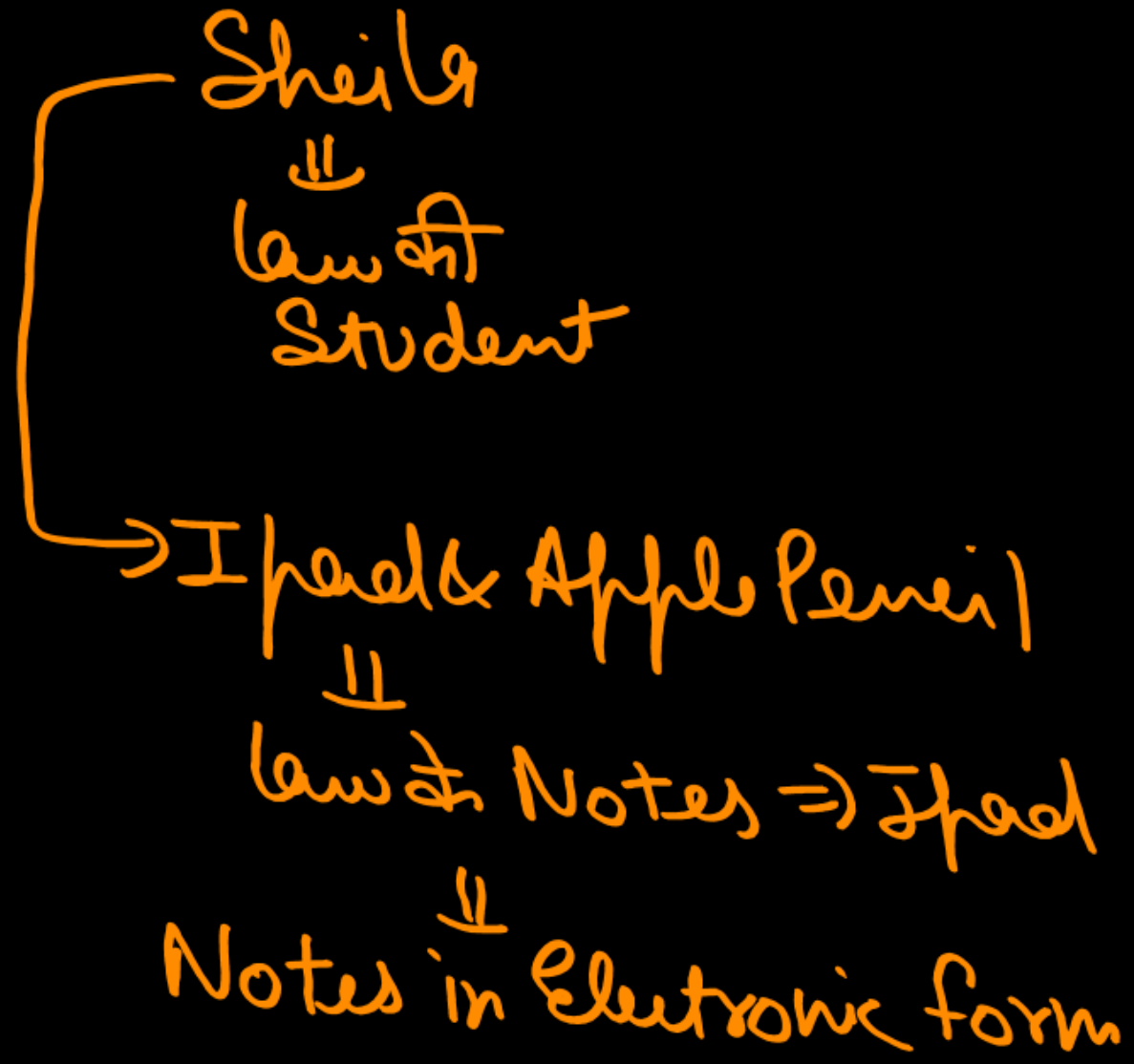
⇒ RBI

⇒ Scan

⇒ Electronic Image of Truncated Cheque

100000 Physical Cheques





Topic : CHEQUE [SECTION 6]



Pg. No. 7.11

^{→ BOC}
A combined reading of sections 5 and 6 tells us that a bill of exchange is a negotiable instrument in writing containing an instruction to a third party to pay a stated sum of money at a designated future date or on demand. Whereas a cheque is also a bill of exchange but is drawn on a banker and payable on demand.

Bill of Exchange

- ① Acceptance of drawer is required
- ② Drawer can be Any person
- ③ Demand instrument
Time Instrument
- ④ Stamp Mandatory

Cheque

- ① Acceptance of drawer is not required
- ② Drawer always bank
- ③ Always demand instrument
- ④ Stamp Not Mandatory



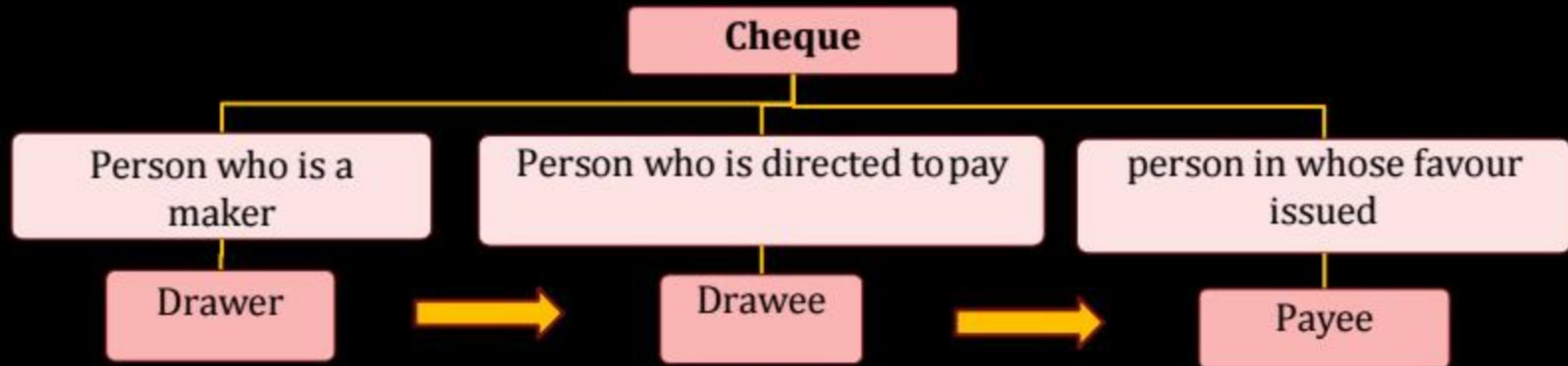
Parties to Cheque

1. Drawer: The person who draws a cheque i.e., makes the cheque (Debtor). His liability is primary and conditional.
2. Drawee: The specific bank on whom cheque is drawn. He makes the payment of the cheque. In case of cheque, drawee is always banker.
“drawee in case of need” — When in the bill or in any indorsement thereon, the name of any person is given in addition to the drawee to be resorted to in case of need such person is called a “drawee in case of need”.
3. Payee: The person named in the instrument (i.e., the person in whose favour cheque is issued), to whom or to whose order the money is, by the instrument, directed to be paid, is called the payee. The payee may be the drawer himself or a third party.

Topic : CHEQUE [SECTION 6]



Pg. No. 7.11





Topic : CHEQUE [SECTION 6]

Pg. No. 7.12

Essential Characteristics of a cheque

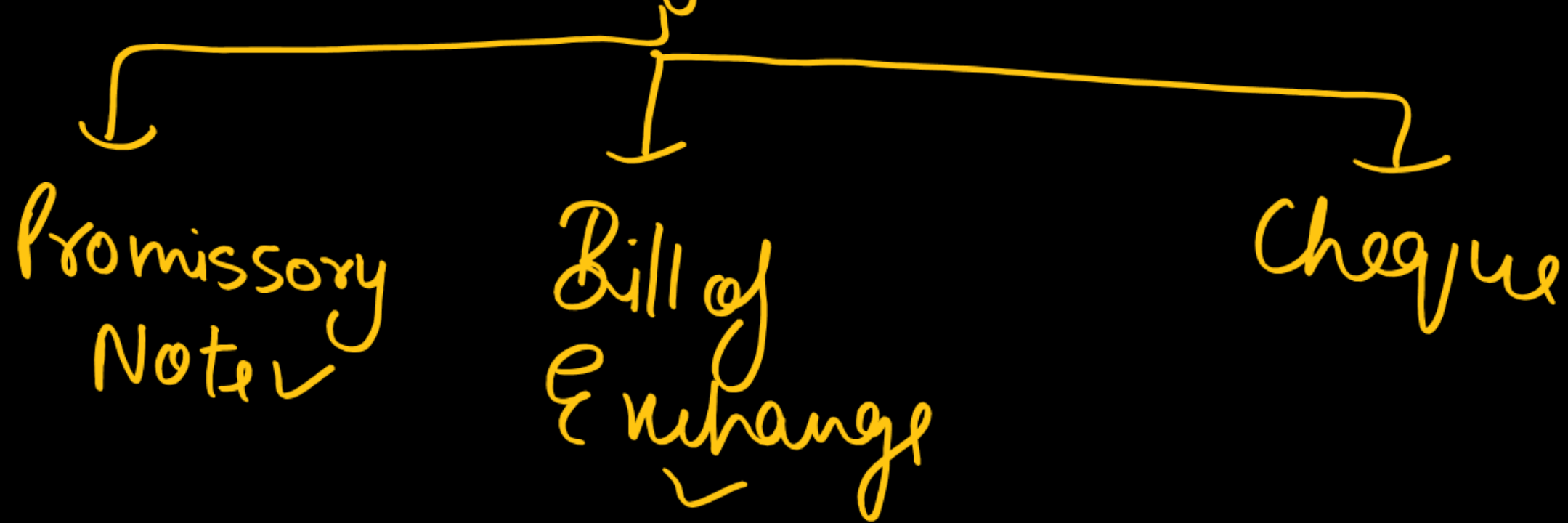
According to the definition of cheque under section 6, a cheque is a species of bill of exchange. Thus, it should fulfil:

- a. all the essential characteristics of a bill of exchange
- b. Must be drawn on a specified banker
- c. It must be payable on demand.

Note: These two additional features distinguish a cheque from bill. Thus, all cheques are bills while all bills are not cheques.



Types of N.I



- ① Order Instrument & Bearer Instrument
- ② Time Instrument & Demand Instrument



Topic : Meaning Of Negotiable Instruments

Pg. No. 7.3

Negotiable Instruments is an instrument (document) which is freely transferable (by customs of trade) from one person to another by mere delivery or by indorsement and delivery.

↳ Order Instrument

⇓
Bearer

The property in such an instrument pass to a bonafide transferee for value.

⇓
Ownership



Topic : Meaning Of Negotiable Instruments

Pg. No. 7.3

The Act does not define the term 'Negotiable Instruments'.

However, Section 13 of the Act provides for only three kinds of negotiable instruments namely bills of exchange, promissory notes and cheques, payable either to order or bearer. ① ② ③



Topic : Meaning Of Negotiable Instruments

Pg. No. 7.3

It is to be noted that

Hundies,

Treasury Bills,

Bearer Debentures,

Railway Receipts,

Delivery Orders,

Bill of Lading etc.

are also considered as negotiable instruments either by mercantile custom or usage.



Bombay Province

no 1092

10-7-51



HUNDI

SIX ANNAS

Rs. 2500



NO. 6 As.

DUE 10-7-1951

BOMBAY 12-4-1951

(86) Eighty Six days after date we
promise to pay to Seth Mangoomal Bhagwandas
or order the sum of Rupees (2500) Two Thousand
Five Hundred only for value received in cash this day.

9, Bhupat Bhawan
Ash Lane
yokhle Road (North)
Dadar
Bombay-28

For Nandlal Mansukhlal & Co.
For Nandlal Mansukhlal & Co.
m/Byral Partner.
Partner.

Brokers K. LACHHMANDAS KINGER

Topic : Meaning Of Negotiable Instruments

Pg. No. 7.4



Essential Characteristics of Negotiable Instruments

1. It is necessarily in writing.
2. It should be signed.
3. It is freely transferable from one person to another. ⇒ Infinite time
4. Holder's title is free from defects.
5. It can be transferred any number of times till its satisfaction.
6. Every negotiable instrument must contain an unconditional promise or order to pay money. The promise or order to pay must consist of money only.
7. The sum payable, the time of payment, the payee, must be certain.
8. The instrument should be delivered. Mere drawing of instrument does not create liability.



Types of N.I

Inland
Instrument

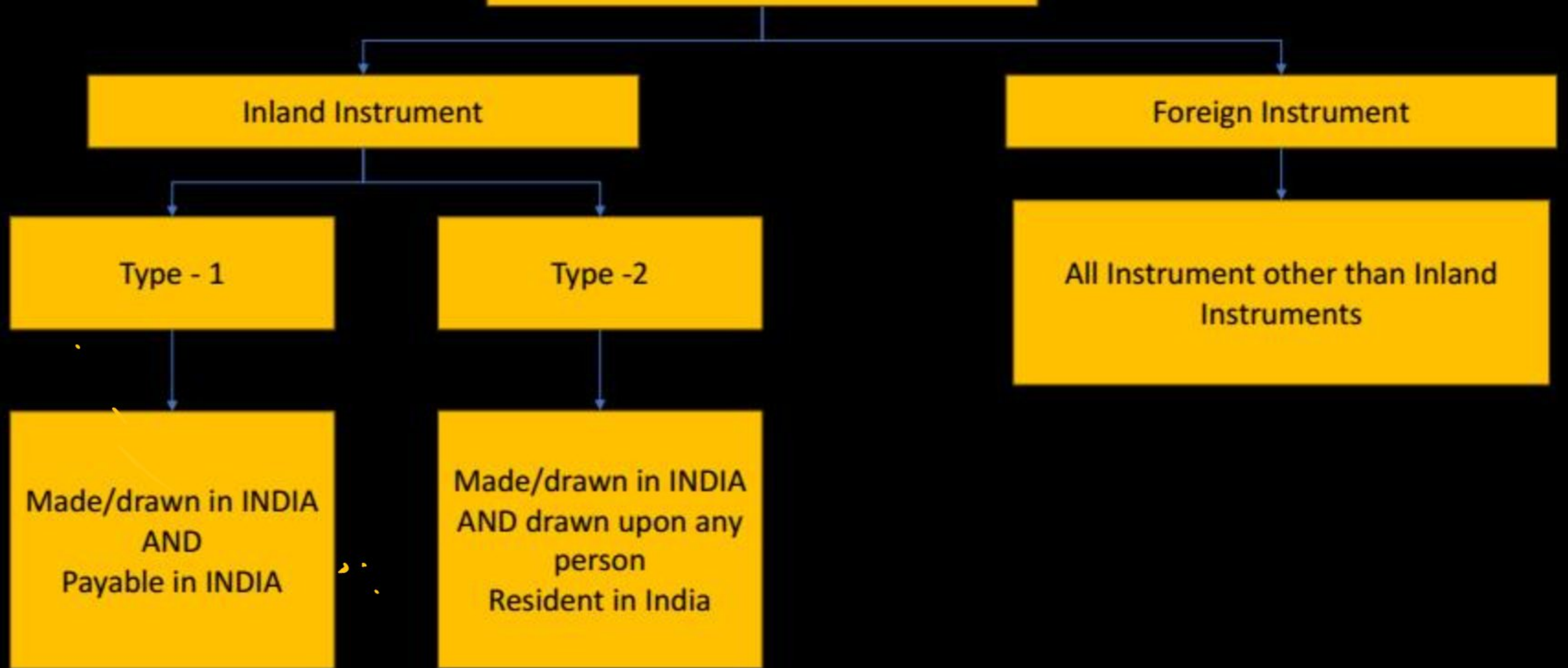
foreign
Instrument

||
is that N.I

which is not
Inland Instrument



Type of Negotiable Instrument





12. State with reasons whether each of the following instruments is an Inland Instrument or a Foreign Instrument as per The Negotiable Instruments Act, 1881:
- (i) Ram draws a Bill of Exchange in Delhi upon Shyam a resident of Jaipur and accepted to be payable in Thailand after 90 days of acceptance.
 - (ii) Ramesh draws a Bill of Exchange in Mumbai upon Suresh a resident of Australia and accepted to be payable in Chennai after 30 days of sight.
 - (iii) Ajay draws a Bill of Exchange in California upon Vijay a resident of Jodhpur and accepted to be payable in Kanpur after 6 months of acceptance.
 - (iv) Mukesh draws a Bill of Exchange in Lucknow upon Dinesh a resident of China and accepted to be payable in China after 45 days of acceptance.



(i)

Draw BOC in Delhi (India)

} Finland
First round

Draw upon Sheyam resident of
Jaipur (India)

Payable in Thailand

~~Type 1
Draw in India ✓
Payable in India ✓~~

Type 2
Made in India ✓
Drawn upon upon ✓
Rin I



(ii) Ramesh draws BOE in Mumbai (India)

drawn upon Suresh

Resident of Australia

Payable in Chennai (India)

↳ Inland Instrument

Type 1

Drawn in India ✓

&
Payable in India ✓



(iii) \Rightarrow foreign Instrument

draw in California

drawn upon Vijay \Rightarrow Resident
of Jodhpur (India)

Payable in Kanpur (India)

Type 1 X
drawn in India X
&
Payable in India ✓

Type 2 X
drawn in India X
drawn upon person Resident
in India ✓



(iv) \Rightarrow foreign Instrument
draws BOT in Lucknow, India
Drawn upon Dinush \Rightarrow Resident
of China

Payable in China

~~Type 1~~
Drawn in India ✓
&
Payable in India X

~~Type 2~~
Drawn in India ✓
&
Person Resident in
India X



- (i) In first case, Bill is drawn in Delhi by Ram on a person (Shyam), a resident of Jaipur (though accepted to be payable in Thailand after 90 days) is an *Inland instrument*.
- (ii) In second case, Ramesh draws a bill in Mumbai on Suresh resident of Australia and accepted to be payable in Chennai after 30 days of sight, is an *Inland instrument*.
- (iii) In third case, Ajay draws a bill in California (which is situated outside India) and accepted to be payable in India (Kanpur), drawn upon Vijay, a person resident in India (Jodhpur), therefore the Instrument is a *Foreign instrument*.
- (iv) In fourth case, the said instrument is a *Foreign instrument* as the bill is drawn in India by Mukesh upon Dinesh, the person resident outside India (China) and also payable outside India (China) after 45 days of acceptance.



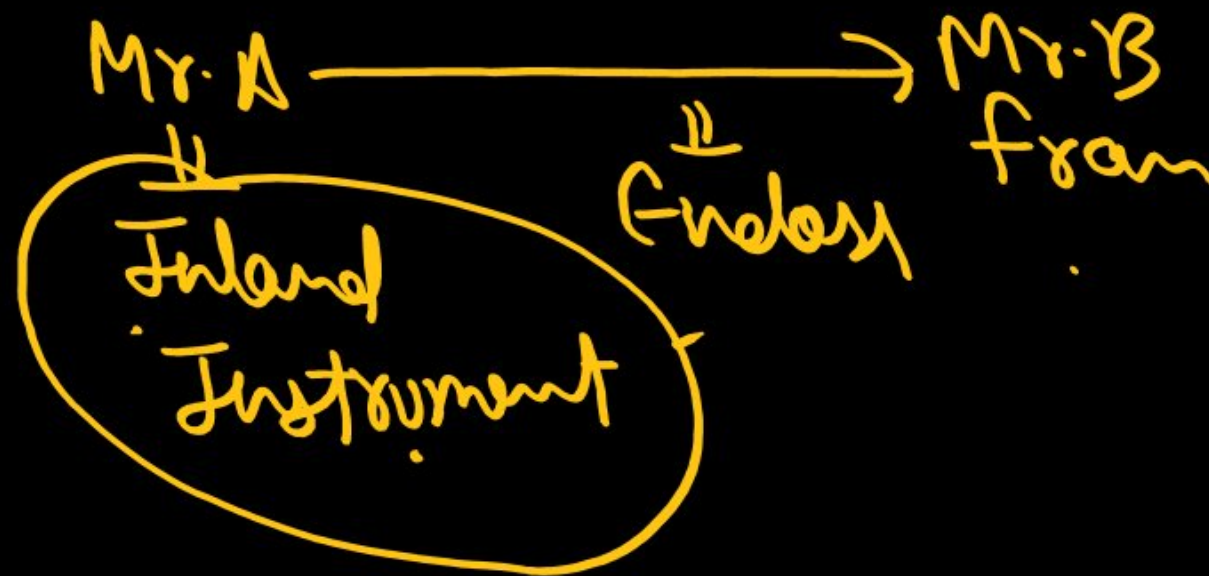
Topic : Classification of Negotiable Instruments

Pg. No. 7.12

“Inland instrument” and “Foreign instrument” [Sections 11 & 12]

“Inland instrument”: A promissory note, bill of exchange or cheque drawn or made in India and made payable in, or drawn upon any person resident in India shall be deemed to be an inland instrument.

An inland instrument remains inland even if it has been endorsed in a foreign country.



Topic : Classification of Negotiable Instruments



Pg. No. 7.13

- Example 11:
- (i) A promissory note made in Kolkata and payable in Mumbai.
 - (ii) A bill drawn in Varanasi on a person resident in Jodhpur (although it is stated to be payable in Singapore)
 - (iii) A, a resident of Agra, drew (i.e., made) a bill of exchange in Agra on B, a merchant in New York. And B accepted the bill of exchange as payable in Delhi. It is an inland bill of exchange. In this case, the bill of exchange was drawn in India and also payable in India.

Topic : Classification of Negotiable Instruments



Pg. No. 7.13

Example 11: (iv) A, resident of Mumbai, drew a bill of exchange in Mumbai on B, a merchant in Mathura. And B accepted the bill of exchange as payable in London. It is also an inland bill of exchange. In this case, the bill of exchange was drawn in India on a person resident in India. It is immaterial that the amount is payable in London.

An inland instrument remains inland even if it has been endorsed in a foreign country.

(v) If the bills of exchange mentioned in above two examples, are endorsed in France, they will remain inland bills.

Topic : Classification of Negotiable Instruments

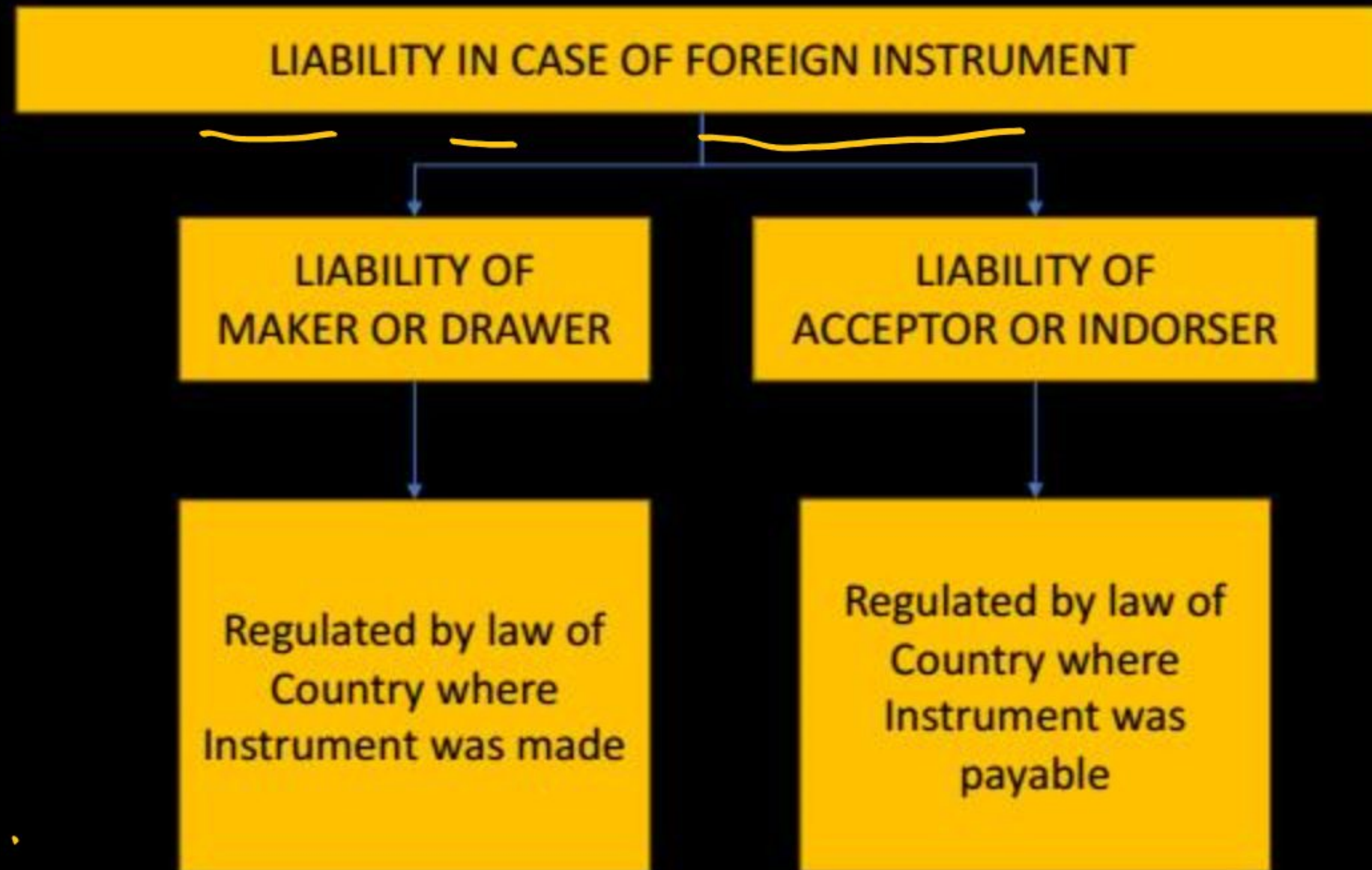


Pg. No. 7.13

“Foreign instrument”: A foreign instrument is one which is not an inland instrument.

Why instruments are classified as
Inland & foreigner



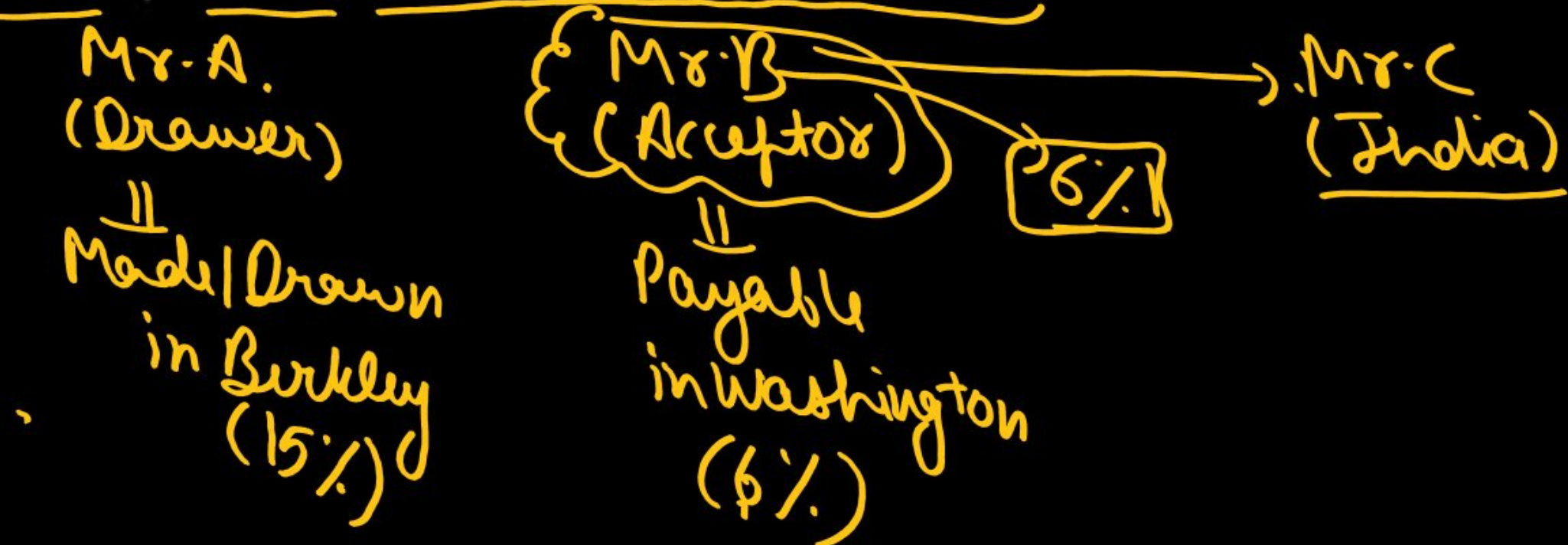




Topic : Classification of Negotiable Instruments

Pg. No. 7.14

Example 12: A bill of exchange is drawn by A in Berkley where the rate of interest is 15% and accepted by B payable in Washington where the rate of interest is 6%. The bill is indorsed in India and is dishonoured. An action on the bill is brought against B in India. He is liable to pay interest at the rate of 6% only. But if A is charged as drawer, he is liable to pay interest at 15%.



Topic : Classification of Negotiable Instruments



Pg. No. 7.13

Liability of maker/ drawer of foreign bill

In the absence of a contract to the contrary, the liability of the maker or drawer of a foreign promissory note or bill of exchange or cheque is regulated in all essential matters by the law of the place where he made the instrument, and the respective liabilities of the acceptor and indorser by the law of the place where the instrument is made payable (Section 134).



Inchoate Instrument
OR

Incomplete Instrument



Who is

Holder ??

Person

①

Legally Entitled
to Possess

+

②

Legally Entitled
to Receive
Money

V/S

Holder in
Due Course

= Person ✓

Holder ✓

+

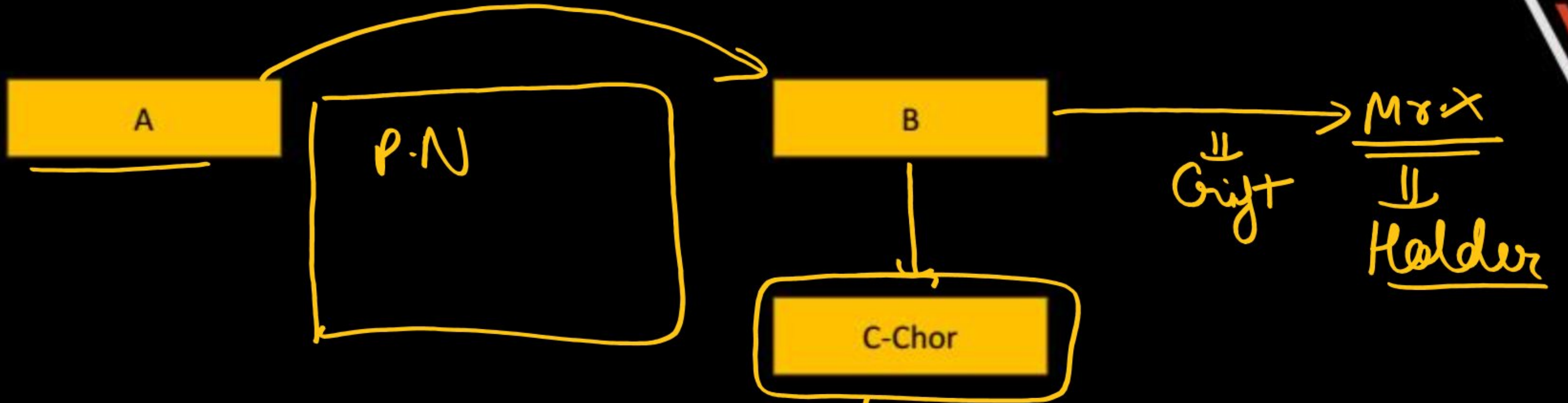
For
Consideration

+

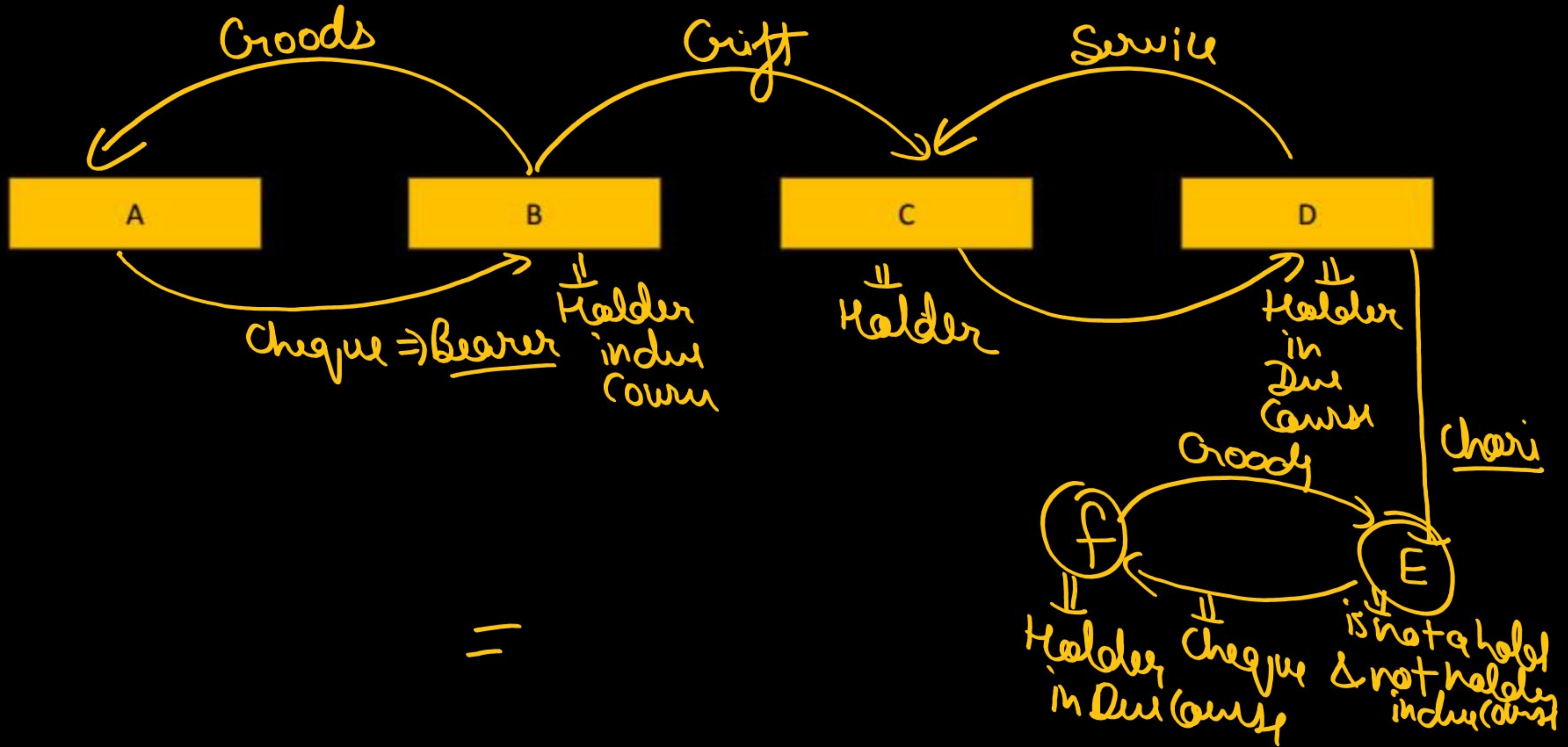
Before maturity

+

In Good Faith



is not legally entitled to possess the N.I.



Topic : Classification of Negotiable Instruments



Pg. No. 7.14

Inchoate and Ambiguous Instruments

Inchoate Instrument: It means an instrument that is incomplete in certain respects. The drawer/ maker/ acceptor/ indorser of a negotiable instrument may sign and deliver the instrument to another person in his capacity leaving the instrument, either wholly blank or having written on it the word incomplete.

Such an instrument is called an inchoate instrument and this gives a power to its holder to make it complete by writing any amount either within limits specified therein or within the limits specified by the stamp's affixed on it.

The principle of this rule of an inchoate instrument is based on the principle of estoppel.

REAL LIFE EXAMPLE



Groupmate Sir

⇓
CA Final Exams ⇒ AIR 25 ⇒ clear

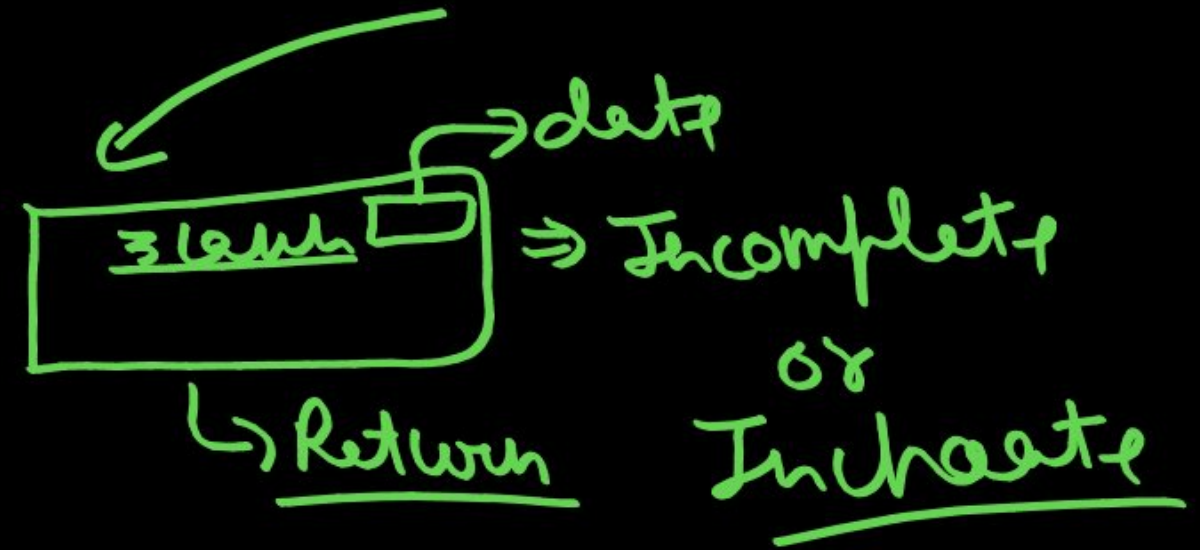
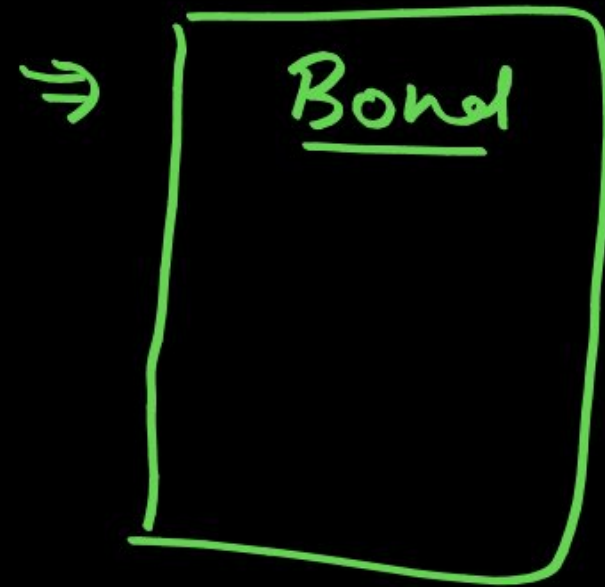
⇓
Indian Oil Corporation Ltd.
⇓
17 lakhs p.a.

CA
Groupmate

→ 3 Seal ⇒ 3 lakh



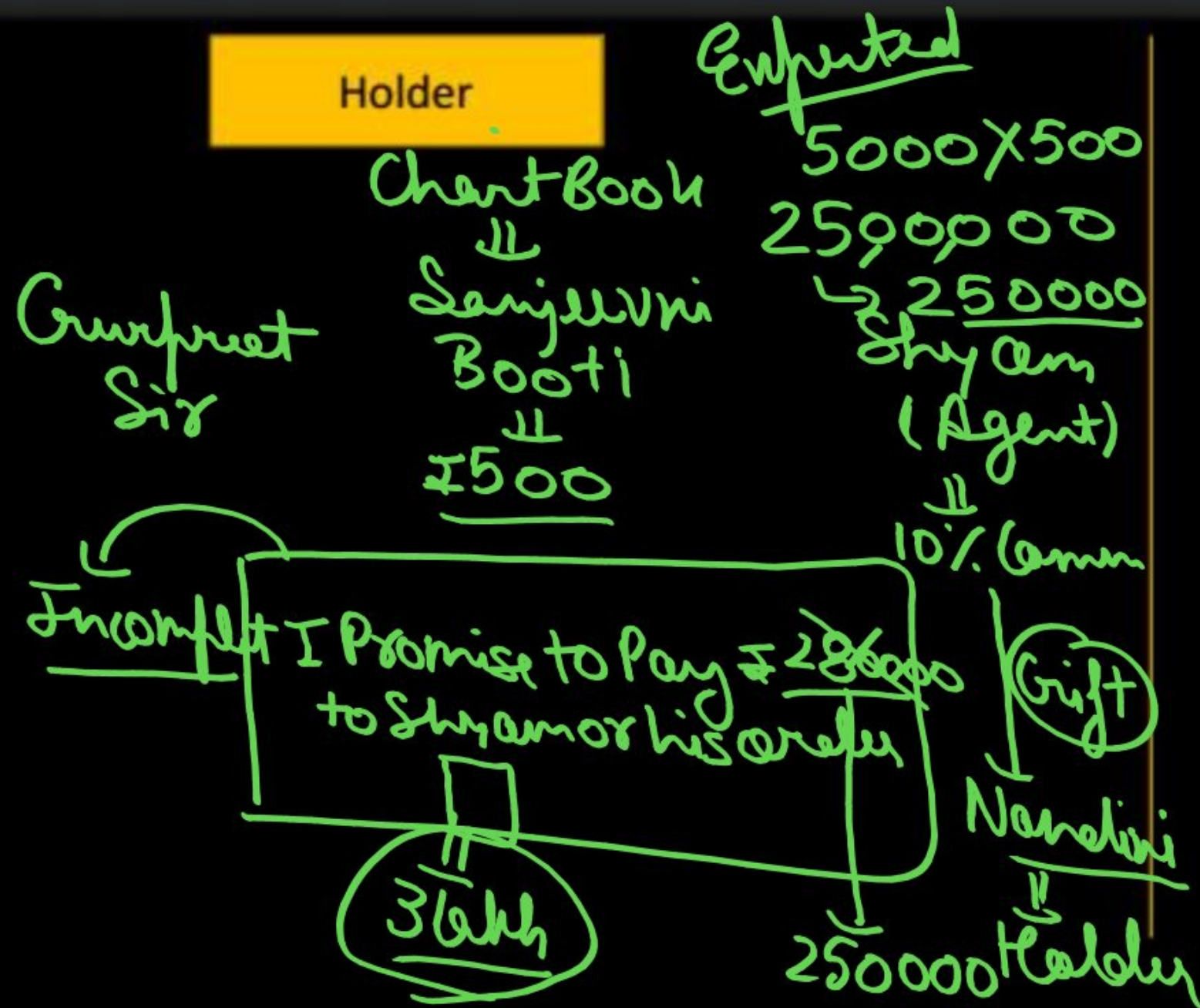
(0 ⇒ Join



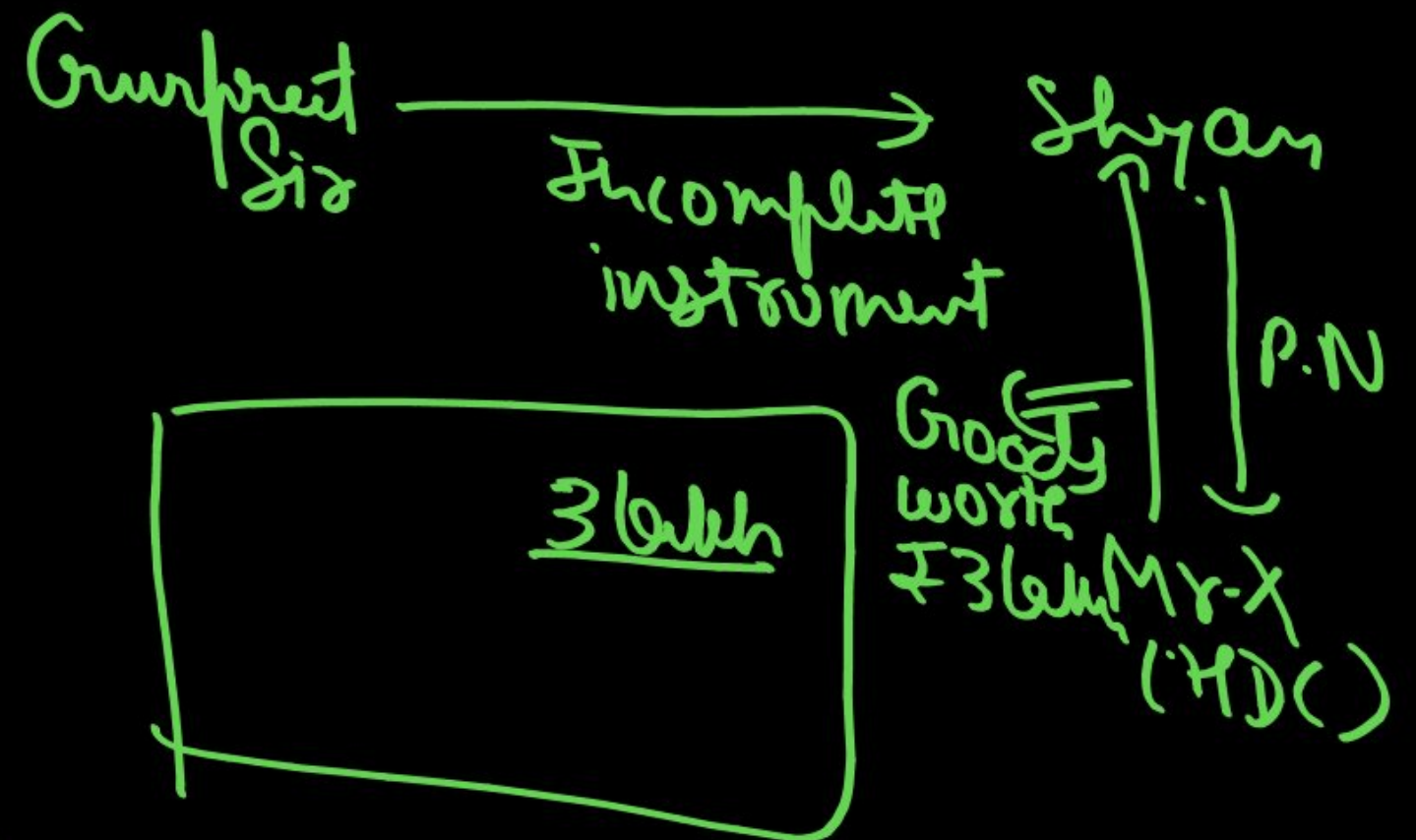
LIABILITY



Holder



Holder in Due Course



Topic : Classification of Negotiable Instruments



Pg. No. 7.14

Liability on drawing inchoate instrument: The person signing and delivering the inchoate instrument is liable both to a holder and holder in due course. However, there is a difference in their respective rights:

In
The holder of such an instrument cannot recover the amount in excess of the amount intended to be paid by the signor.

→ Intention

The holder in due course can, however, recover any amount on such instrument provided it is covered by the stamp affixed on the instrument.

Topic : Classification of Negotiable Instruments

Pg. No. 7.15

Section 20 of the Act reads as "Where one person signs and delivers to another a paper stamped in accordance with the law relating to negotiable instruments then in force in India, and either wholly blank or having written thereon an incomplete negotiable instrument, he thereby gives prima facie authority to the holder thereof to make or complete, as the case may be, upon it a negotiable instrument, for any amount specified therein and not exceeding the amount covered by the stamp. The person so signing shall be liable upon such instrument, in the capacity in which he signed the same, to any holder in due course for such amount. Provided that no person other than a holder in due course shall recover from the person delivering the instrument anything in excess of the amount intended by him to be paid thereunder".

⇒ (umprent) *→ Shyam*

Topic : Classification of Negotiable Instruments



Pg. No. 7.15

Example 13: A person signed a blank acceptance on a bill of exchange and kept it in his drawer. The bill was stolen by X and he filled it up for Rs. 20,000 and negotiated it to an innocent person for value. It was held that the signer to the blank acceptance was not liable to the holder in due course because he never delivered the instrument intending it to be used as a negotiable instrument. Further, as a condition of liability, the signer as a maker, drawer, indorser or acceptor must deliver the instrument to another. In the absence of delivery, the signer is not liable. Furthermore, the paper so signed and delivered must be stamped in accordance with the law prevalent at the time of signing and on delivering otherwise the signer is not estopped from showing that the instrument was filled without his authority.

⇒ Page (or u) ⇒ In the topic of delivery

Topic : Classification of Negotiable Instruments



Pg. No. 7.15

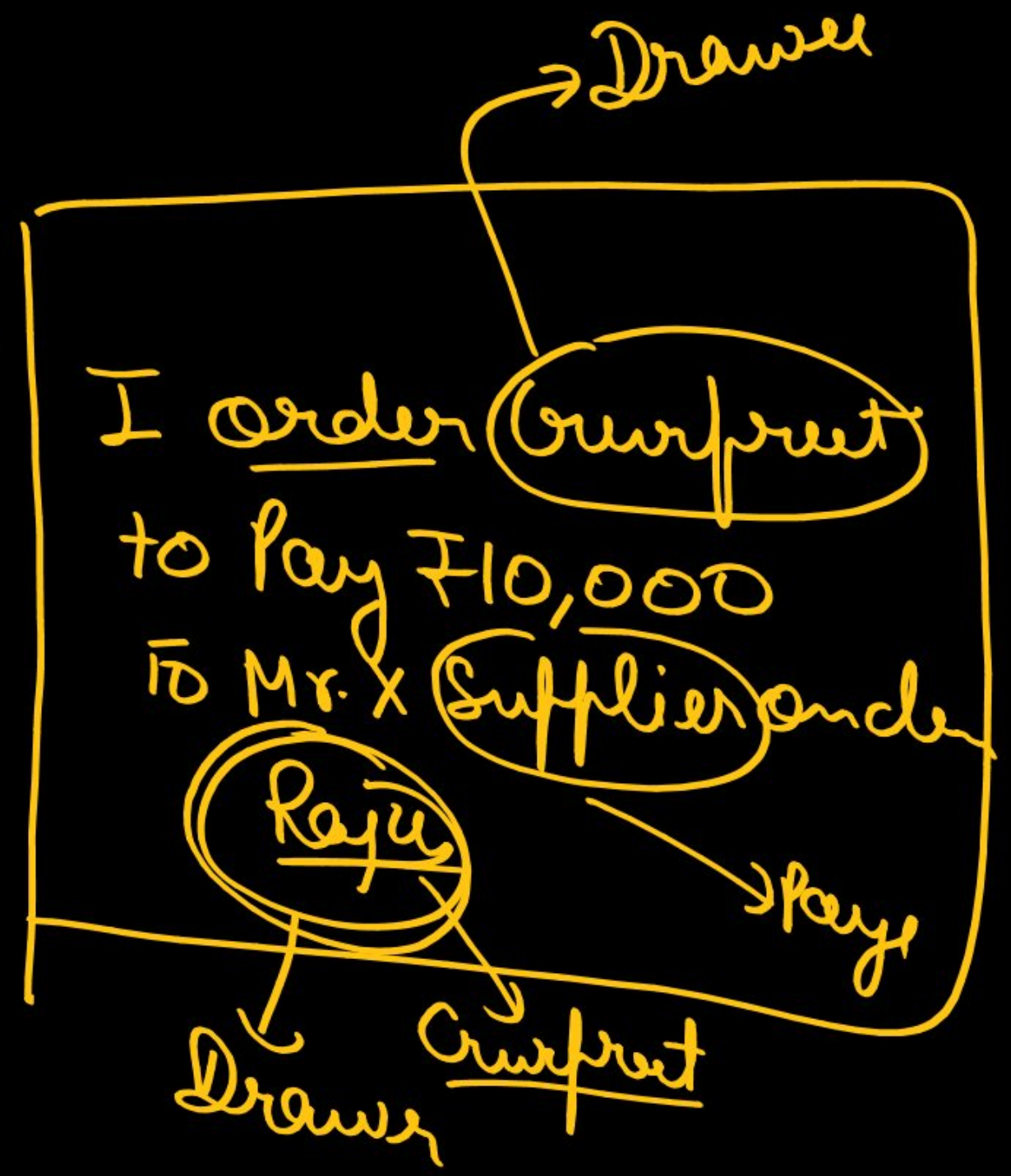
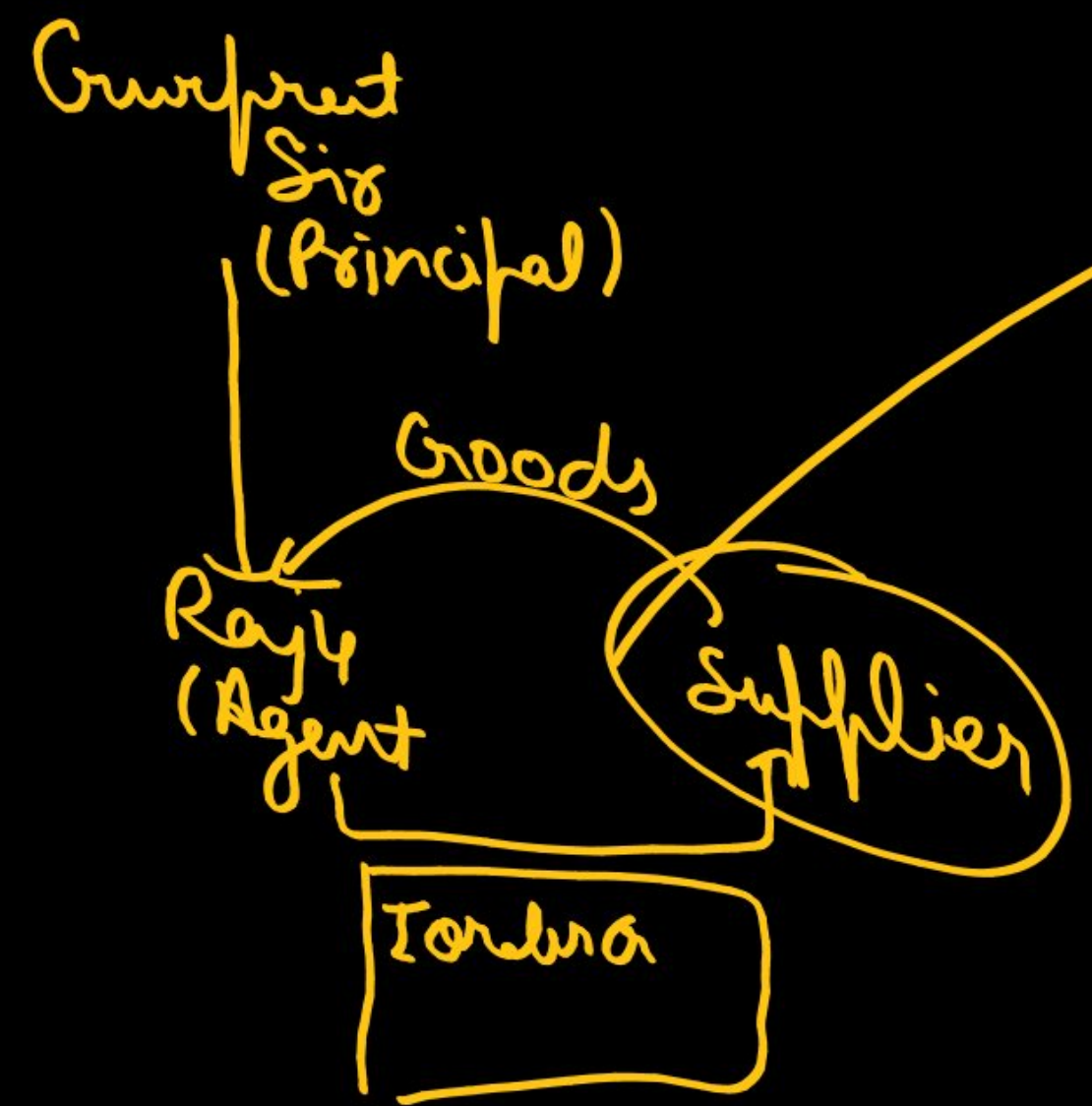
Ambiguous Instrument: Section 17 of the Act, reads as: "Where an instrument may be construed either as a promissory note or bill of exchange, the holder may at his election treat it as either, and the instrument shall be thenceforward treated accordingly."

Thus, an instrument which is vague and cannot be clearly identified either as a bill of exchange, or as a promissory note, is an ambiguous instrument. In other words, such an instrument may be construed either as promissory note, or as a bill of exchange.

Section 17 provides that the holder may, at his discretion, treat it as either and the instrument shall thereafter be treated accordingly. Thus, after exercising his option, the holder cannot change that it is the other kind of instrument.



Ambiguous (Uncertain or not clear)
Instrument
Bill of Exchange
or
Promissory Note





Negotiation \Rightarrow Transfer

\hookrightarrow Infinite time until its satisfaction

Order \Rightarrow Endorsement + delivery

Bearer \Rightarrow Only delivery

Topic : Negotiation (Transfer) Of Negotiable Instruments



Pg. No. 7.15

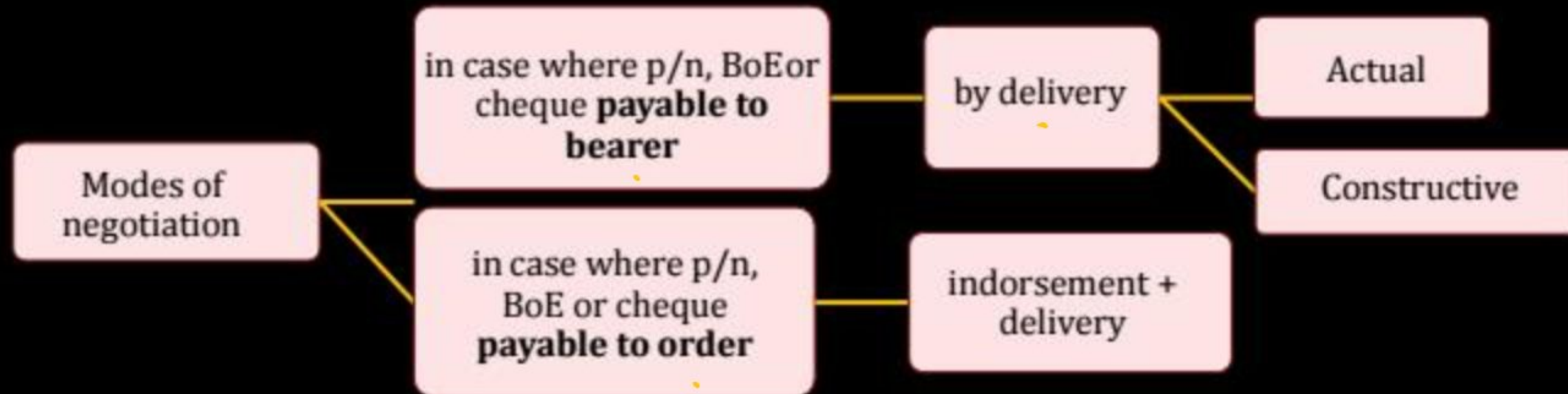
One of the essential characteristics of a negotiable instrument is that it is freely transferable from one person to another. The rights in a negotiable instrument can be transferred from one person to another by negotiation.

According to Section 14 of the N.I. Act, when a negotiable instrument is transferred to any person with a view to constitute the person holder thereof, the instrument is deemed to have been negotiated. Thus, there is a transfer of ownership of the instrument. Negotiable instruments may be negotiated either by delivery when these are payable to bearer or by indorsement and delivery when these are payable to order.

Topic : Negotiation (Transfer) Of Negotiable Instruments

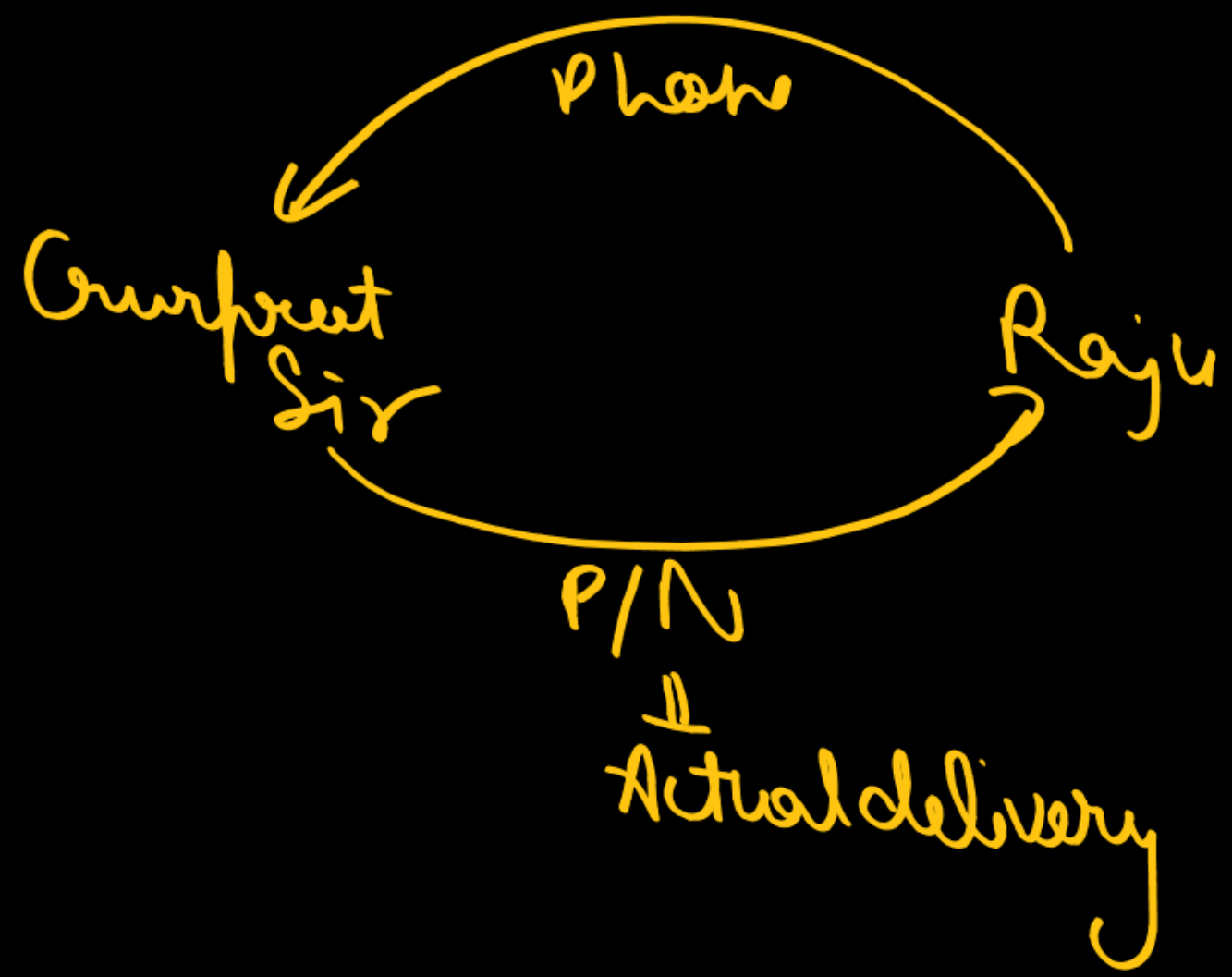


Modes of Negotiation

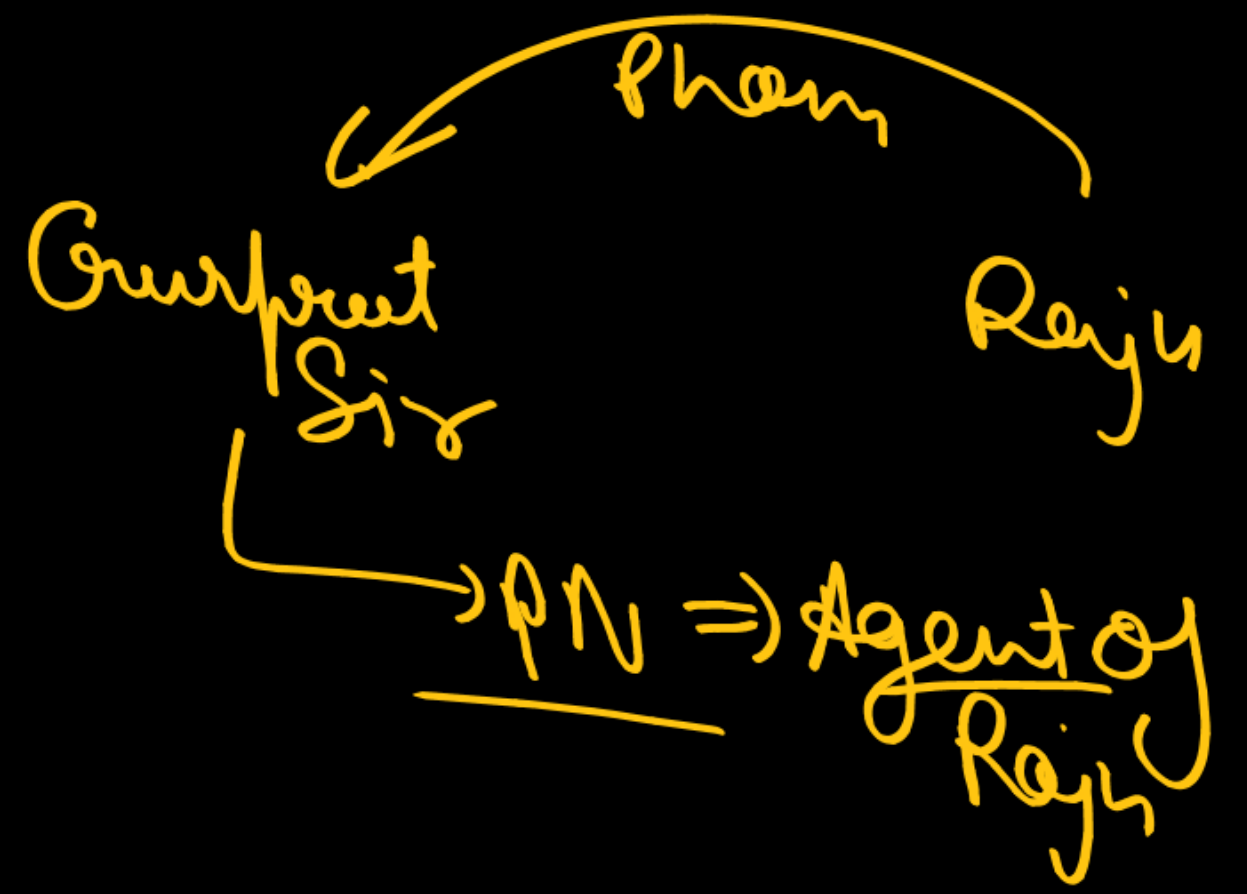




Actual delivery of N.I



Constructive delivery of N.I



Topic : Negotiation (Transfer) Of Negotiable Instruments



Pg. No. 7.16

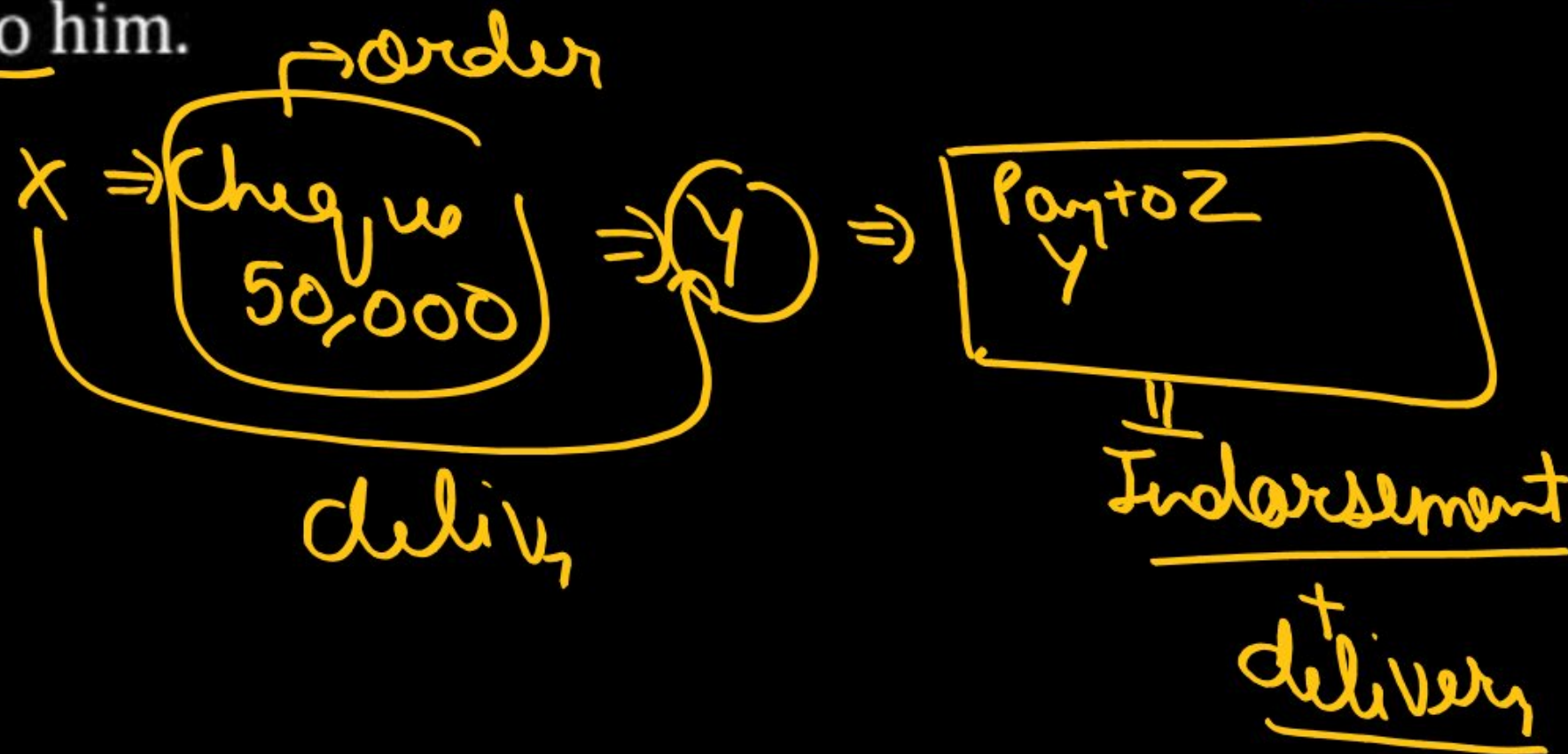
- (i) A promissory note, bill of exchange or cheque payable to bearer is negotiable by the delivery thereof.
- (ii) A promissory note, bill of exchange or cheque payable to order is negotiable by the holder by indorsement and delivery thereof.

Topic : Negotiation (Transfer) Of Negotiable Instruments



Pg. No. 7.16

Example 14: X drew a cheque for Rs. 50,000 payable to Y and delivered it to him. Y indorsed the cheque in favour of Z but kept it in his table drawer. Subsequently, Y died, and cheque was found by Z in Y's table drawer. In this case, Z does not become the holder of the cheque as the negotiation was not completed by delivery of the cheque to him.



Topic : Negotiation (Transfer) Of Negotiable Instruments



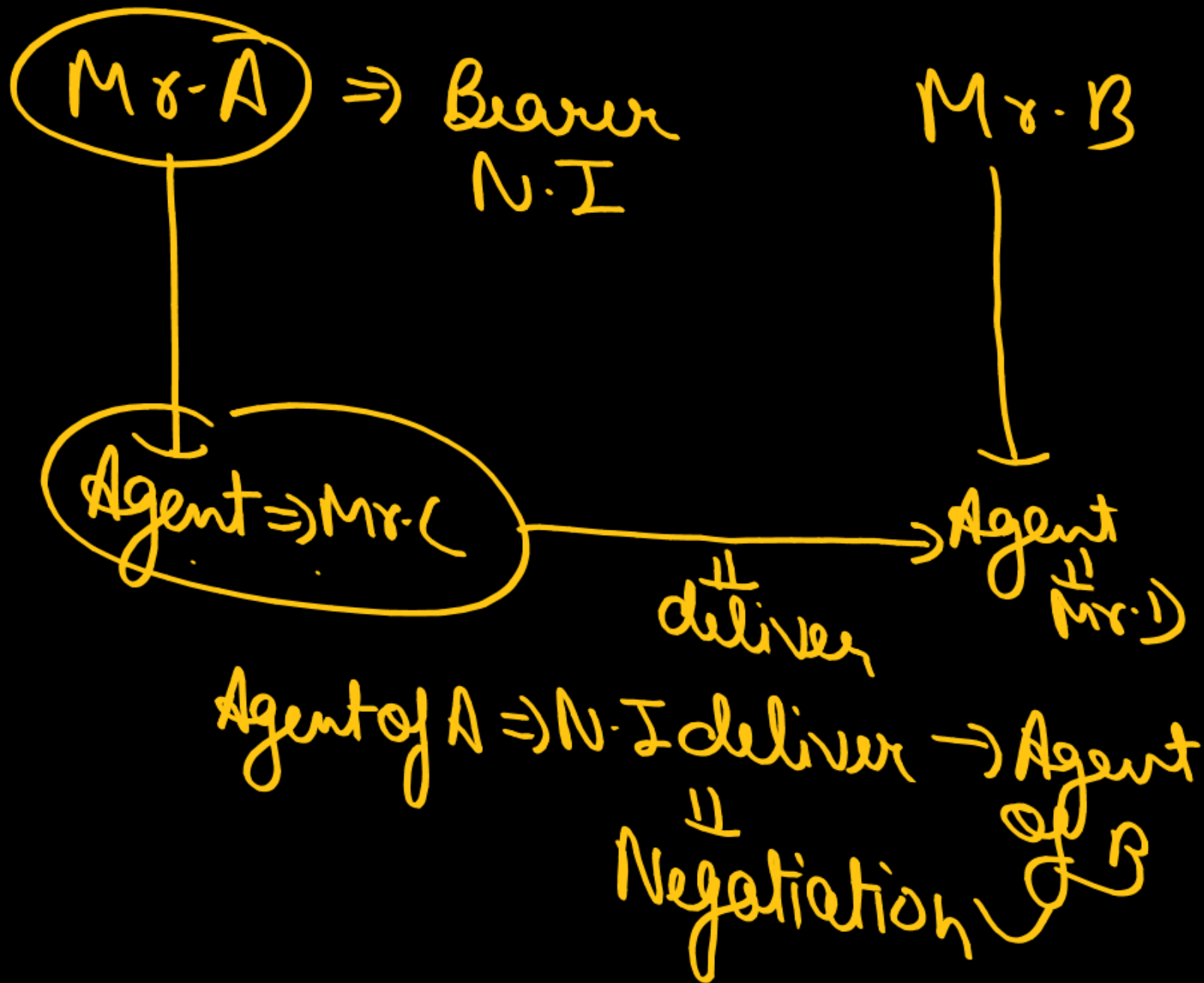
Pg. No. 7.16

Negotiation by delivery [Section 47]

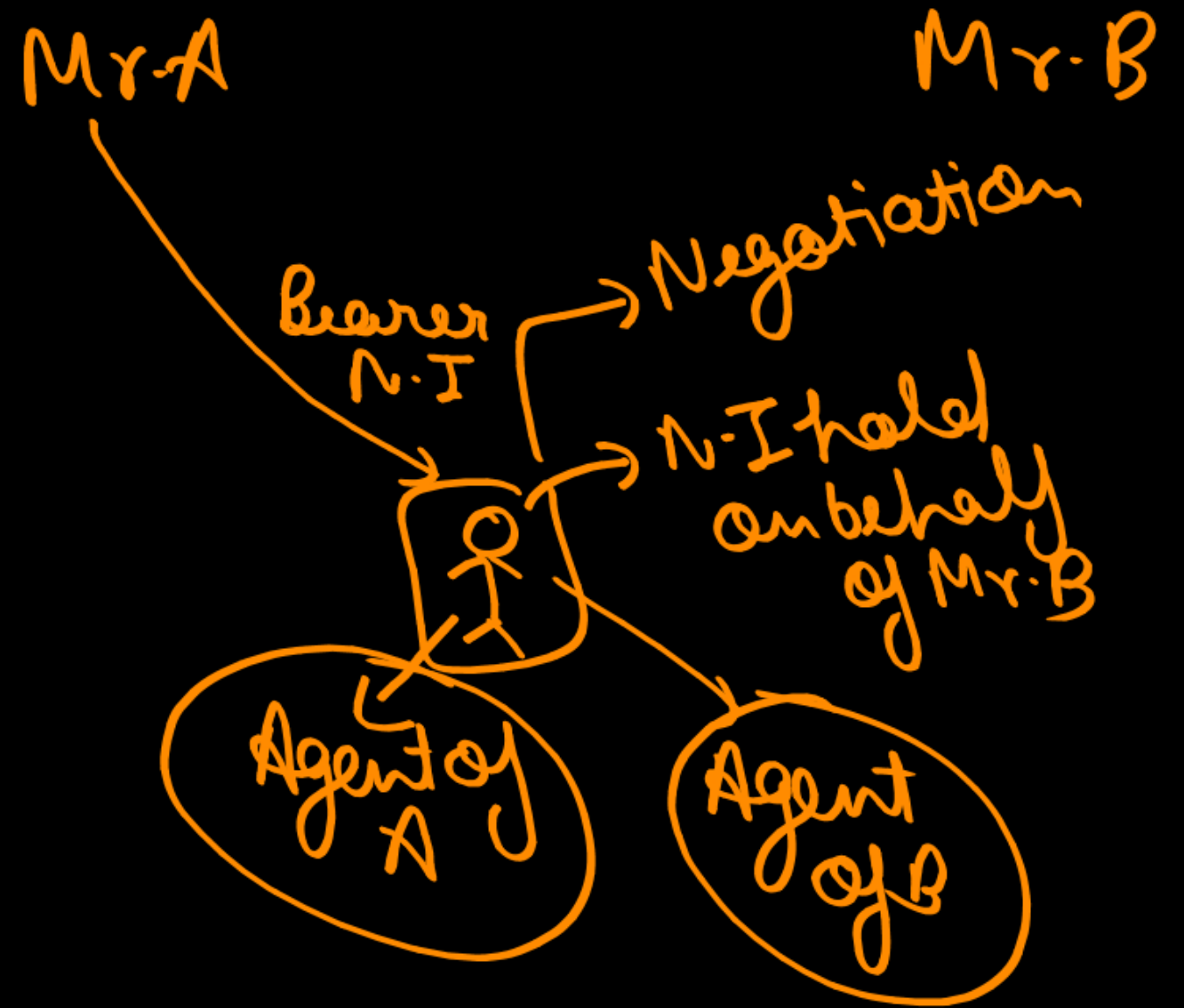
Subject to the provisions of section 58 [Instrument obtained by unlawful means or for unlawful consideration], a promissory note, bill of exchange or cheque payable to bearer is negotiable by delivery thereof.

NI ⇒ Bearer ⇒ Negotiation ⇒ Only delivery
→ Actual
→ Constructive

Part-1



Part-2



Topic : Negotiation (Transfer) Of Negotiable Instruments



Pg. No. 7.17

Negotiation by indorsement [Section 48]

Subject to the provisions of section 58, a promissory note, bill of exchange or cheque payable to order, is negotiable by the holder by indorsement and delivery thereof.

Bearer \Rightarrow Only delivery

Order \Rightarrow Indorsement + delivery

Topic : Negotiation (Transfer) Of Negotiable Instruments



Pg. No. 7.17

Importance of Delivery in Negotiation [Section 46]

Delivery of an instrument is essential whether the instrument is payable to bearer or order for effecting the negotiation. The delivery must be voluntary, and the object of delivery should be to pass the property in the instrument to the person to whom it is delivered.

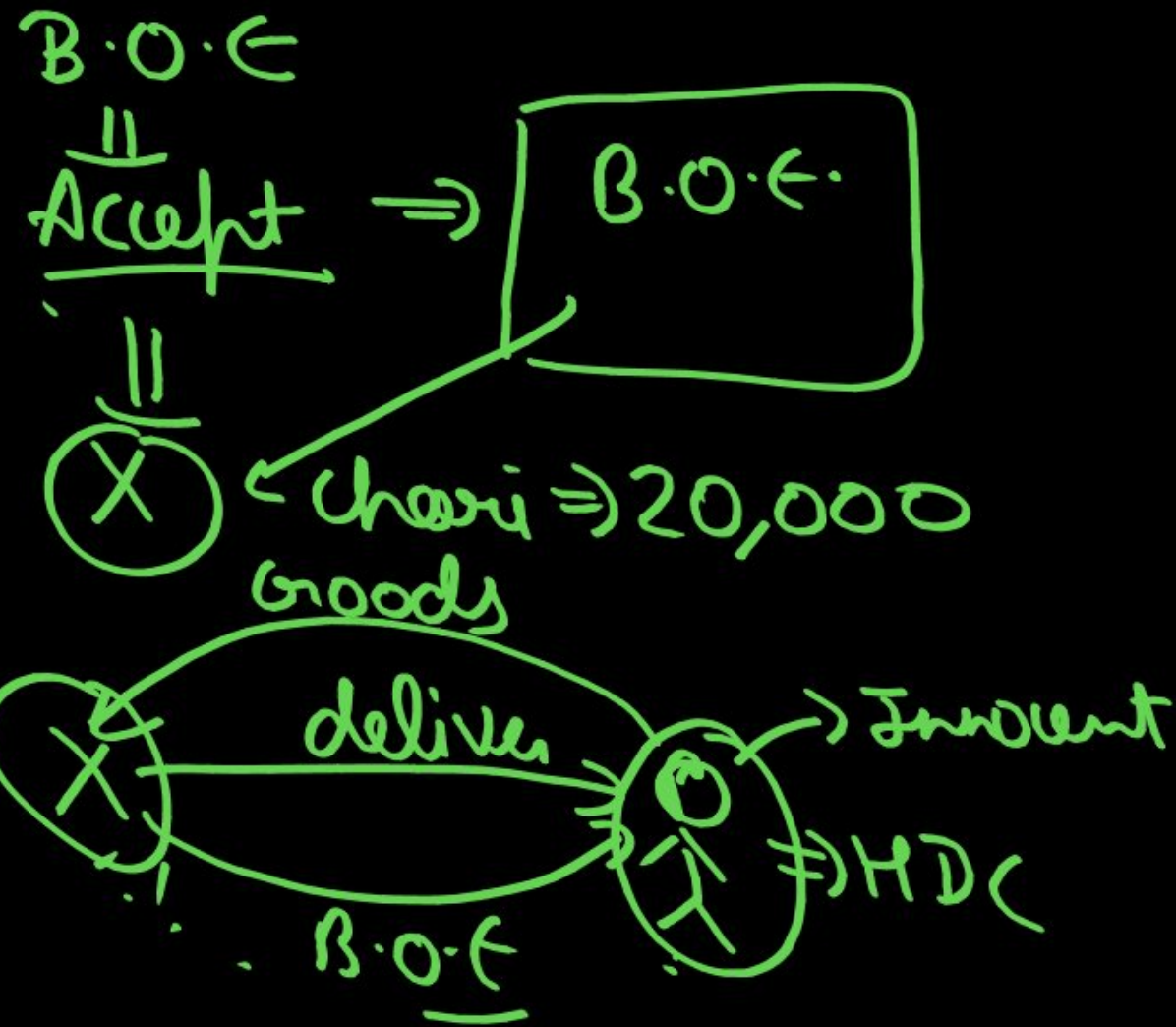
Actual vs Constructive

The delivery can be, actual or constructive. Actual delivery takes place when the instrument changes hand physically. Constructive delivery takes place when the instrument is delivered to the agent, clerk or servant of the indorsee on his behalf or when the indorser, after indorsement, holds the instrument as an agent of the indorsee.



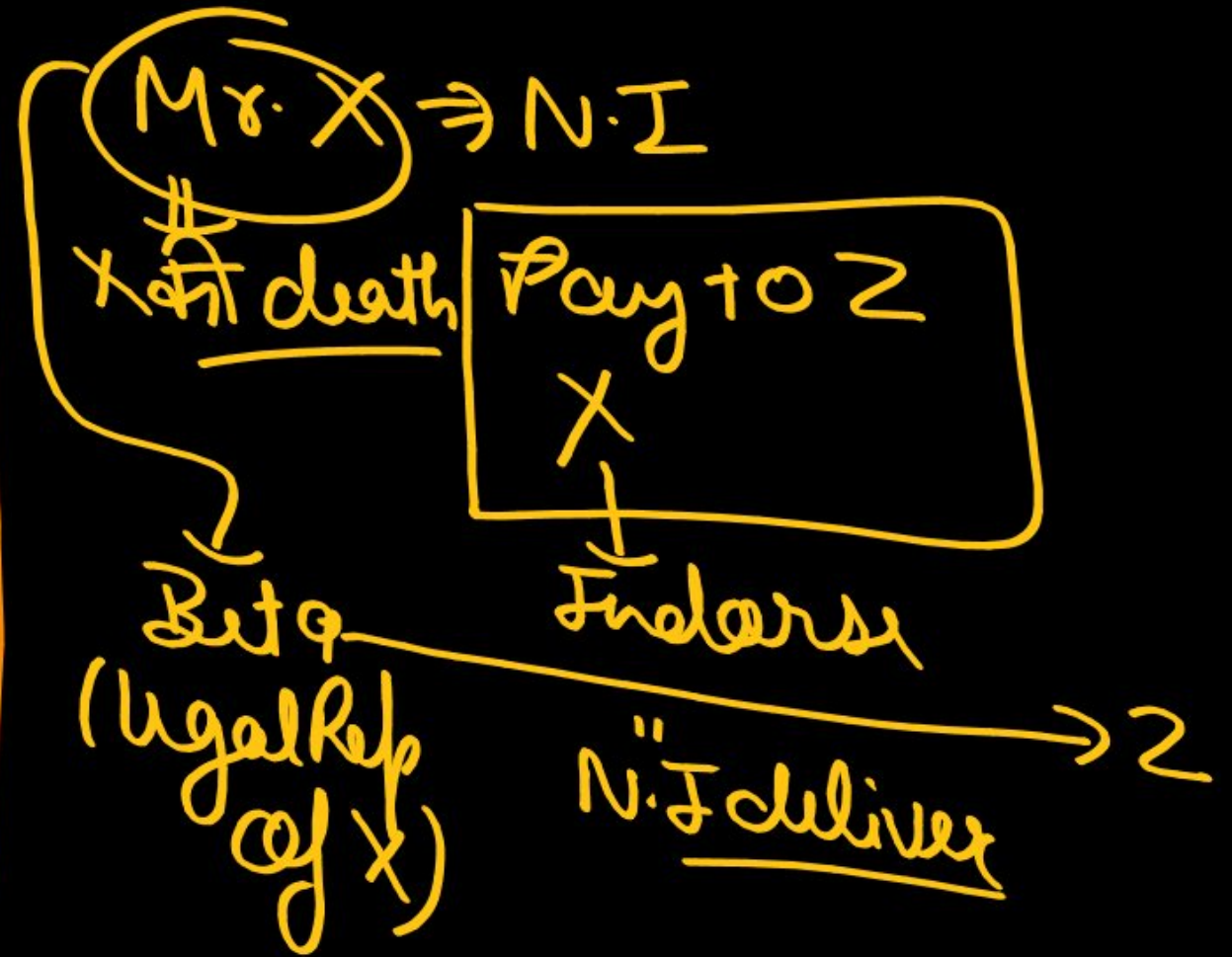
Delivery
 \Downarrow
N.I create

A
 \Downarrow
 is not
 liable



Delivery
 \Downarrow

N.I \Rightarrow Negotiate
 Imp.



Topic : Negotiation (Transfer) Of Negotiable Instruments



Pg. No. 7.17

Section 46 also lays down that when an instrument is conditionally or for a special purpose only, the property in it does not pass to the transferee, even though it is indorsed to him, unless the instrument is negotiated to a holder in due course.

The contract on a negotiable instrument until delivery remains incomplete and revocable. The delivery is essential not only at the time of negotiation but also at the time of making or drawing of negotiable instrument. The rights in the instrument are not transferred to the indorsee unless after the indorsement the same has been delivered. (If a person makes the indorsement of instrument but before the same could be delivered to the indorsee the indorser dies, the legal representatives of the deceased person cannot negotiate the same by mere delivery thereof. (Section 57)1)

Recall

Topic : Negotiation (Transfer) Of Negotiable Instruments



Pg. No. 7.17

¹According to section 57, the legal representative of a deceased person cannot negotiate by delivery only, a promissory note, bill of exchange or cheque payable to order and indorsed by the deceased but not delivered.

A legal representative is not an agent of the deceased. Therefore, a legal representative cannot complete the instrument if the instrument was executed by the deceased but could not be delivered because of his death.

1. M drew a cheque amounting to ₹ 2 lakh payable to N and subsequently delivered to him. After receipt of cheque N indorsed the same to C but kept it in his safe locker. After sometime, N died, and C found the cheque in N's safe locker. Does this amount to Indorsement under the Negotiable Instruments Act, 1881?



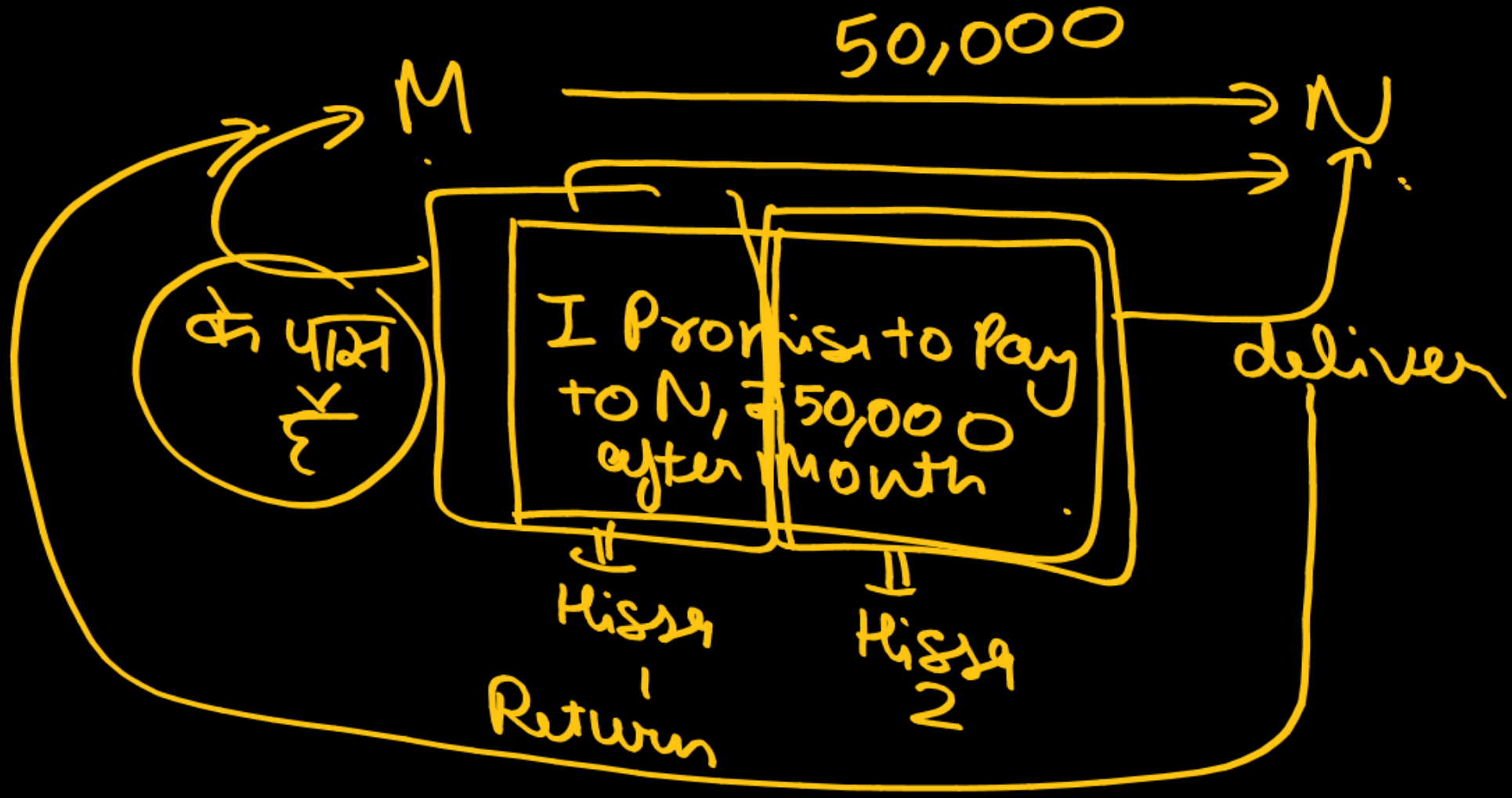
2. *M owes money to N. Therefore, he makes a promissory note for the amount in favor of N, for safety of transmission he cuts the note in half and posts one half to N. He then changes his mind and calls upon N to return the half of the note which he had sent. N requires M to send the other half of the promissory note. Decide how rights of the parties are to be adjusted.*

2. The question arising in this problem is whether the making of promissory note is complete when one half of the note was delivered to N. Under Section 46 of the N.I. Act, 1881, the making of a Promissory Note (P/N) is completed by delivery, actual or constructive. Delivery refers to the whole of the instrument and not merely a part of it. Delivery of half instrument cannot be treated as constructive delivery of the whole. So, the claim of N to have the other half of the P/N sent to him is not maintainable.

M is justified in demanding the return of the first half sent by him. He can change his mind and refuse to send the other half of the P/N.



Ques-2



Topic : Classification of Negotiable Instruments



Pg. No. 7.15

Example 13: A person signed a blank acceptance on a bill of exchange and kept it in his drawer. The bill was stolen by X and he filled it up for Rs. 20,000 and negotiated it to an innocent person for value. It was held that the signer to the blank acceptance was not liable to the holder in due course because he never delivered the instrument intending it to be used as a negotiable instrument. Further, as a condition of liability, the signer as a maker, drawer, indorser or acceptor must deliver the instrument to another. In the absence of delivery, the signer is not liable. Furthermore, the paper so signed and delivered must be stamped in accordance with the law prevalent at the time of signing and on delivering otherwise the signer is not estopped from showing that the instrument was filled without his authority.



Bouncing of Cheque

or

Dishonor of Cheque

Crime

Topic : BOUNCING OF CHEQUE OR DISHONOR OF CHEQUE



**Filmmaker Rajkumar Santoshi
sentenced to 2 years in jail, fined ₹20
lakh in cheque dishonour case**

A Jamnagar Court noted that Santoshi had admitted to the execution of the cheque, which led to the presumption in favor of the complainant that the cheque was issued to him for discharge of a legal debt.

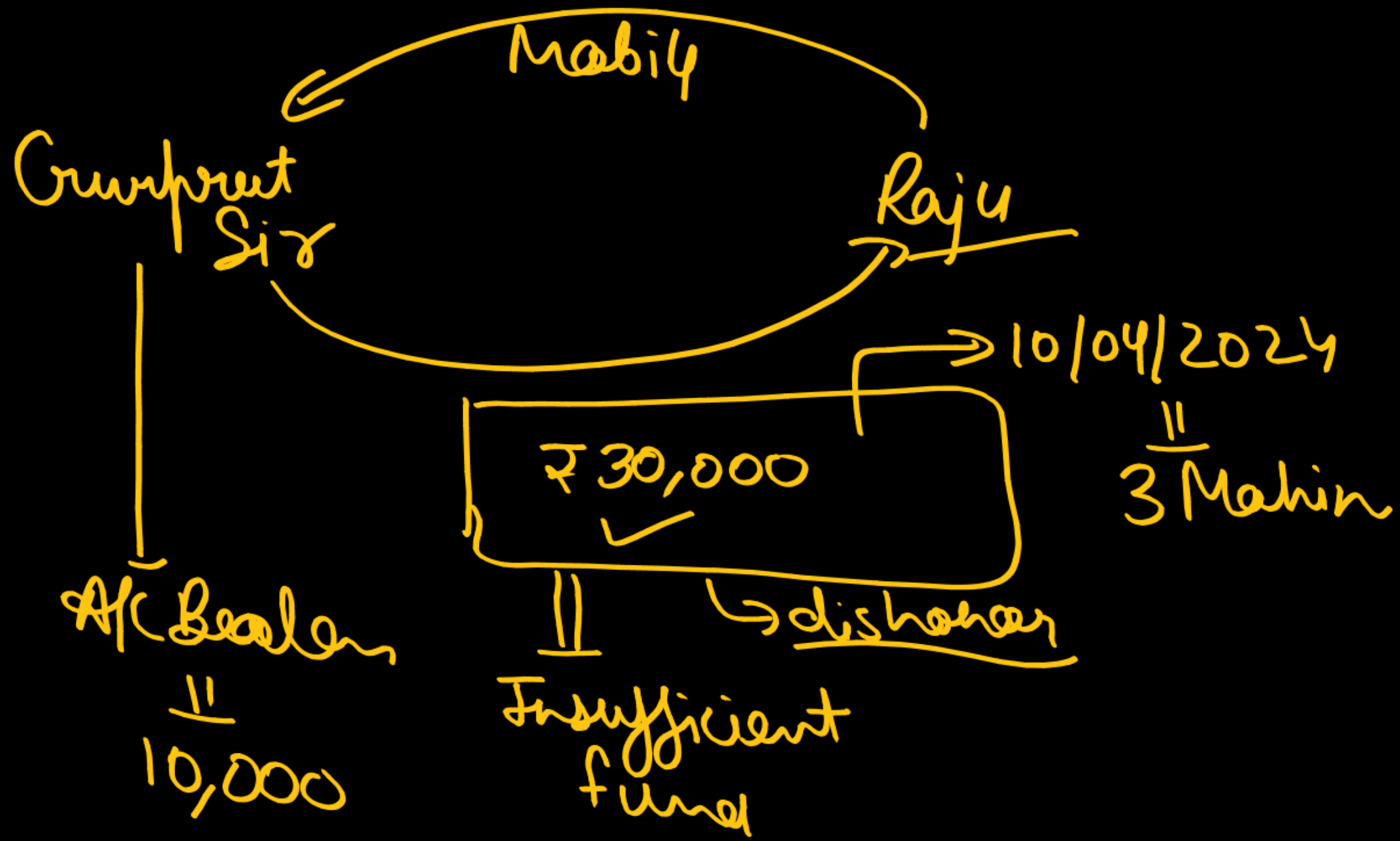
**Thane builder sentenced till 'rising of
court' in cheque bounce case, fined
Rs 41.44 lakh**



Maharashtra: Man gets 3 months in jail in cheque bounce case; told to pay double the amount

Cheque Bounce Case | Man gets 1 yr jail, asked to pay over
Rs 32 lakh compensation

Srinagar, May 6: A local court here sentenced a man to imprisonment of one year and asked him to pay a compensation of over Rs 32 lakh in a...



Topic : Dishonour Of Cheques for Insufficiency of Funds in The Accounts [Sec. 138 To 142]



Pg. No. 7.18

DISHONOR OF CHEQUE FOR INSUFFICIENCY, ETC., OF FUNDS IN THE ACCOUNTS [SECTION 138]

Where any cheque drawn by a person on an account maintained by him with a banker— (I (I (I Bank)) अवश्यक

- for payment of any amount of money
- to another person from that account
- for the discharge, in whole or in part, of any debt or other liability, [A cheque given as gift or donation, or as a security or in discharge of a mere moral obligation, or for an illegal consideration, would be outside the purview of this section]
- is returned by the bank unpaid,
- either because of the—



Cheque ⇒ liability
⇓
discharges
Sec 138
attract
⇓
Court ⇒ assumption

Cheque ⇒ Gift
⇓
or
Dishonor Donation
⇓
or
Sec 138 Security
not attracted or
Illegal
purposes
⇓
Prone



Topic : Dishonour Of Cheques for Insufficiency of Funds in The Accounts [Sec. 138 To 142]

Pg. No. 7.18

- o amount of money standing to the credit of that account is insufficient to honor the cheque, or
- o that it exceeds the amount arranged to be paid from that account by an agreement made with that bank,

Instruction \Rightarrow 20000 X

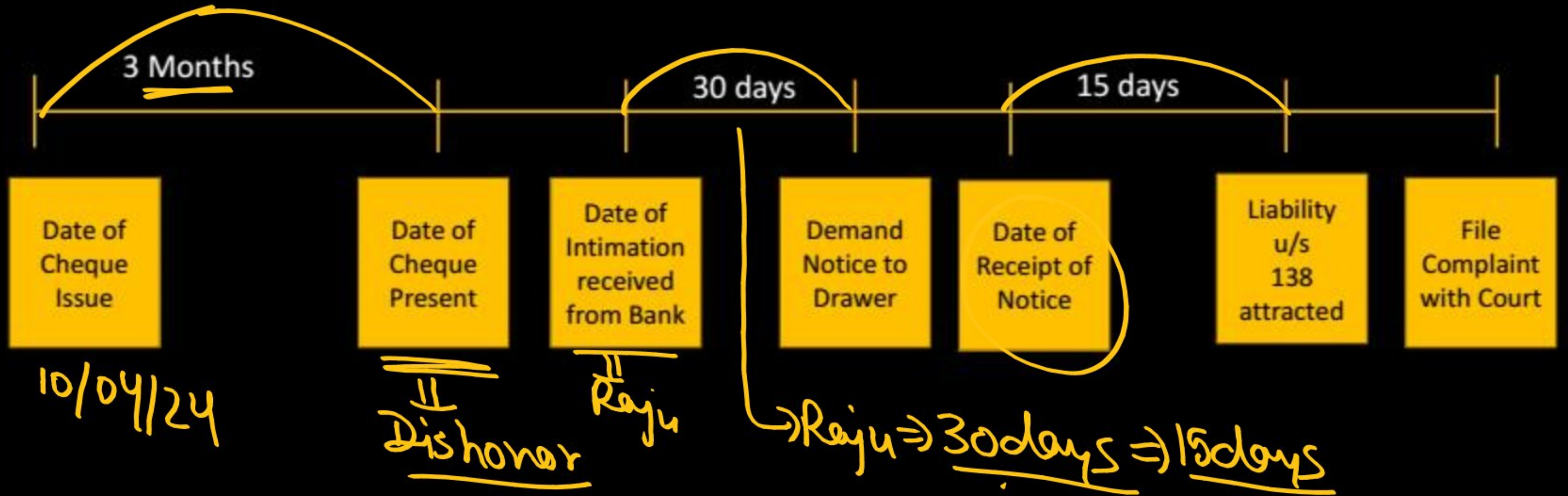
such person shall be deemed to have committed an offence and shall, be punished with imprisonment for a term which may extend to two years, or with fine which may extend to twice the amount of the cheque, or with both.

Jail \Rightarrow Max^m 2 Year

or

fine \Rightarrow Max^m 2 times of cheque

or
Both



Topic : Dishonour Of Cheques for Insufficiency of Funds in The Accounts [Sec. 138 To 142]



Pg. No. 7.18

When section 138 shall be not apply: unless the below given conditions are complied with—

- (a) Cheque presented within validity period: The cheque has been presented to the bank within a period of three months from the date on which it is drawn or within the period of its validity, whichever is earlier.
- (b) Demand for the payment through the notice: the payee or the holder in due course of the cheque, as the case may be, makes a demand for the payment of the said amount of money by giving a notice, in writing, to the drawer of the cheque, within 30 days of the receipt of information by him from the bank regarding the return of the cheque as unpaid, and

Topic : Dishonour Of Cheques for Insufficiency of Funds in The Accounts [Sec. 138 To 142]



Pg. No. 7.19

(c) Failure of drawer to make payment: the drawer of such cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque, within fifteen days of the receipt of the said notice.

Explanation: For the purpose of this section, “debt or other liability” means a legally enforceable debt or other liability.

Therefore we may conclude that compliant can be filed after 45 days of dishonor of the cheque i.e., 30 days of notice period +15 days of the receipt of the said notice.

Topic : Dishonour Of Cheques for Insufficiency of Funds in The Accounts [Sec. 138 To 142]

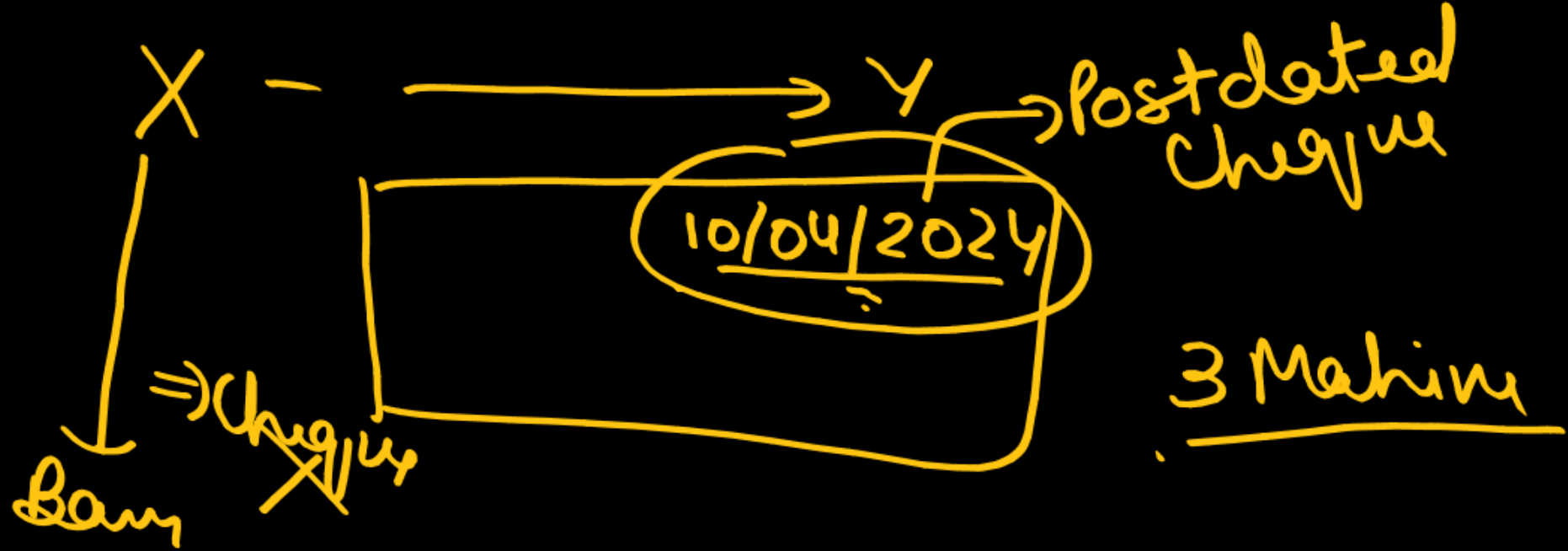
Pg. No. 7.19

Example 16 X issued a post-dated cheque to Y on the account of discharge of its liability. Further, X instructed to the bank to stop the payment due to unavailability of the adequate amount in the account. Here, in this instance section 138 of the Act is attracted as when a cheque is dishonoured on account of stop payment instructions sent by the drawer to his banker in respect of a post-dated cheque irrespective of insufficiency of funds in the account. A post-dated cheque is deemed to have been drawn on the date it bears and the three months period for the purposes of section 138 is to be counted from that date. So, X will be liable for dishonour of cheque. Once a cheque is issued by the drawer, a presumption under section 139 must follow.



Today's date
↓

4/04/2024



Topic : Dishonour Of Cheques for Insufficiency of Funds in The Accounts [Sec. 138 To 142]



Pg. No. 7.19

Penalty: According to Section 138 of the Act, the dishonour of cheque is a criminal offence and is punishable with imprisonment up to 2 years or fine up to twice the amount of cheque or both.

Jail \Rightarrow Max^m 2 Yrs

or

fine \Rightarrow 2 X Cheque Amt

or

Both

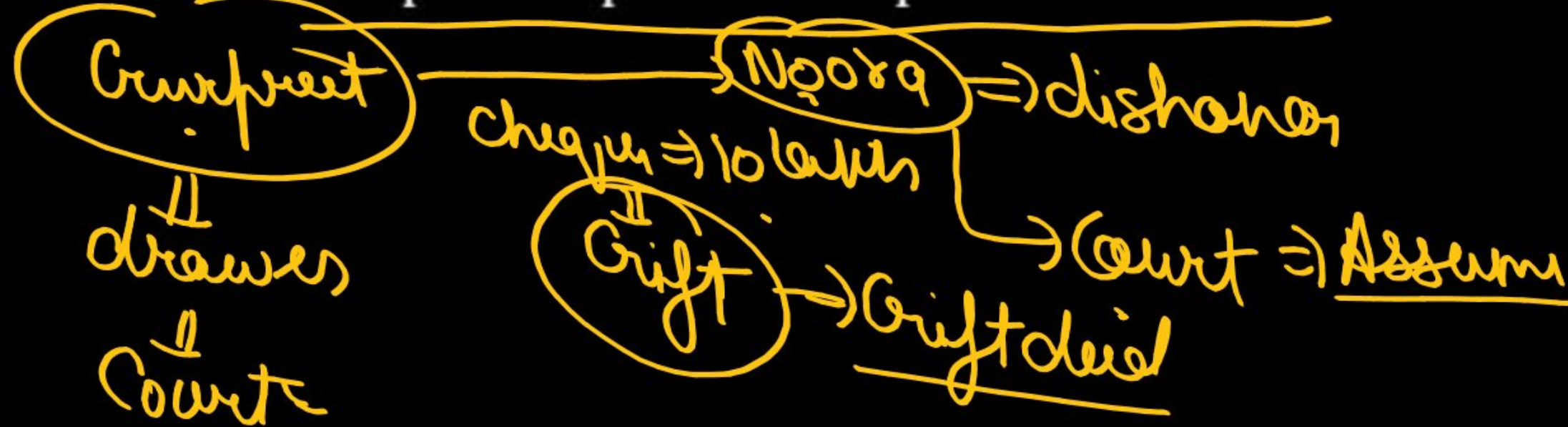


Topic : Dishonour Of Cheques for Insufficiency of Funds in The Accounts [Sec. 138 To 142]

PRESUMPTION IN FAVOR OF HOLDER [SECTION 139]

When a cheque is dishonoured, it shall be presumed, unless the contrary is proved, that the holder of a cheque received the cheque of the nature referred to in section 138 for the discharge, in whole or in part, or any debt or other liability.

Presumption prescribed here is a "rebuttable presumption" as the provisions clearly provides that the person issuing the cheque is at liberty to prove to the contrary. The effect of this presumption is to place the evidential burden on the accused.



Topic : Dishonour Of Cheques for Insufficiency of Funds in The Accounts [Sec. 138 To 142]



Pg. No. 7.19

DEFENCE WHICH MAY NOT BE ALLOWED IN ANY PROSECUTION UNDER SECTION 138 [SECTION 140]

It shall not be a defence in a prosecution of an offence under section 138 that the drawer had no reason to believe when he issued the cheque that the cheque may be dishonoured on presentment for the reasons stated in that section.



3. Bholenath drew a cheque in favour of Surendar. After having issued the cheque; Bholenath requested Surendar not to present the cheque for payment and gave a stop payment request to the bank in respect of the cheque issued to Surendar. Decide, under the provisions of the Negotiable Instruments Act, 1881 whether the said acts of Bholenath constitute an offence?

As per the facts stated in the question, Bholenath (drawer) after having issued the cheque, informs Surendar (drawee) not to present the cheque for payment and as well gave a stop payment request to the bank in respect of the cheque issued to Surendar.

Section 138 of the Negotiable Instruments Act, 1881, is a penal provision in the sense that once a cheque is drawn on an account maintained by the drawer with his banker for payment of any amount of money to another person out of that account for the discharge in whole or in part of any debt or liability, is informed by the bank unpaid either because of insufficiency of funds to honour the cheques or the amount exceeding the arrangement made with the bank, such a person shall be deemed to have committed an offence.



Once a cheque is issued by the drawer, a presumption under Section 139 of the Negotiable Instruments Act, 1881 follows and merely because the drawer issues a notice thereafter to the drawee or to the bank for stoppage of payment, it will not preclude an action under Section 138.

Also, Section 140 of the Negotiable Instruments Act, 1881, specifies absolute liability of the drawer of the cheque for commission of an offence under the section 138 of the Act. Section 140 states that it shall not be a defence in a prosecution for an offence under section 138 that the drawer had no reason to believe when he issued the cheque that the cheque may be dishonoured on presentment for the reasons stated in that section.

Accordingly, the act of Bholenath, i.e., his request of stop payment constitutes an offence under the provisions of the Negotiable Instruments Act, 1881.



Presentment of Negotiable Instrument

Presentment for Acceptance

only for BoE → 48 hrs

Presentment for Payment

Mr. A (Drawer)

I order Mr. B to pay 10000 to Mr. C

Mr. B (drawee)

Acceptor

Payee

Reject ⇒ Dishonor of BoE by Non-Acceptor



Promissory Note $\xrightarrow{\text{Present}}$ Maker

Bill of Exchange \longrightarrow Acceptor

Cheque \longrightarrow Drawee Bank



Presentment of Negotiable Instrument

Bill of Exchange

Presentment for Acceptance

→ Drawee

Not Accepted by Drawee

Accepted by Drawee

Bill Dishonored by Non-Acceptance

Promissory Notes/Cheque

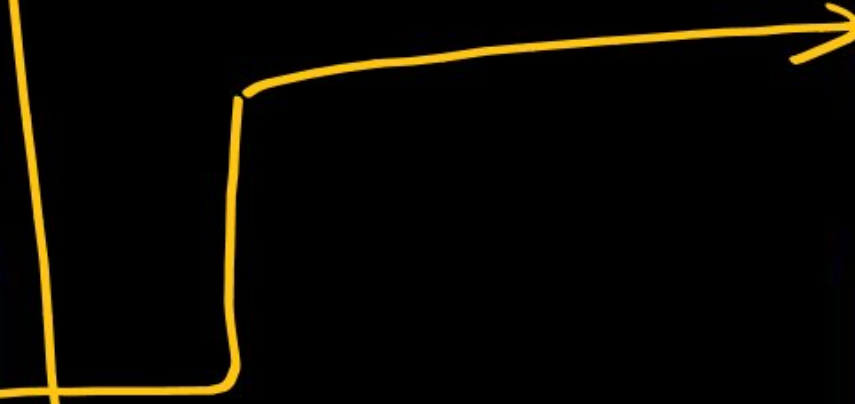
Presentment for Payment

Payment Made

Payment not Made

Discharge of Instrument

Dishonored by Non-Payment





Presentment for acceptance
(Only for BOE)

<u>BOE payable after sight must</u>	<u>Must be presented within a reasonable time & in business hours on a business day. (Note: 48 hours, excluding public holidays, are given to drawee for acceptance)</u>	
<u>In default of such presentment</u>	<u>no party liable thereto</u>	<u>If Drawee not found after reasonable search, BOE is dishonored.</u>
<u>If BOE is directed to drawee at a particular place</u>	<u>must be presented at that place</u>	



Presentment of Promissory
Note for sight

P/N payable
at a certain
period after
sight

∥
1 Month after sight

Must be presented
within a
reasonable time &
in business hours
on a business day.

In default of
such
presentment

no party liable
thereto



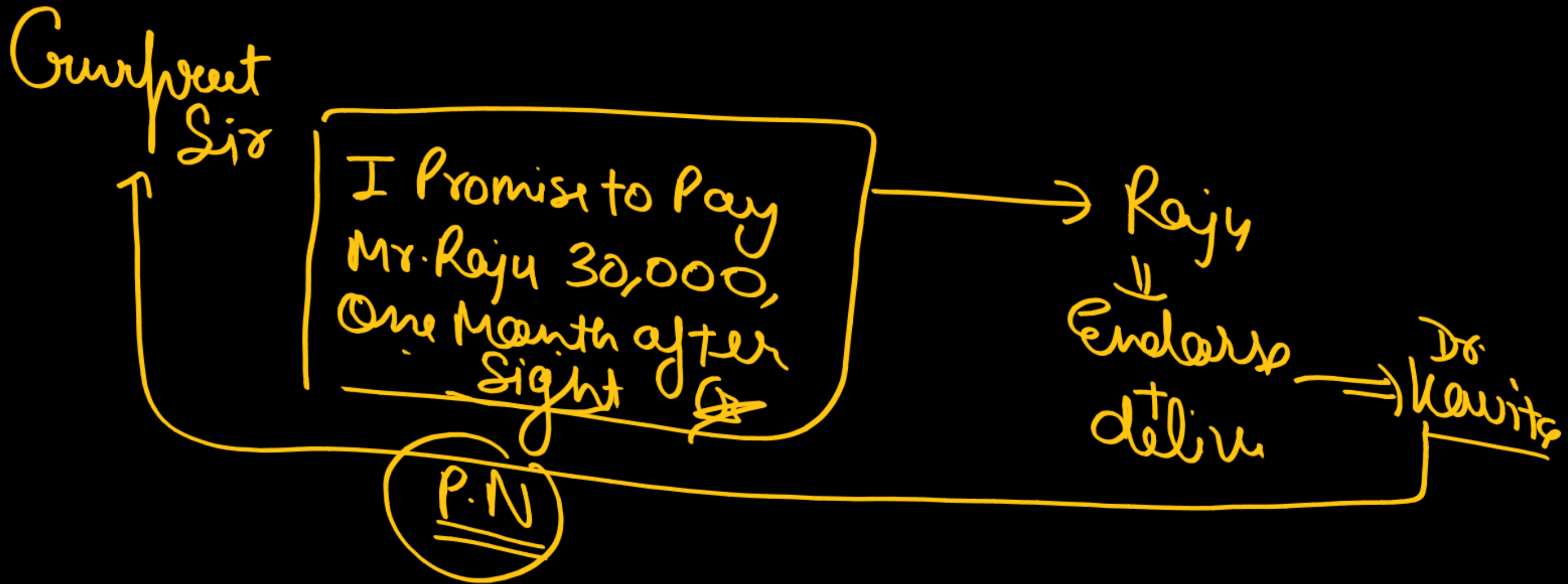
Presentment for Payment

↳ Time Instrument ⇒ Maturity

↳ Demand Instrument ⇒ Reasonable Time



Promissory Note → No need for
Acceptance





Rules regarding presentment for payment (P/N, BOE, CH)

<u>To whom</u>	<u>Maker (P/N), Acceptor (BOE), Drawee (CH)</u>
<u>If default in presentment</u>	<u>no party liable thereto</u> → <u>Bank</u>
Exception	If P/N is payable on demand and is not payable at a specified place, no presentment is necessary.
<u>Time</u>	<u>During usual business hours</u>
<u>If instrument payable after date or sight</u> <u>Time Just</u>	<u>must be presented for payment at maturity</u>
<u>P/N payable by instalments</u>	<u>must be presented for payment on 3rd day after date fixed for payment of each instalment</u>
<u>instrument payable at specified place</u>	<u>Must be presented for payment at that place.</u>
<u>where no exclusive place specified</u>	<u>must be presented for payment at the place of business (if any) or at the usual residence</u>
<u>no known place of business or residence</u>	<u>presentment may be made to him in person wherever he can be found</u>
<u>Instrument payable on demand</u>	<u>Must be presented for payment within a reasonable time after it is received by the holder.</u>
<u>Note: Delay in presentment for acceptance or payment is excused if the delay is caused by circumstances beyond the control of the holder</u>	



I Promise to pay Mr. Raju
₹ 30000 in 3 instalments

1st Instalment \Rightarrow 10,000 \Rightarrow 1/04 + 3% interest

2nd Instalment \Rightarrow 10,000 \Rightarrow 1/05 + 3% interest

3rd Instalment \Rightarrow 10,000 \Rightarrow 1/06 + 3% interest



P.N. \Rightarrow Maker
B.O. $\leftarrow \Rightarrow$ Acceptor
Cheque \Rightarrow Drawee
Bank

\Rightarrow death \Rightarrow legal Representative
 \Rightarrow Insolvent \Rightarrow official
Assignee



Topic : Presentment Of Instruments

Pg. No. 7.22

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.



General Rule

⇒  ⇒ Payment ⇒ N.I

- BOC

- PN

- Cheque

} Present for
payment

⇒ Exception ⇒ Cases ⇒ Present karne ki

Jaroorat Nahi



When Presentment Unnecessary (warn) ⇒ query

→ P/N → B&M → BOT

1. Maker, drawee or acceptor prevents the presentment,
2. Payable at business place & that's closed on business day during usual business hours,
3. Payable at specified place & liable party doesn't attend place,
4. Not payable at specified place & liable party not found after due search,
5. Liable party engaged to pay notwithstanding non- presentment,
6. Liable party makes part payment,
7. Liable party waives off his right to take advantage.
8. If drawer could not suffer damage from want of such presentment.

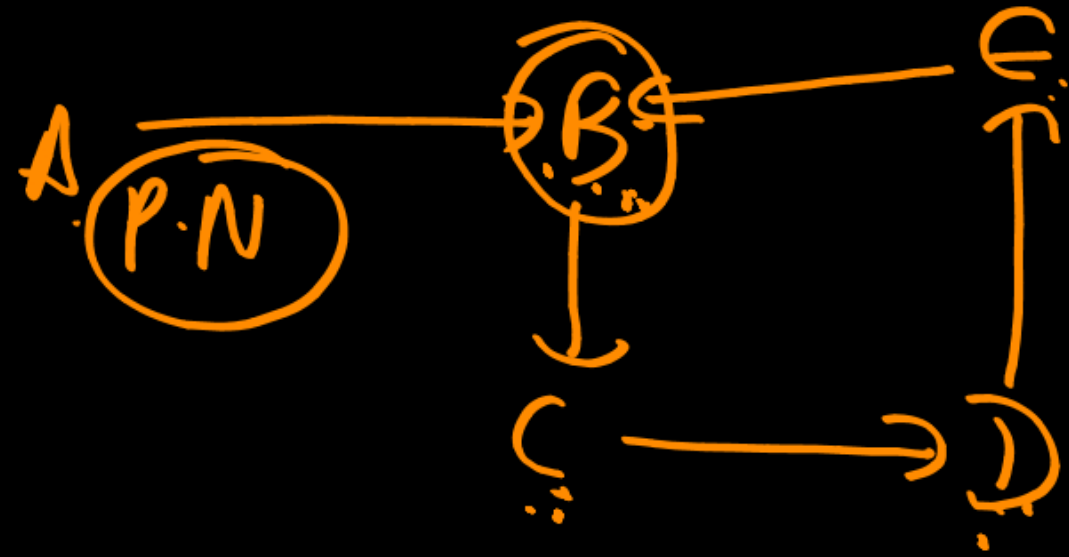


Rules as to Compensation (Sec.117)

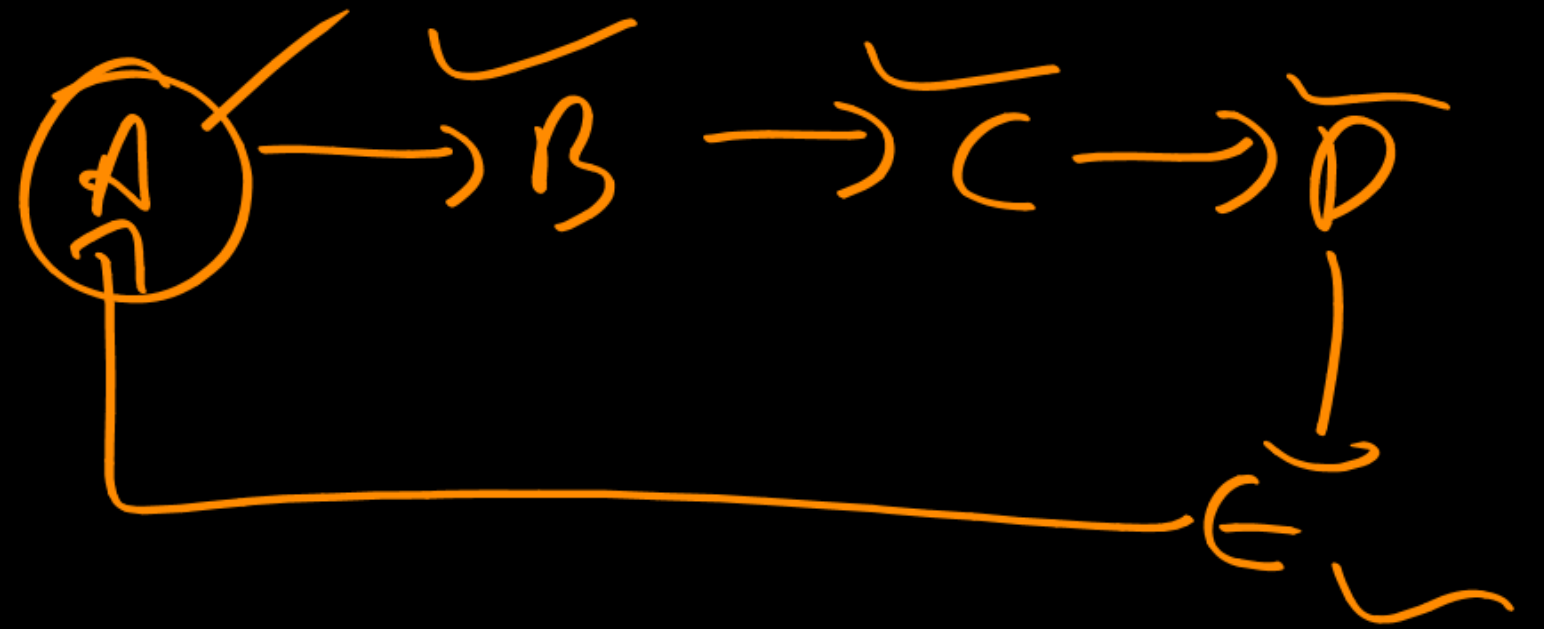
In case of dishonour of NI, holder can claim:

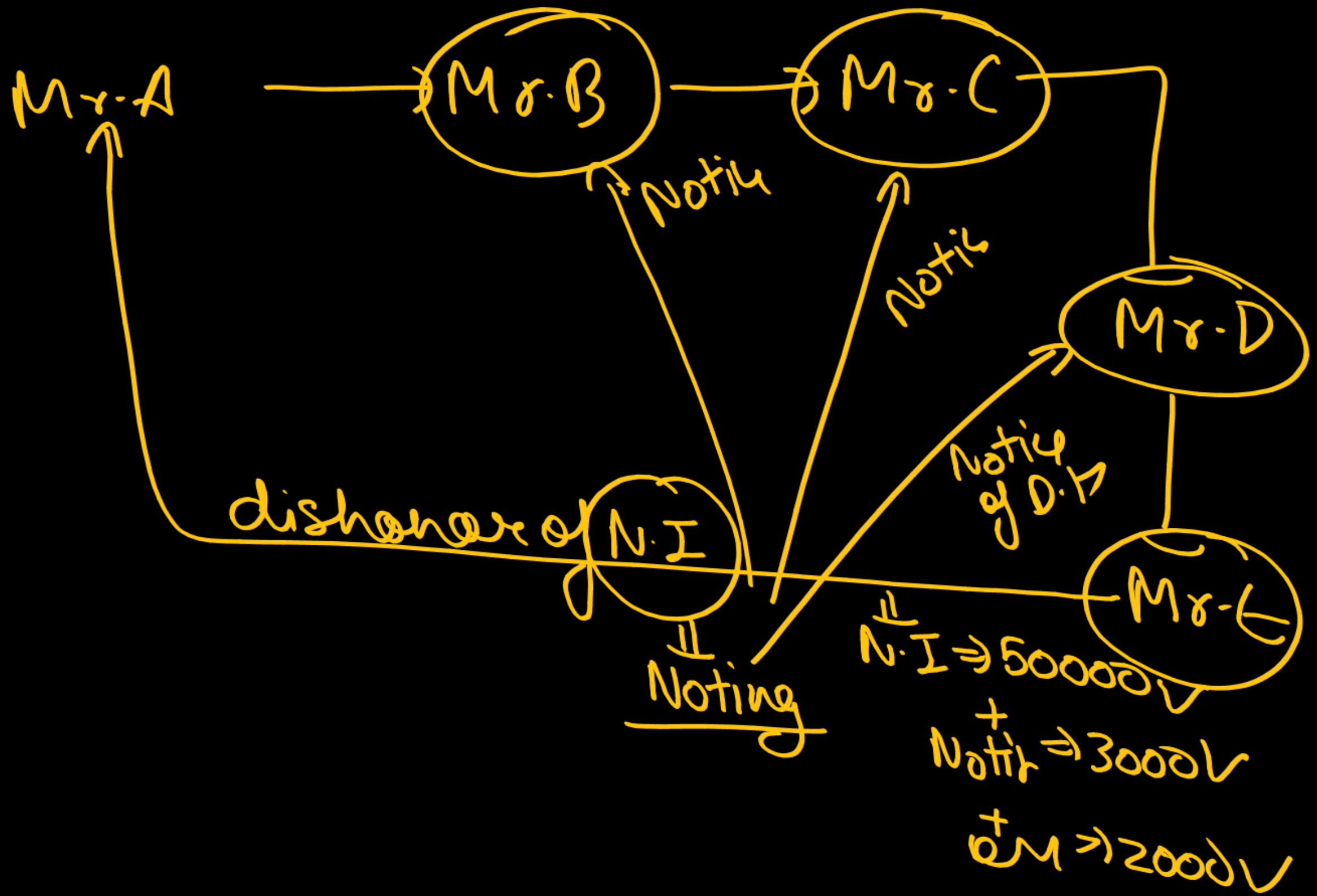
1. Amount due on NI (50,000)
2. Expenses incurred in presenting, noting & protesting.
3. Interest 18% p.a. from due date of payment to date of realisation.

Note: In case of foreign currency, current rate of exchange.



⇒ C, D & E ⇒ discharge







Thank
you