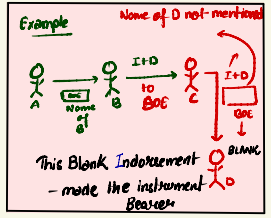
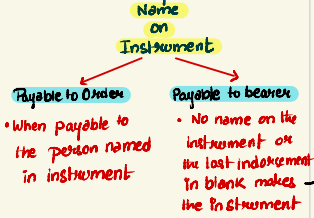


Negotiable Instruments

Introduction

- Nothing in the act applies to RBI
- Date of applicability **1st March 1881**
- Negotiable Instruments cover
 - Section 13
 - Promissory Note
 - Bills of Exchange
 - Cheques

On basis of Parties

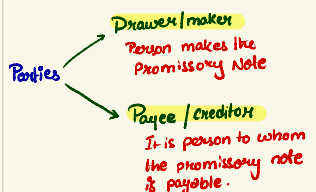


Promissory Note

Section 4 - It is an instrument in writing (not being a bank note or a currency note) containing an unconditional undertaking signed by maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument. [Section 5]

But RBI prohibits issue of bearer instrument as only they can issue bearer promissory note which is currency.

Only RBI has the Power



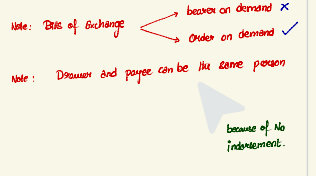
Characteristics of Promissory Note

- 1) In writing
- 2) Express Promise to Pay (Only Admission of payment is not enough)
- 3) Definite & Unconditional eg. like instalment payment but if condition is certain eg. death it is allowed.
- 4) Promissory note should be signed
- 5) Money Only
- 6) Promise to Pay (certain sum of money direct or indirectly indicated)
- 7) Promissory Note cannot be made to bearer
- 8) Initials on the Stamp (Initials on Stamps)

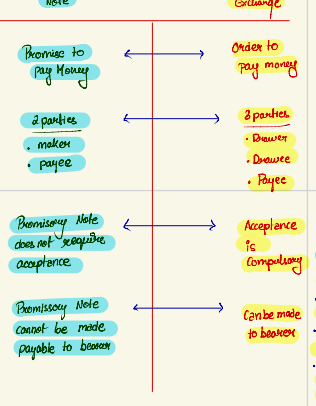
Bills of Exchange

A Bill of Exchange is an instrument in writing containing an unconditional order, signed by 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. [Section 5]

- Parties Involved**
- Drawer** - Maker of the Bill
 - Drawee** - Acceptor of the Bill
 - Payee** - to whom payment is made in the instrument



Types of Instruments



Cheque

A cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque. [Section 6]

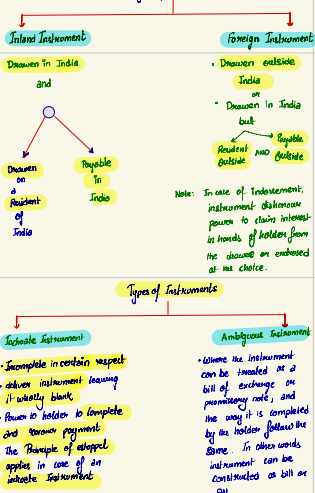
Electronic image of the cheque is a **electronic cheque** issued by Bank.

Truncated cheque is a cheque used as a **Scan Image** in the clearing house facility of the bank.

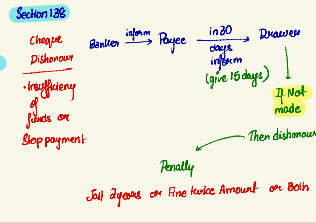
Parties to the Cheque

- 1) Drawer - Person making the cheque
- 2) Drawee - Bank on whom cheque is drawn
- 3) Payee - The person named in the instrument, to whom payment is made. The payee may be drawer himself.

Types of Instruments



Dishonour of Cheque



Section 137

Presumption that the holder has acquired cheque in good faith.

'Rebuttable Presumption'

Section 140

No defence if drawer says that he is unaware.

Dishonour Meaning - It refers to the act of making an instrument available for the purpose of getting paid.

- 61. Issue of bill - if not a sight (demand) bill → interest from date of dishonour
- 62. Issue of bill - if it is payable after a period of time → interest from date of dishonour

- 63. Section 136: the drawer shall remain liable to the holder for the amount of the cheque if the cheque is dishonoured.
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Rules for Compensation

- 117
- Amount + litigation (Protest Charges) + Presentment Charges
- If in different countries then exchange rate difference
- Interest at the rate 18% p.a on amount if drawer pays to endorsee from date of dishonour
- If Drawer and Drawee at different places then exchange rate between two places
- the party entitled to compensation can draw another bill on demand if that dishonour same process.

END of NEGIO

#CSG

law ka teacher



Characteristics of Negotiable Instruments

