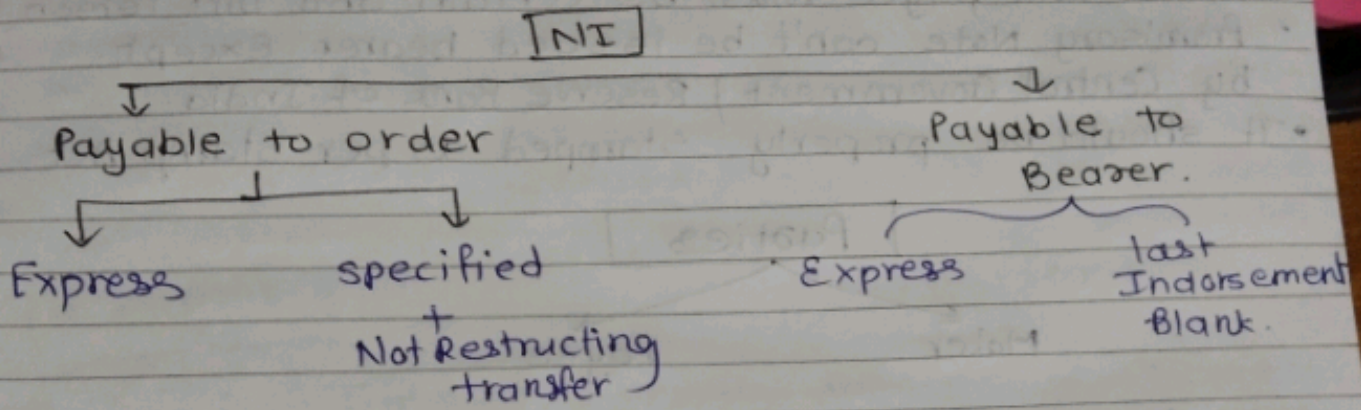
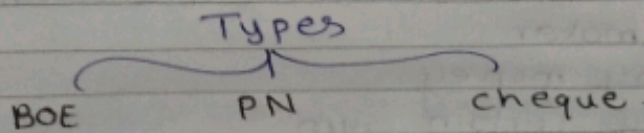


Negotiable Instrument Act 1881

NI is a Document freely transferable from one person to another by mere delivery or Indorsement and Delivery



Characteristic of NI:

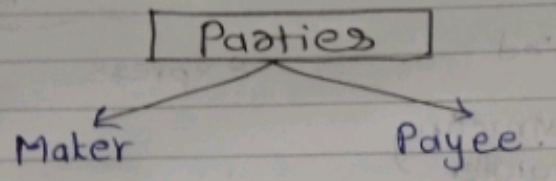
- ① writing
- ② signed
- ③ transferable - Untill satisfaction.
- ④ Holder's title is free from Defect.
- ⑤ Contains unconditional promise to pay money only.
- ⑥ Deliver
- ⑦ Payee - certain.

Promisory Note:

- sec 4 ✓ Inst. in writing
- ✓ containing unconditional undertaking.
 - ✓ signed by maker
 - ✓ To pay certain sum of money
 - ✓ only to order of certain person
 - ✓ or Bearer of Instrument.

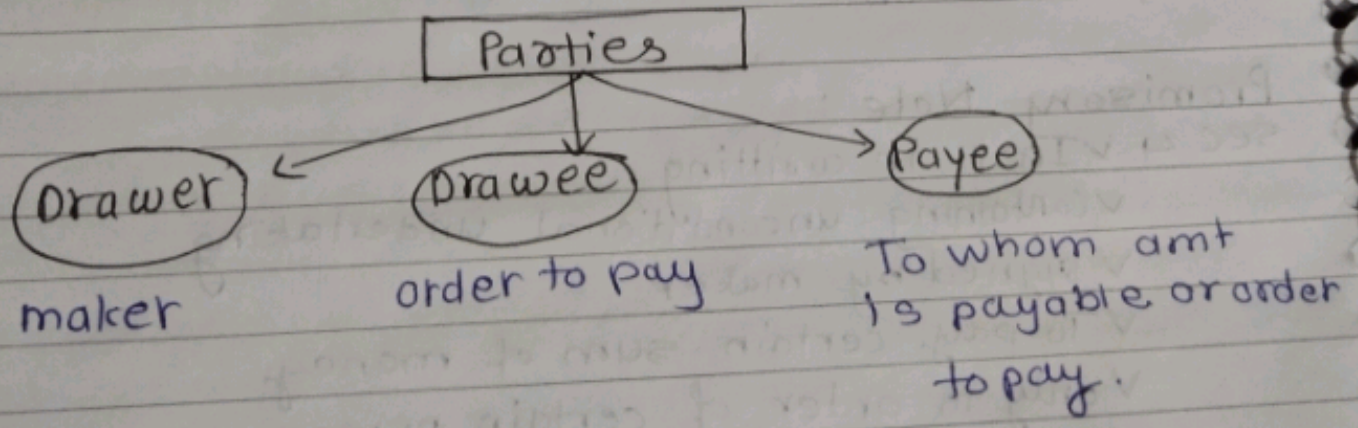
Characteristics

- waiting
- Express promise to pay
- promise should be definite & unconditional
- signed by maker
- promise to pay money.
- promise to pay certain sum
- maker and payee must be certain and Diff. Person.
- Promisary Note can't be issued bearer except by Central Government / Reserve Bank of India.
- It should be properly stamped as per stamp Act.



Bill of Exchange (BOE)

- ✓ Inst. in waiting
- ✓ containing unconditional order
- ✓ signed by maker
- ✓ Directing certain sum of money
- ✓ payable to order of certain person
- ✓ Bearer of Instrument.



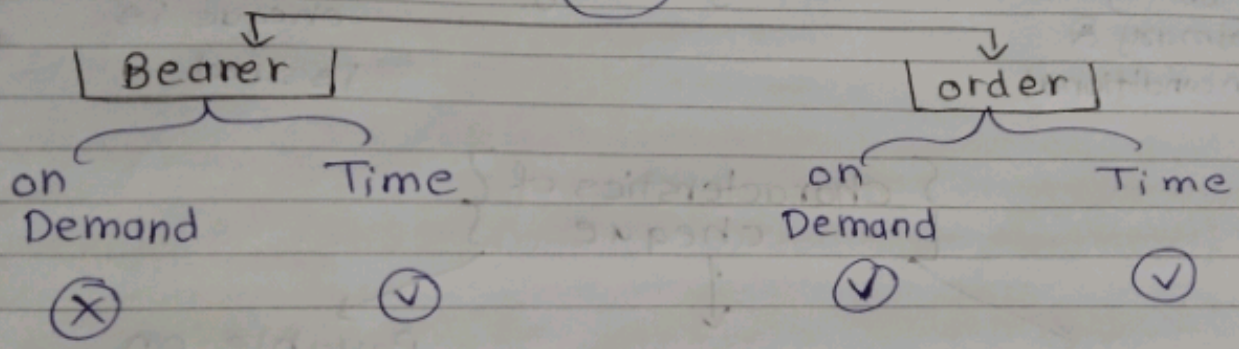
Characteristic :

- 1] writing
- 2] Express order to pay.
- 3] Promise - Definite & unconditional.
- 4] Drawer must sign.
- 5] Drawer } must be certain + Diff person
 Drawee }
 Payee }

→ Two person

→

(BoE)



- 6] Certain sum
- 7] money only + stamped [Stamp Act]

Cheque

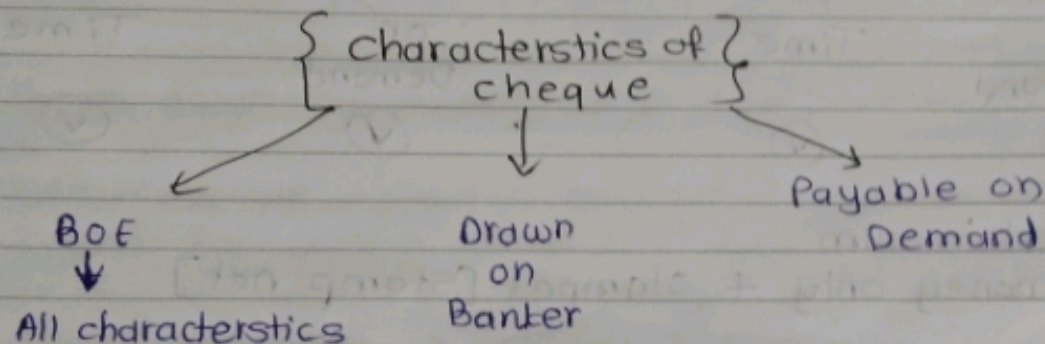
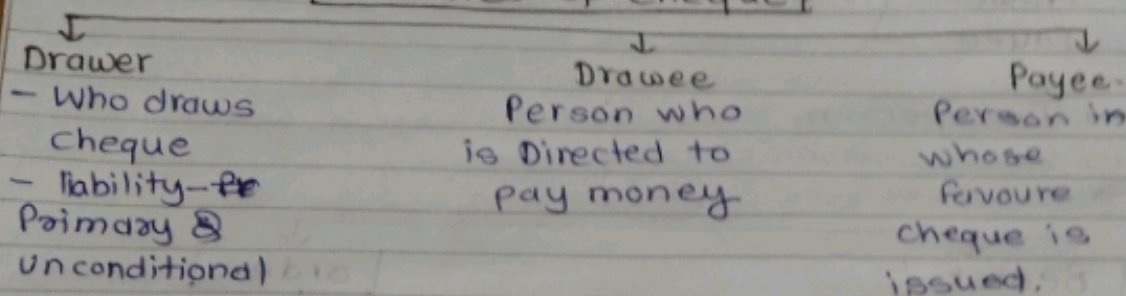
- A cheque is NI drawn on stamped Banker.
- Payable on Demand
- Includes
 - Electronic cheque
 - Truncated cheque

Electronic cheque : cheque drawn by using computer system & signed in scanne system using Digital signature.

Truncated cheque: [destroyed]

- cheque truncated during clearing cycle
- Either by clearing house or by bank
- Immediately after generating Electronic image.

Parties of cheque



Types of Instrument

- 1) Bearer :- Name of Payee Blank
 - Name of payee specified with words or Bearer
 - last Endorsement Blank

Negotiate - mere delivery.

- 2) Order Inst.
 - Payable to person
 - payable to person or order
 - last Endorsement is in full

- Negotiate - Delivery + Indorsement.

3) Inland Instrument:

Drawn
In
India

+

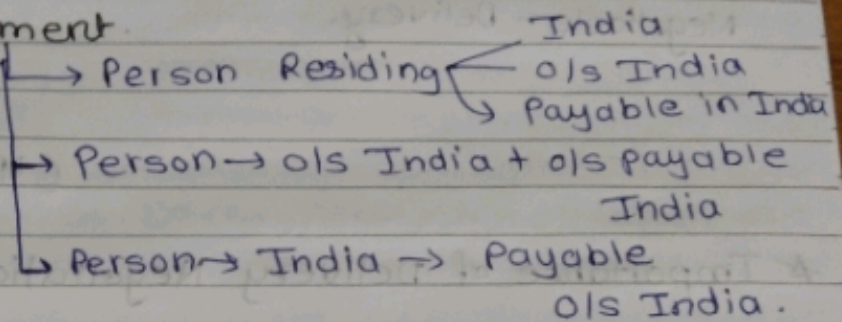
Payable in India

OR

Drawn upon
Person Resident
in
India.

4) Foreign Instrument:

made
of India



* Liability of maker / Drawer of Foreign Bill

1) liability of maker / Drawer



As per place where Instrument is made.

2) liability of Acceptor & Indorser.

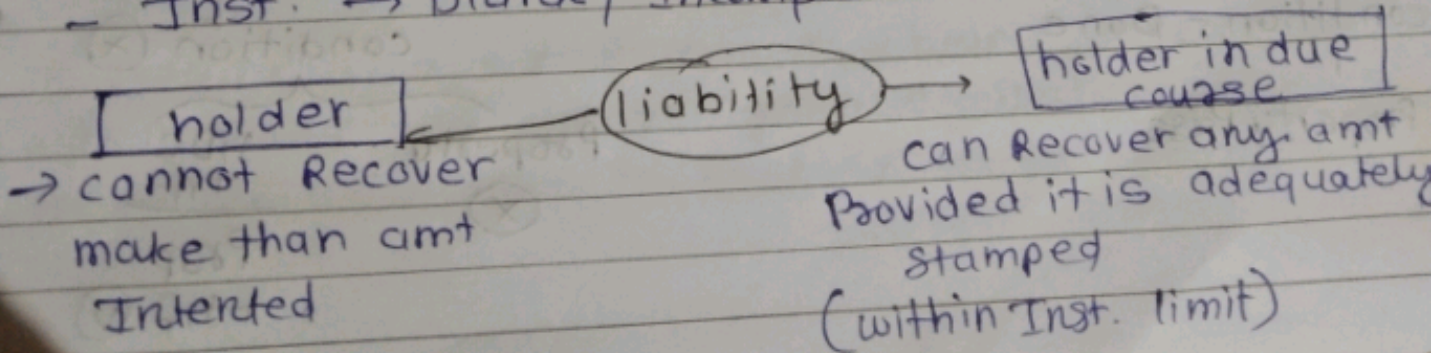
→ Place where Instrument is payable.

5) Inchoate Instrument.

- Inst. - incomplete in certain aspect.

- Drawer (maker) / ~~Endorser~~ Endorser - sign & Deliver.

- Inst. → Blank / Incomplete.



6] Ambiguous Instrument

- Inst. may be construed either as PN / BoE
- After Exercising option holder cannot change to any other kind.

Sec 47
Negotiation by Delivery

subject to sec 58
NI payable to bearer

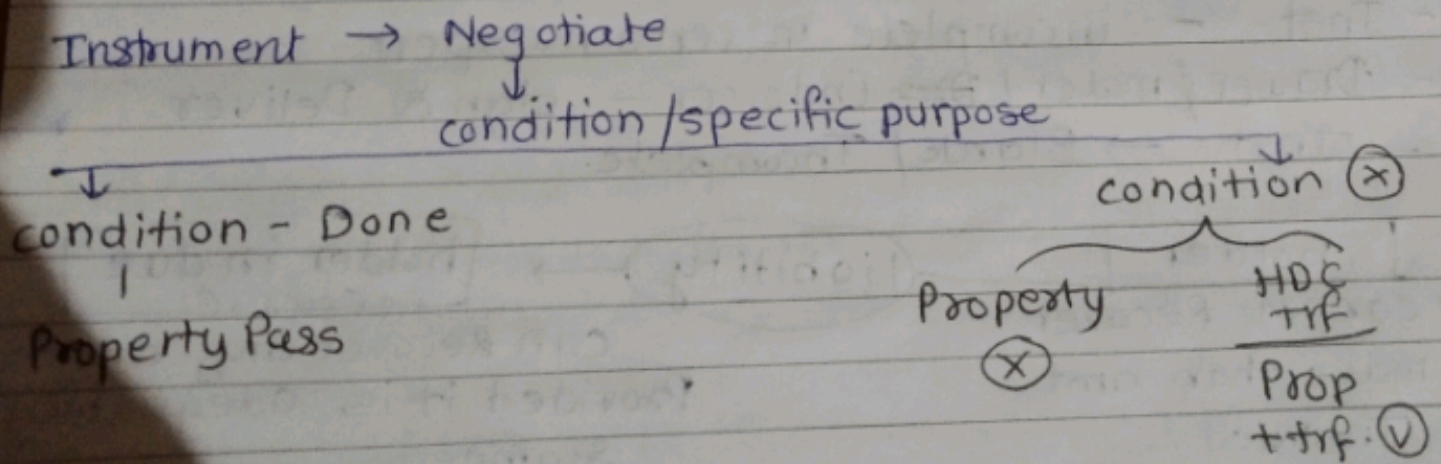
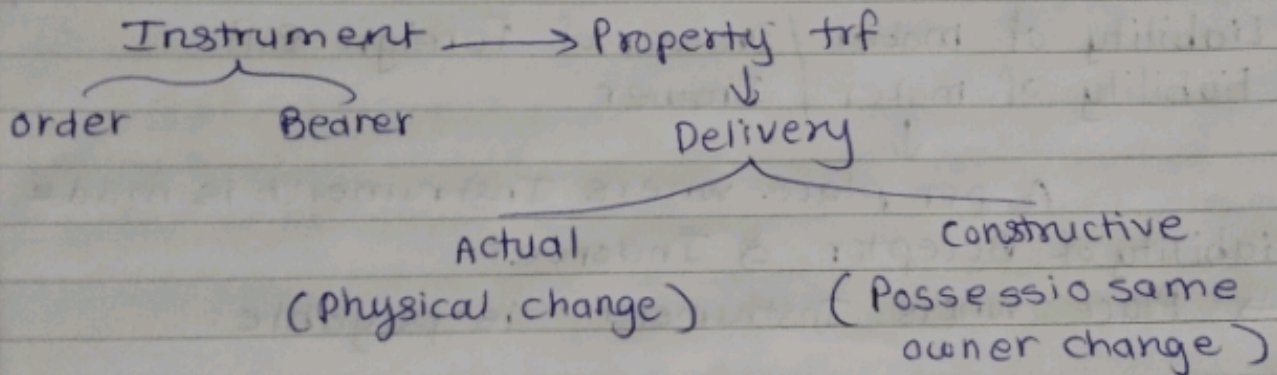
↓
Negotiable - Delivery

Exception

NI Delivered on condition that Not to take effect Unless event happens.

(HDC can still claim amt)

★ Importance of Delivery Negotiation (sec 46)



Page No. _____
Date _____

• If Indorser (Maker) dies after making Instrument but before Endorsement then Legal Representative can Not trf. by mere delivery.

Dishonor / Bouncing cheque [sec 138]

sec 138

condition

- 1) Issued cheque - Discharge Debt.
- 2) Insufficient of fund (stop payment)
- 3) cheque paid within Reasonable time
- 4) Notice - Drawer - 30 Days.
Time to pay - 15 Days
Sue in court - within 1 month.

Punishment

2 times - Fine
cheque Amt
or
2 year - jail
or
Both.

sec 139 : Presumption in Favour of Holder.

- 1) cheque issued is presumed to be of nature to Discharge Debt / liability.
- 2) IF is Rebuttable Presumption as Issue can Prove to contrary.
- 3) Effect : Burden of Proof - Issuer / maker.

sec 140 : Define not allow in any ~~production~~ prosecution.

→ Drawer had No Reason to believe when cheque was issued that cheque may be Dishonored on presentment due to Reasons in section 138.

Sec 61 : Presentment for Acceptance

↓
 BOE Payable at sight
 must be presented to Drawer
 for Acceptance within reasonable
 time, Business Day & time

↓
 Dishonor

Drawer can't
 be ~~found~~
 found after
 Reasonable
 search

Bill Directed to
 Pay at Particular
 Place

+
 Drawer was not
 found after
 Reasonable search

↓
 Dishonor

Bill Present - post office

↓

Sec 62 ~~Re~~ Presentment of PIN after sight:

promisory Note payable after certain period
 after sight share be presented to maker within
 reasonable time and in Business hrs & Day.

Default Presentment - No party liable

Sec 63 : Drawee's time for Deliberation :

(if) Required by drawee holder must allow 48 hrs
 [Exclusive Public holiday] for drawee to accept it.

Sec 64

- 1] P/N, BoE & cheque, must be presented to maker/Drawer
- 2] If Not Presented - No one is liable.
- 3] Where as per agreement, presentment is through post then Registered letter is sufficient.
- 4] Where P/N payable on Demand & place is not specified then No punishment is Necessary.

In case of Truncated cheque.

Drawee bank can ask for further Details incase of Reasonable suspicion about genuiness of cheque.

If suspicion is of forgery, fraud, Tampering of cheque then Drawee Bank can also ask for presentment of Truncated cheque for authentic verification.

Sec 65: Hours of Presentment

Business hours
(10am - 7pm)

Bank
• Banking hours
(10am - 5:00pm)

Sec 66: Presentment of Inst. payable after Date or ~~at~~ sight? must be presented at maturity.

Sec 67: Presentment of P/N Payable in Inst.

- must be presentment on third day after 3rd Day - date fix for Inst.
- Non payment - same effect as if non payment of Note on maturity.

Sec 68: Presentment for payment of Inst
Payable at specified place & not elsewhere

specified place
&
not elsewhere

P/N
BoE
cheque

specified place

↓
Sec 69

P/N
BoE

Presented for payment at that place

Sec 70: Presentment where no exclusive place specified

↓
Business place

↓
Residing place

Sec 71: Presentment when maker has No known place of Business or Residence

→ can be presented where ever found

Sec 72: Presentment of cheque to charge Drawer

- It must be presented to bank upon which it is Drawn.

Sec 73: Presentment of cheque to charge any other person:

must be presented within Reasonable time in order to charge other person.

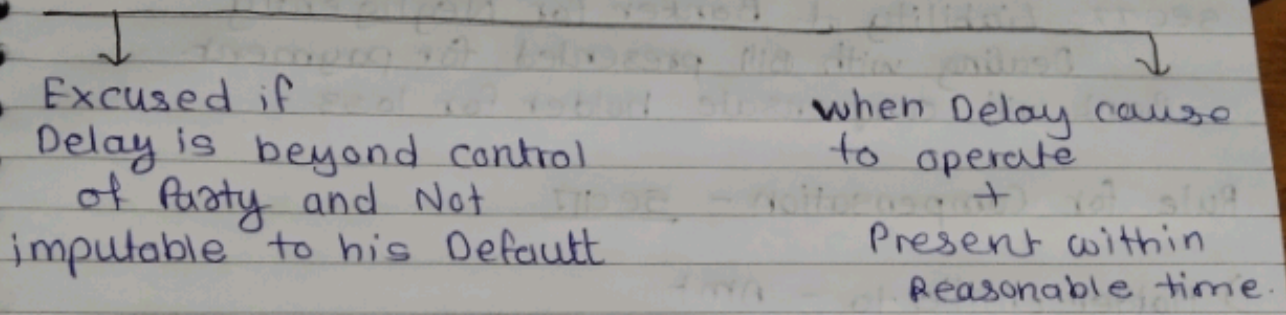
Sec 74: Pres of Inst. payable on Demand.

- Presented within reasonable time
- After if has been Recived by holder.

Sec 75: Pres. of Agent, LR, Assignee

- Inst can be presented to
 - Agent
 - LR incase of Death of Drawer
 - Assignee incase Drawer become Insolvent

Sec 76.A: Excuse for Delay in Presentment or Payment



General Rule: Bill Present + ~~48~~ 48 hrs + Dishonor

sec 76: No need to present and treat Dishonor in case

- ① a) maker/Drawee or acceptor Intentionally Prevents Presentment
- b) Inst payable at place but he closes such place in usual Business hrs.
- c) Inst payable at such other Place

② As against any Party (Bank) slight to be charged if he has Engage to pay Notwithstanding Non presentment.

Neither (he) or Autho
Person visits place

↓
During Bus. hrs.

d) No specified place.
→ he cannot be
found after search.

③ Against any party
if After maturity with
knowledge that Instrument
has not been Presented.

← makes
part
payment

↓ promises
to pay
part/Full

→ waves
his right
to take
any
Advantage
of Non
present

④ Drawer was not suffering any
Damages.

sec 77: Liability of Banker for Negligently
Dealing with Bill presented for payment.
- Bank will compensate holder for loss.

Rule for Compensation - sec 117

1) Holder Entitled to - Amt

- Exp inccure

Presenting

Noting
protesting.

3) Endorser who was liable to pay can claim amt
with 18% p.a Int doing with all other expenses
of Dishonor.

2) Person charged Resides at diff place from that
whose Inst. is payable holder is Entitled to
Recive sum at current Exchange Rate.

4] Person charged and such Endorser Resides at diff. then payment shall be made at current Exchange Rate.

5] Party Entitle to compensation may draw a Bill upon party liable to compensate with all Damages payable after sight or Demand.