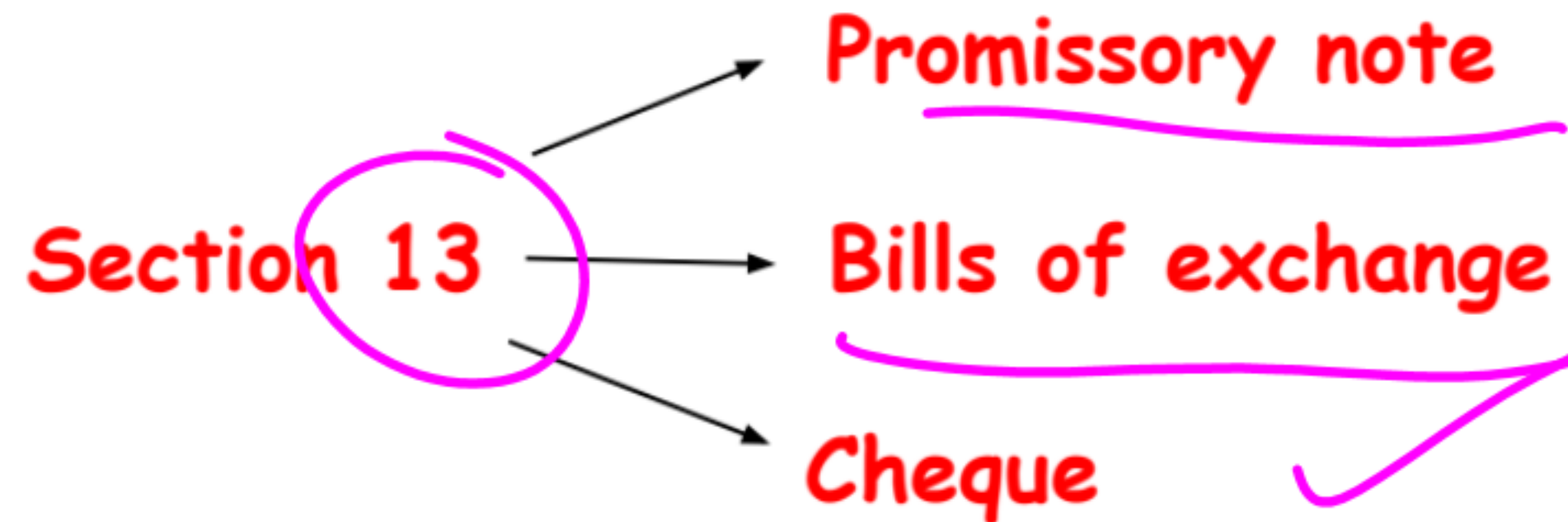


14 marks

***NEGOTIABLE INSTRUMENTS
ACT, 1881***

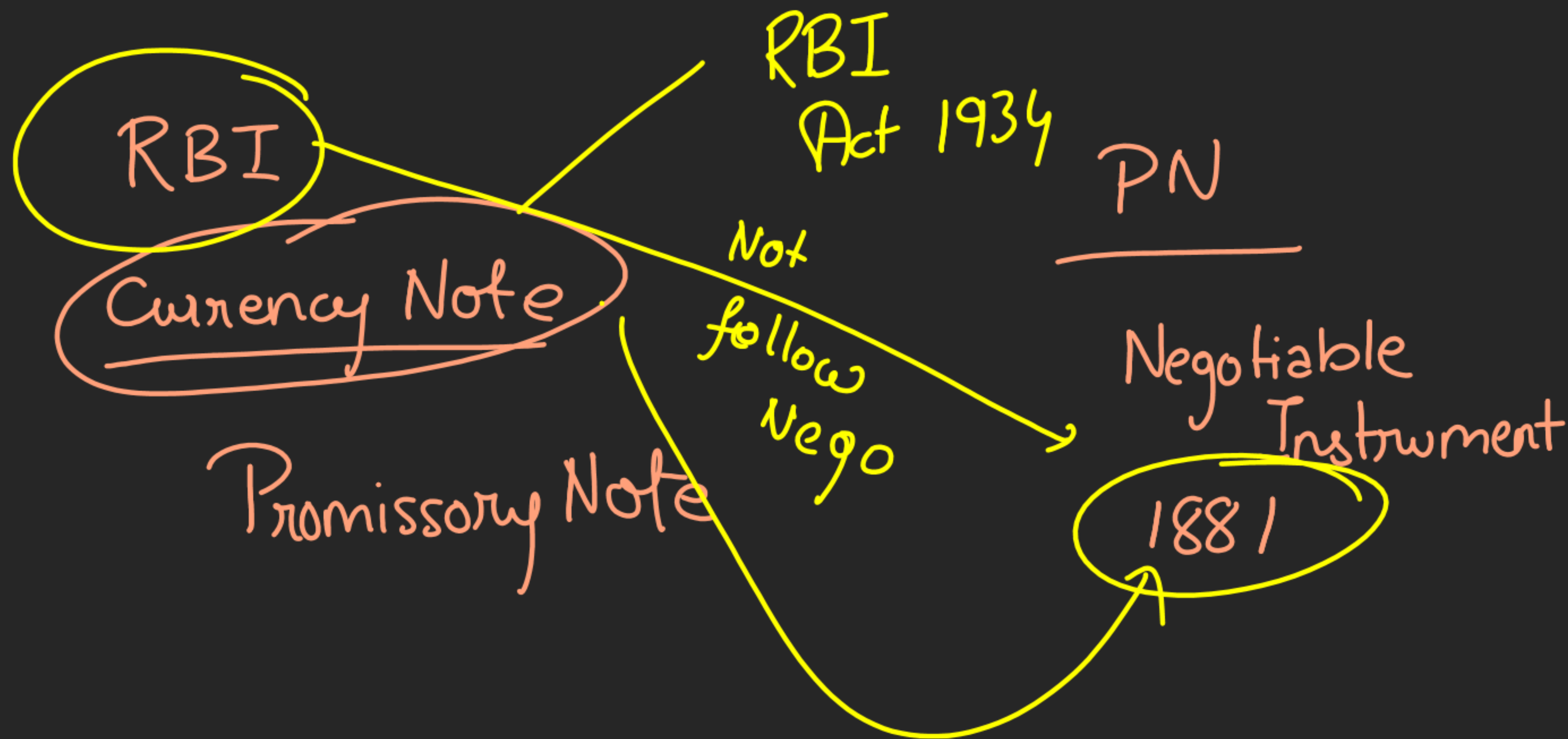
INTRODUCTION :-

- Nothing in the act applies to RBI ✓
- Date of applicability 1 march 1881
- Negotiable instruments cover



PCB

X NI 1881 ←
[RBI 1934.]



Kyun? - Paise Payment methods
legal rules

Kab? - 1881

Kaha? - Whole of India



ON THE BASIS OF PARTIES :-

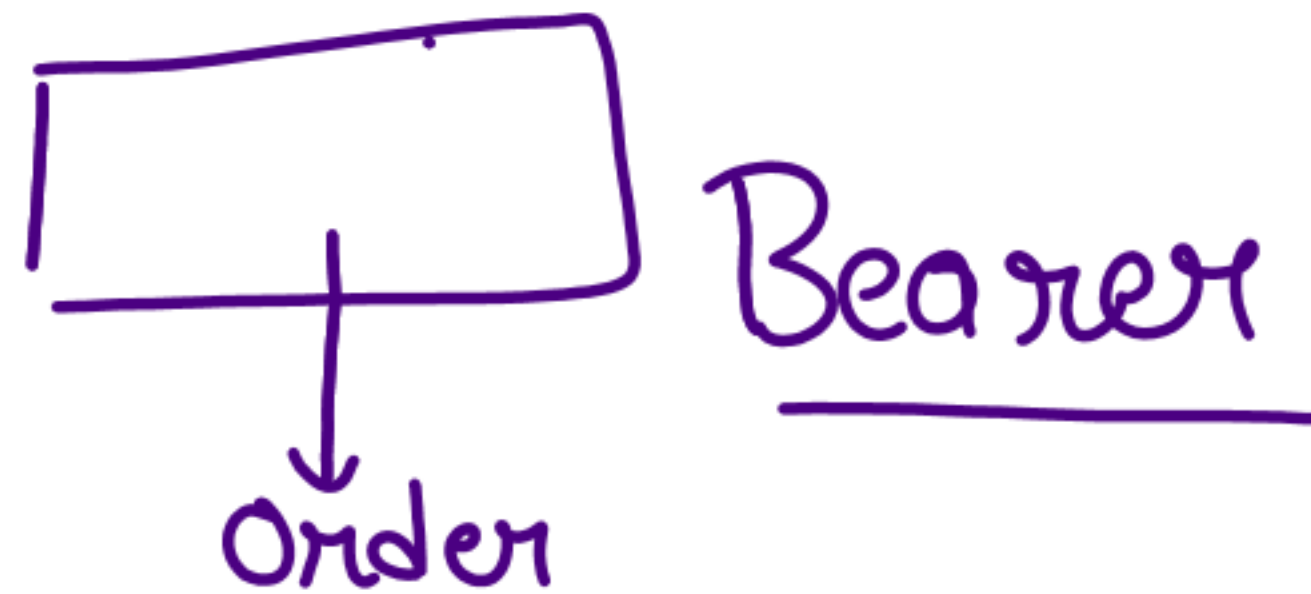
NAME ON INSTRUMENT

Payable to order ✓

~ When payable to the person named in instrument.

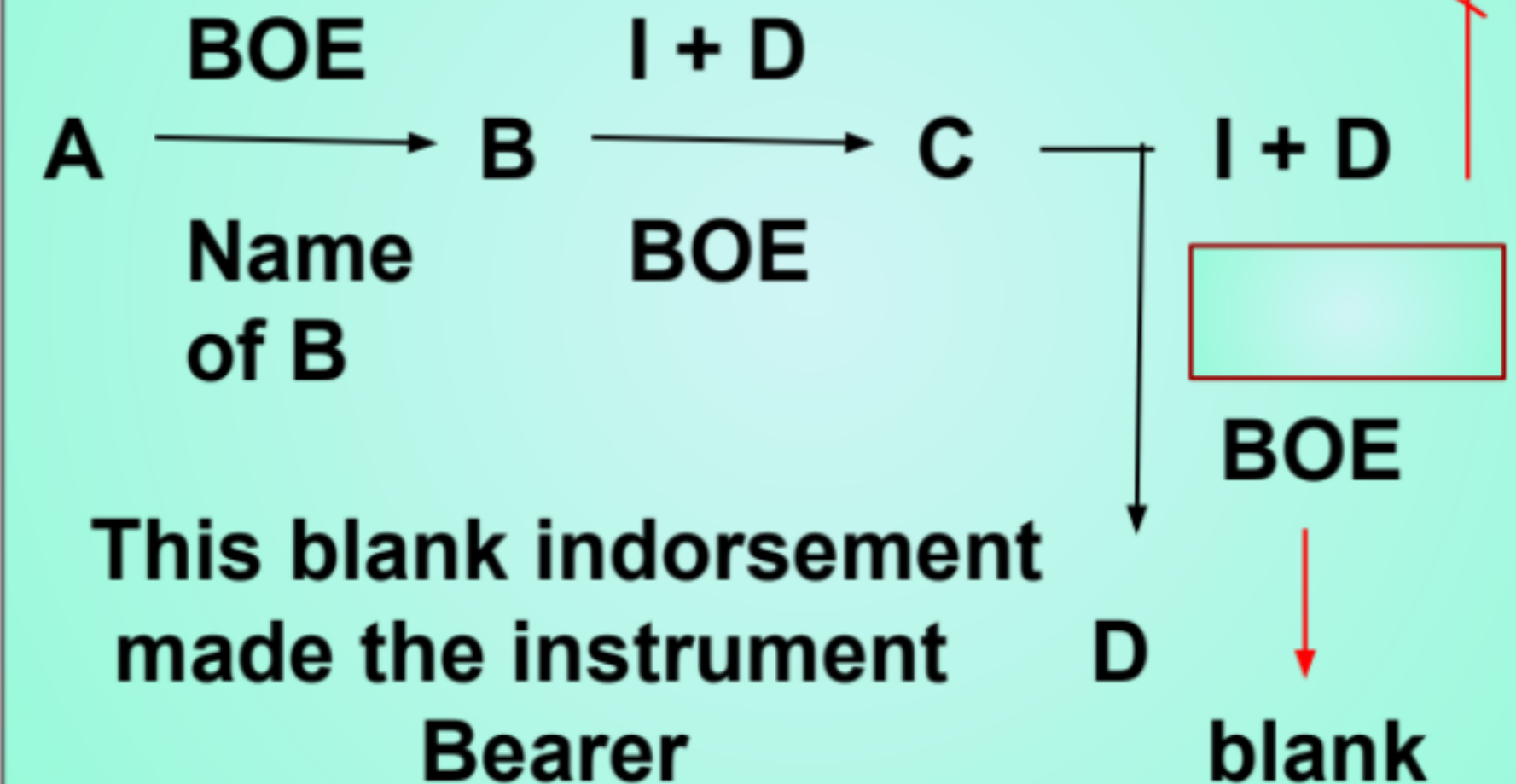
Payable to bearer ✓

~ No name on the instrument or the last indorsement in Blank makes the instrument bearer.



EXAMPLE :-

name of D not mentioned



C84

RKG

Order



RKG

Adi

I + D



Blank
Indorsement

—
ang.



SS

9674362447

Bearer

ON THE BASIS OF PAYMENT

Cheque

On demand
– payable on demand

On time
– payable on maturity only

BOE 3m
PIN 6m-12m

ON DEMAND

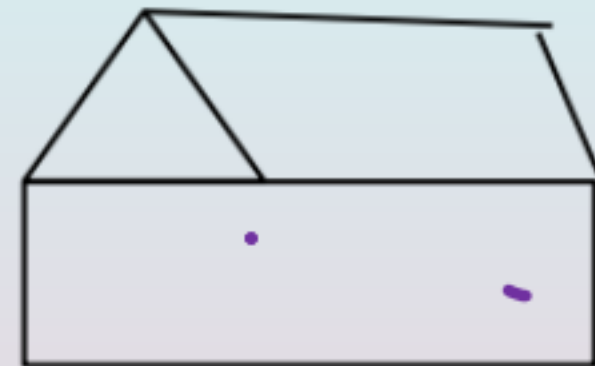


Anil

Cheque

Name

10000



HDFC
Bank

ON DEMAND PAYABLE

ON TIME

RKG

I promise to pay
10000 in 3M

CSG

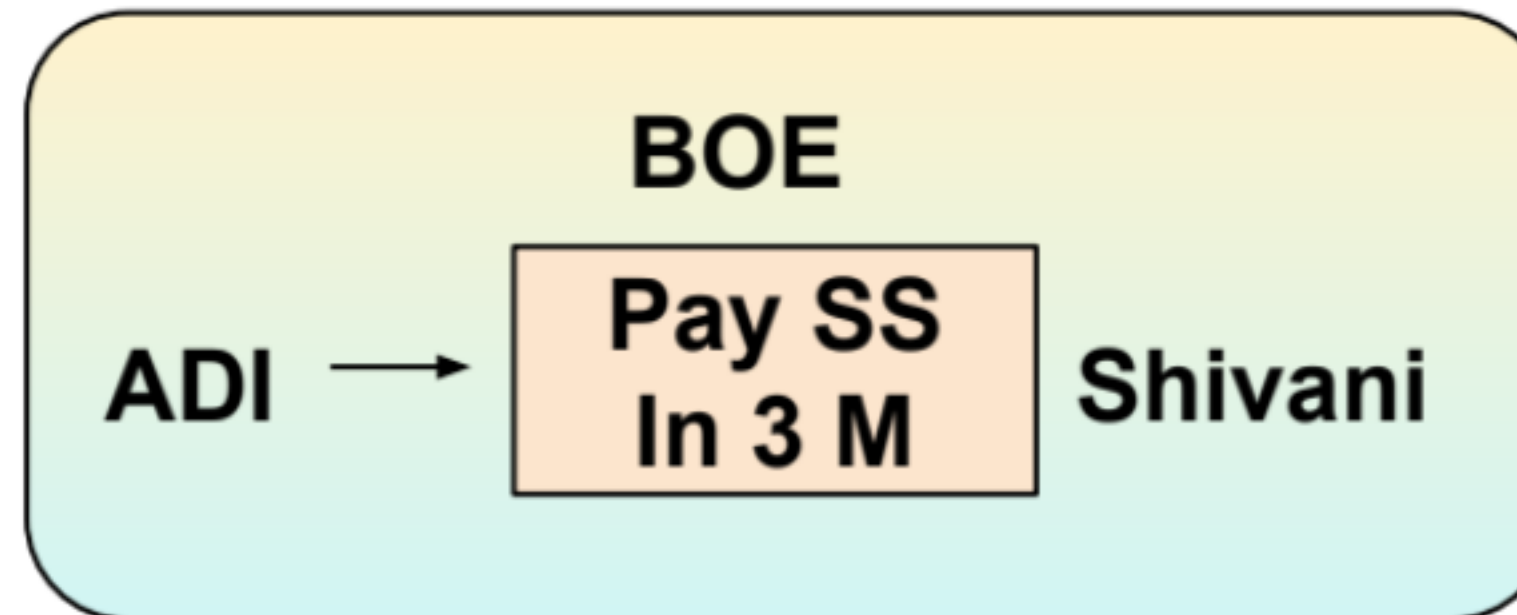
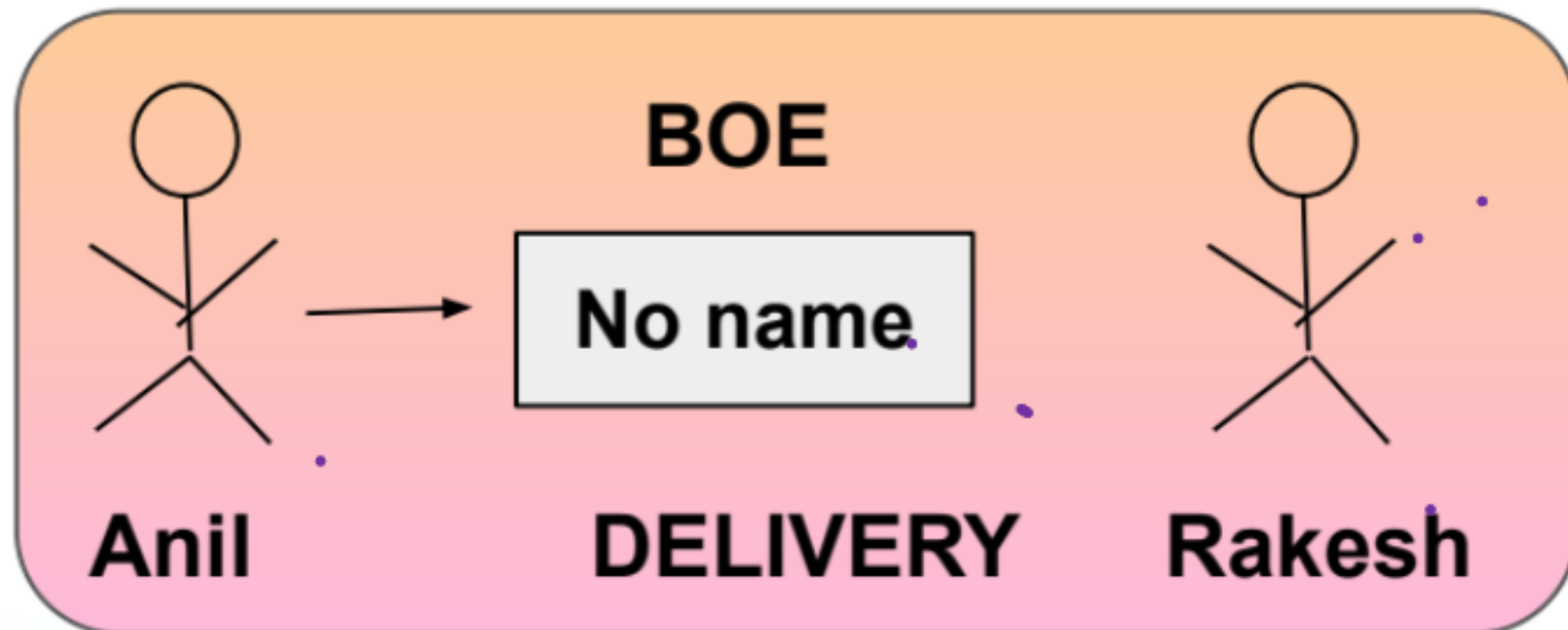
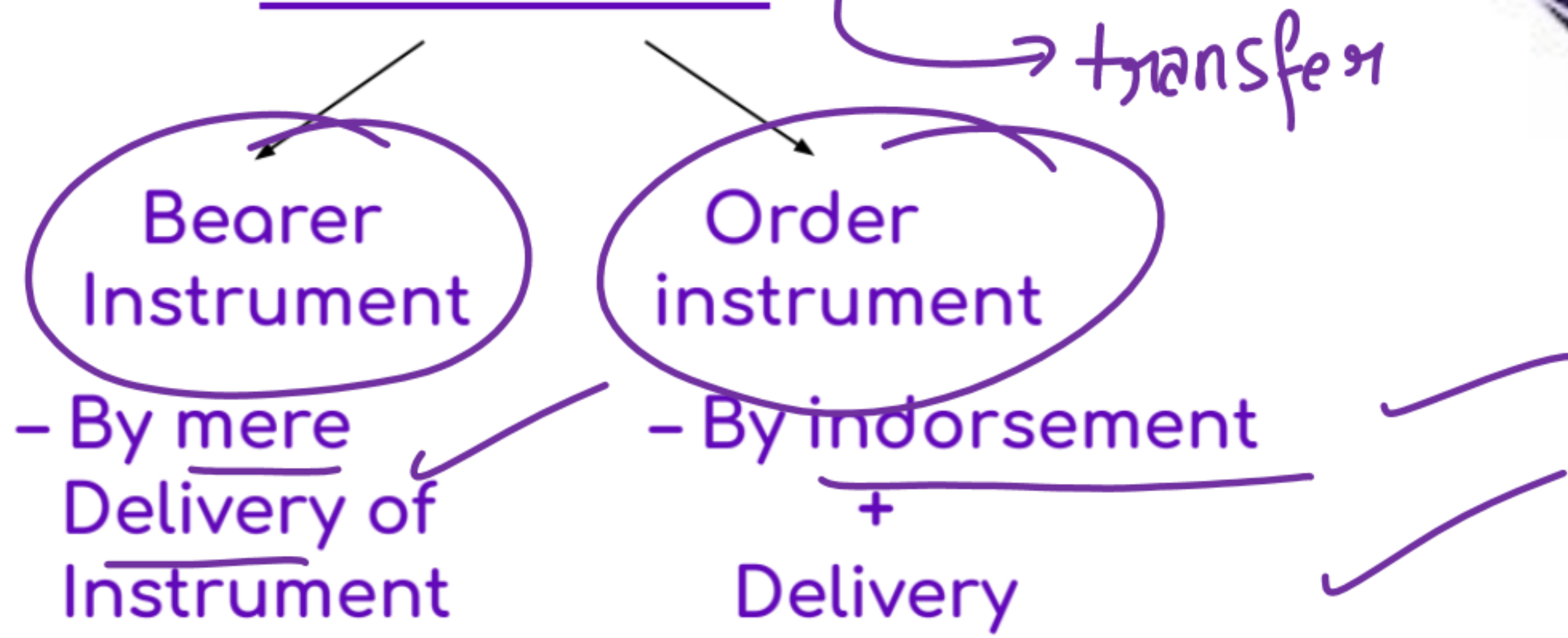
PAYABLE ON MATURITY

Parties :

Payment :

Negotiation .

NEGOTIATION :-

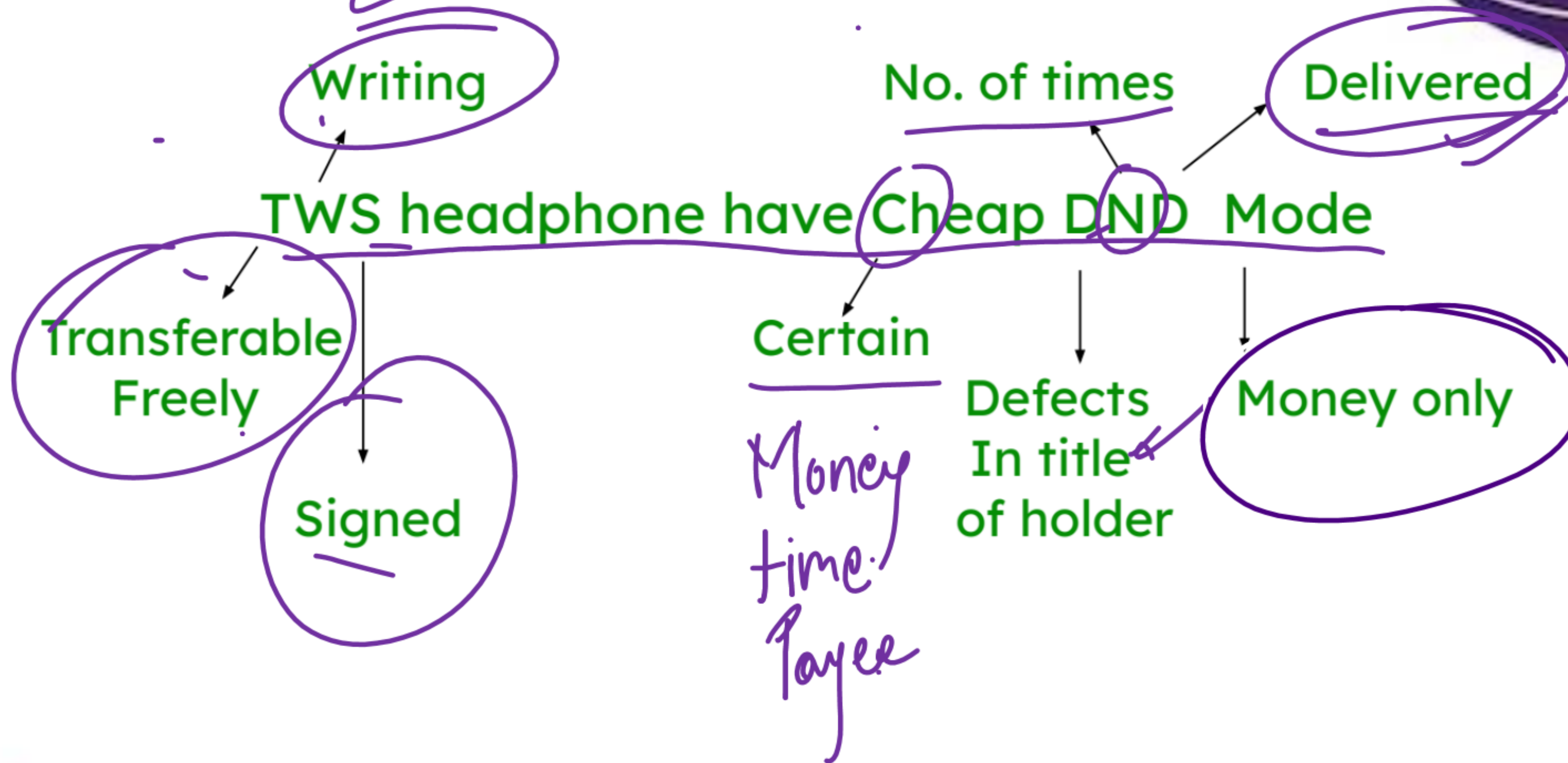






CHARACTERISTICS OF NEGOTIABLE INSTRUMENTS

CHARACTERISTICS OF NEGOTIABLE INSTRUMENTS :-



① Delivery Important → Very.

② Indorsement (Sign) → Negotiation
Delivery X

③ Indorsement ✓ → Negotiation
Prior to Delivery maker death
LR → Delivery X

④ L.R & Agent
are not the

Same ⑤

Indorsement ✓



Delivery

Maker ✗

Negotiation ✓

by Agent
of Maker

Indorsement

+ Delivery only half of
Instrument



Negotiation ✗



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 a maker , to pay a certain sum of money only to the order of , a certain person or to the bearer of instrument.

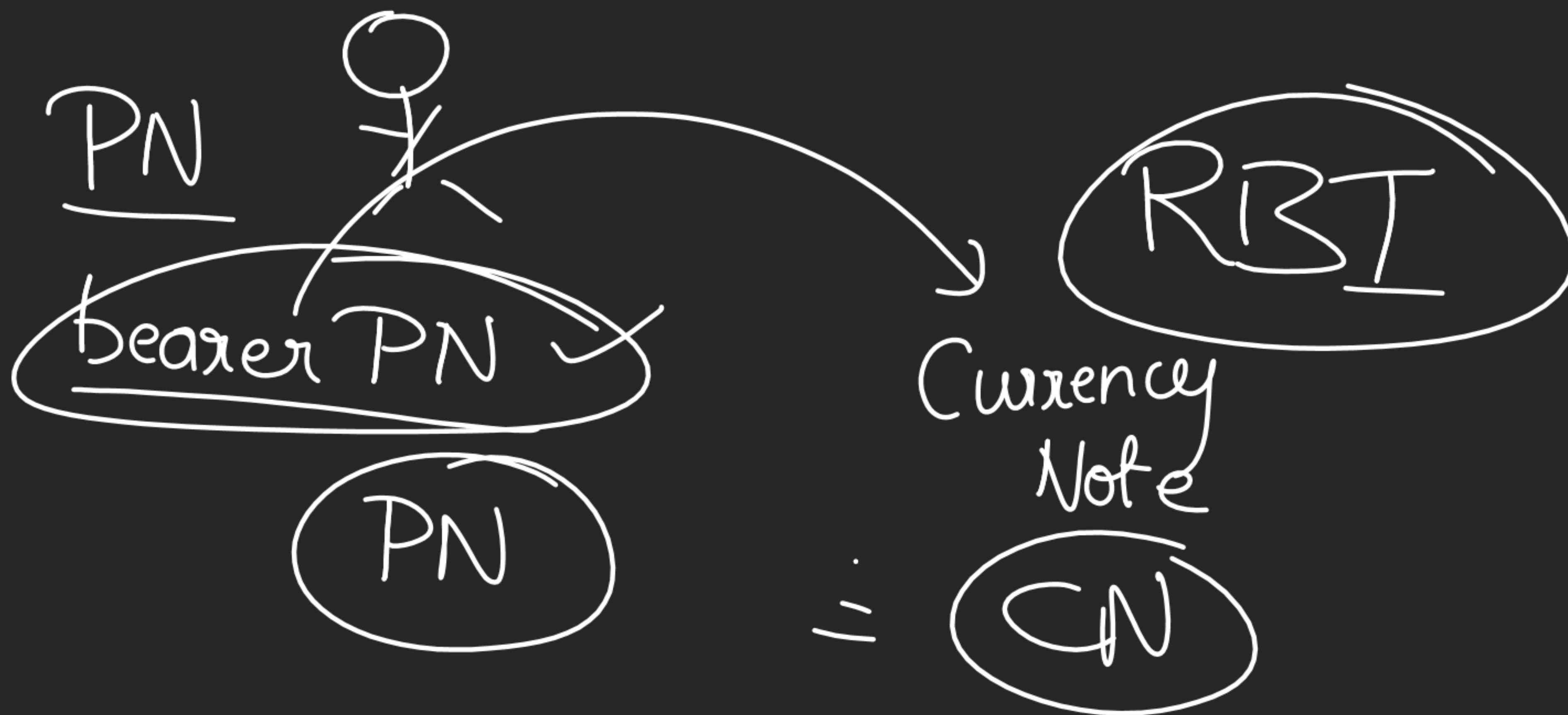
But RBI prohibits issue of bearer instrument as only they can issue bearer promissory note which is currency.

ONLY RBI HAS THE POWER

PARTIES

Drawer / Maker :- Person makes the promissory note

Payee / Creditor :- It is the person to whom the promissory note is payable.



- PN define Bearer

- however er only RBI can issue
bearer PN which is a
currency Note



CHARACTERISTICS OF PROMISSORY NOTE :-

- ❑ *In writing*
- ❑ *Express promise to pay (only admission of payment is not enough)*
- ❑ *Definite & unconditional (eg. like installment payment)*
But if condition is certain (eg. death) it is allowed
- ❑ *Promissory note should be signed*
- ❑ *Money only*
- ❑ *Promise to pay certain sum of money*
(direct or indirect indicated)
- ❑ *Promissory note cannot be made to bearer*
- ❑ *Initials on the stamp*



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 order of, a certain person, or to bearer of the instrument.
[Section 5]

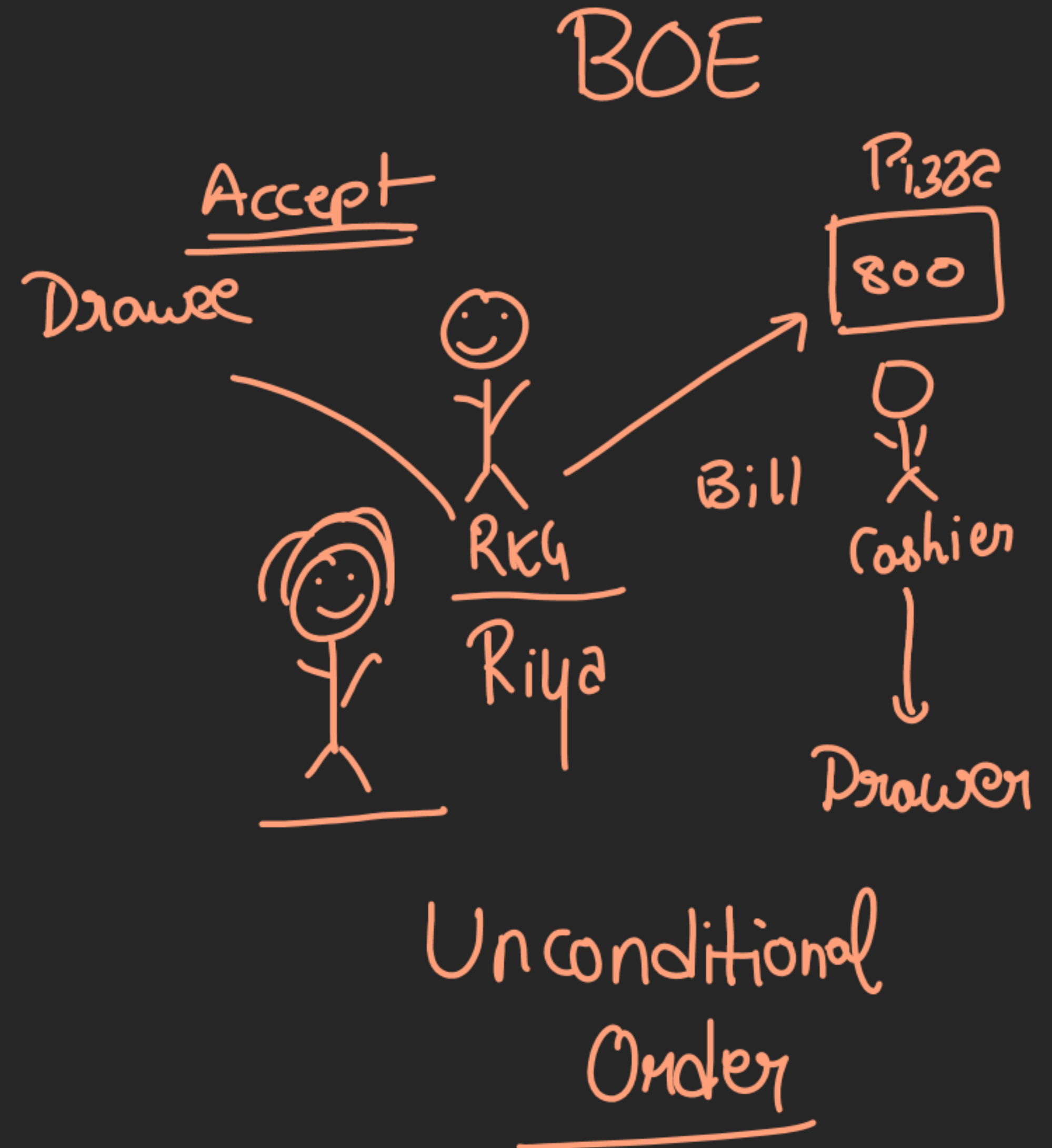
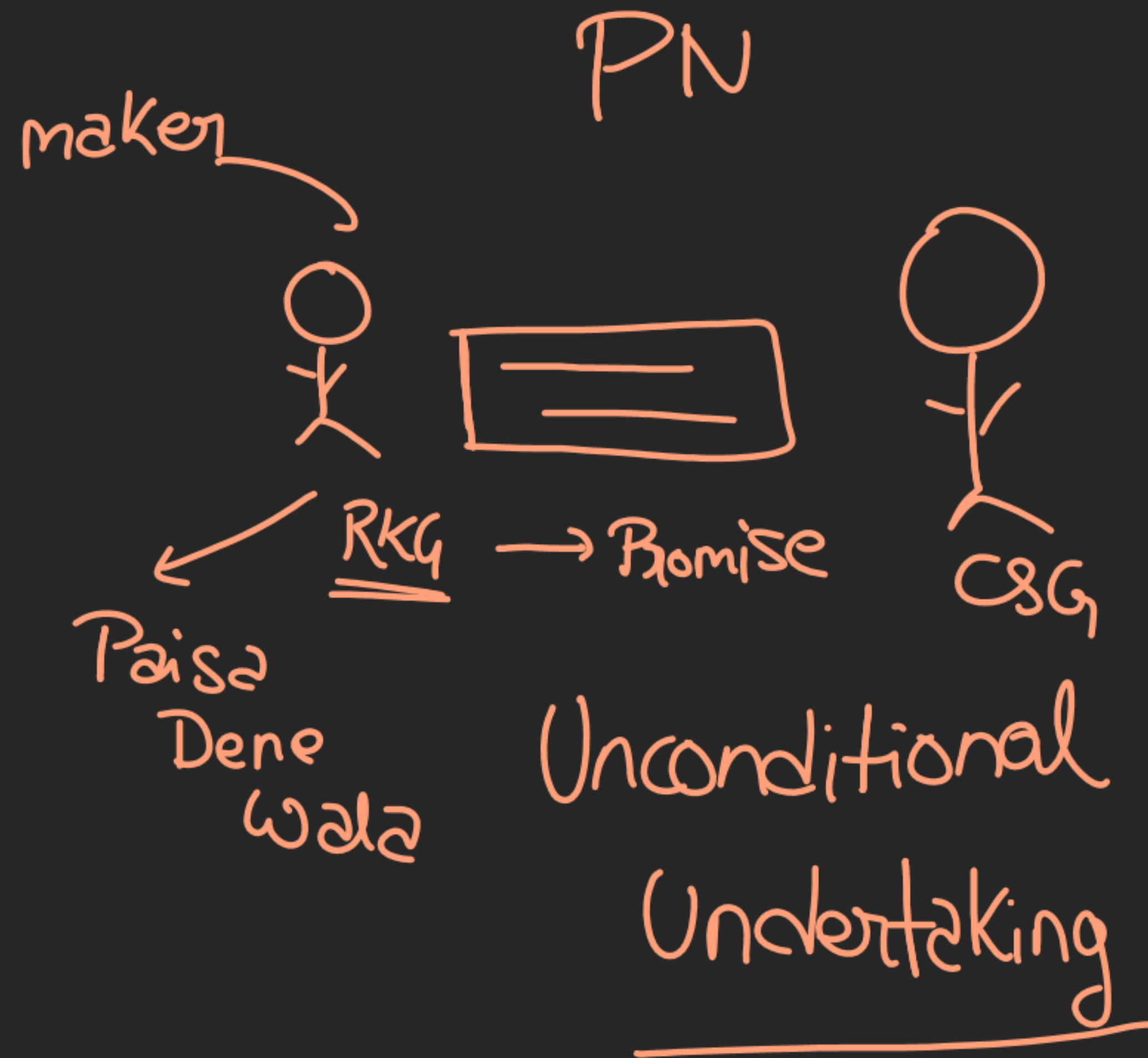
PARTIES INVOLVED :-

- ~ Drawer - Maker of the bill
- ~ Drawee - Acceptor of the bill
- ~ Payee - to whom payment is made in the instrument

Discount

Negotiate

Drawer
= Payee





CHARACTERISTICS

Order to pay must be
definite & unconditional

Pay money only

It must be in writing

It must be stamped

Must contain an
express order to pay

Drawer must sign
Instrument

Drawer / Drawee / Payee / Amount
certain

NOTE :-

- Bills of exchange : bearer on demand
order on demand



- Drawer & payee can be the same person



Because of no indorsement



PROMISSORY NOTE		BILLS OF EXCHANGE
Promise to pay money	↔	Order to pay money
2 Parties :- Maker Payee	↔	3 Parties :- Drawer Drawee Payee
Promissory note does not acceptance	↔	Acceptance is compulsory ✓
Promissory note cannot be made payable to <u>bearer</u> .	↔	Can be made to <u>bearer</u>



CHEQUE [SECTION 6] :-

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

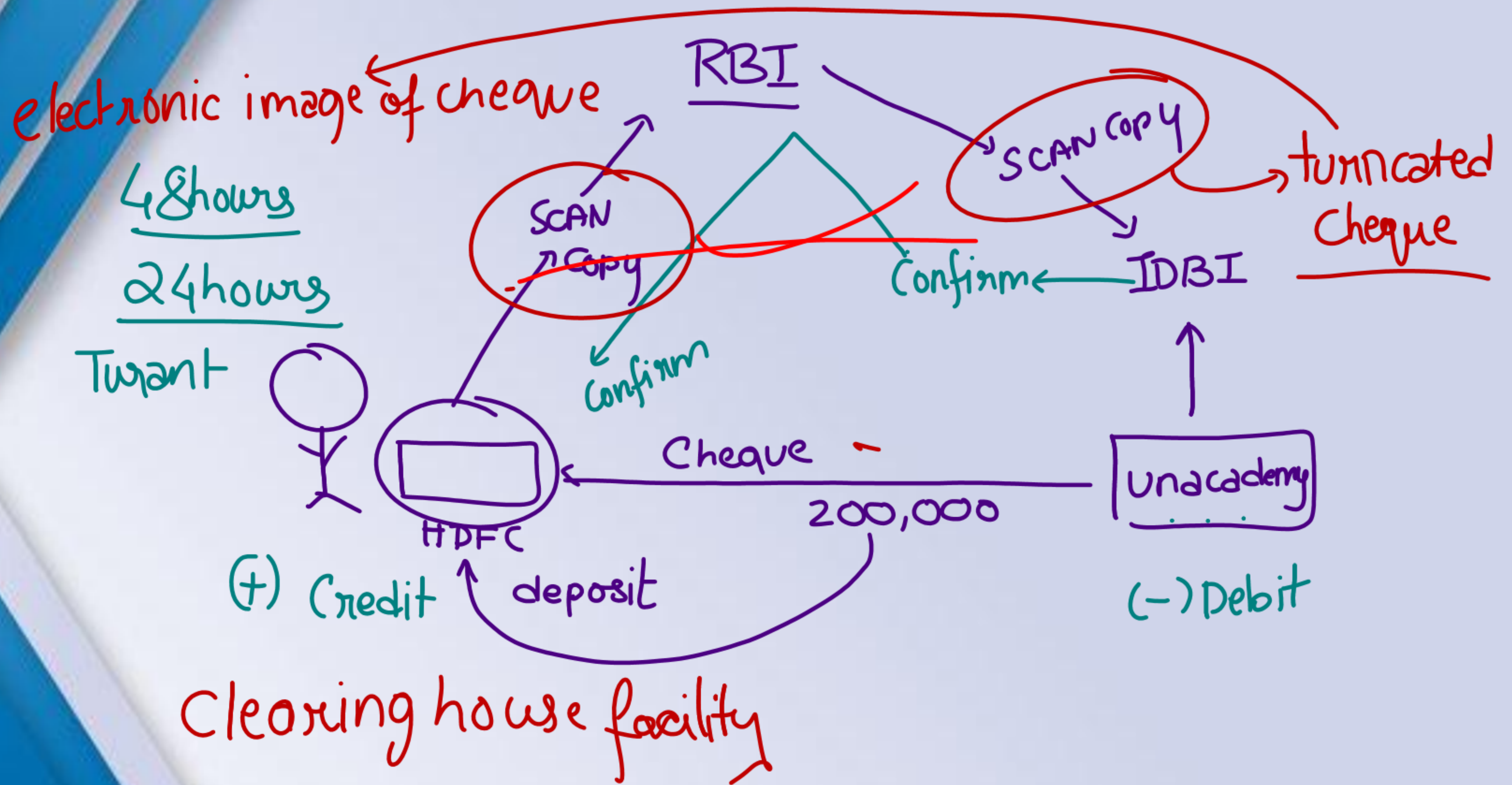
- Electronic image of the cheque is a electronic cheque issued by bank.
- Truncated cheque is a cheque used as a scan image in the clearing house facility of the bank.

PARTIES TO THE CHEQUE :-

- 1) Drawer : Person making the cheque
- 2) Drawee : Bank to whom cheque is drawn

Where another Drawee's name is entered as a drawee In case of need

- 3) Payee : The person named in the instrument, to whom payment is made. The payee may be drawer himself



TYPES OF INSTRUMENTS

Inland instrument

Drawn in India

AND

Drawn on a
Resident of
India

Payable
in
India

Foreign instrument

Drawn outside India

OR

Drawn in India

Resident
outside

AND

Payable
outside

Reel

Guptaji

June 8
Sept 6
Jan 7

In case of indorsement, instrument dishonour power to claim interest in hands of holder from the drawee or endorsed at his choice.

Manoj → Instrument India

Case 1

✓ Payable - India

∴ Person - Mexico

(II)

Case 2

∴ Payable - Mexico

✓ Person - India

(II)

Case 1 Manoj — Instrument
draw — Russia

Case 2

Manoj draw India

(FI)

X Person — Russia

(FI)

X Payable — Russia



TYPES OF INSTRUMENTS

Inchoate instrument.

- Incomplete in certain respect ✓
- Deliver instrument leaving it wholly blank
- Power to holder to complete and recover payment
- The principal of estoppel applies in case of an Inchoate instrument.

HIDC

Stamp

Ambiguous instrument

Where the instrument can be treated as a bill of exchange or promissory note and the way it is completed by the holder follow the same. In other words instrument can be constructed as bill or PN.



DISHONOUR OF CHEQUE :-

Section 138 :

Cheque Dishonour

~ Insufficiency of
Funds or stop
payment

Banker inform

Payee

in 30 days

Drawer

inform
(give 15 days)

If not made

Then dishonour

Penalty

Jail 2 years OR fine twice amount OR both

- illegal x
- Charity x
- Gift x
- Donation x

117



Section 139 :

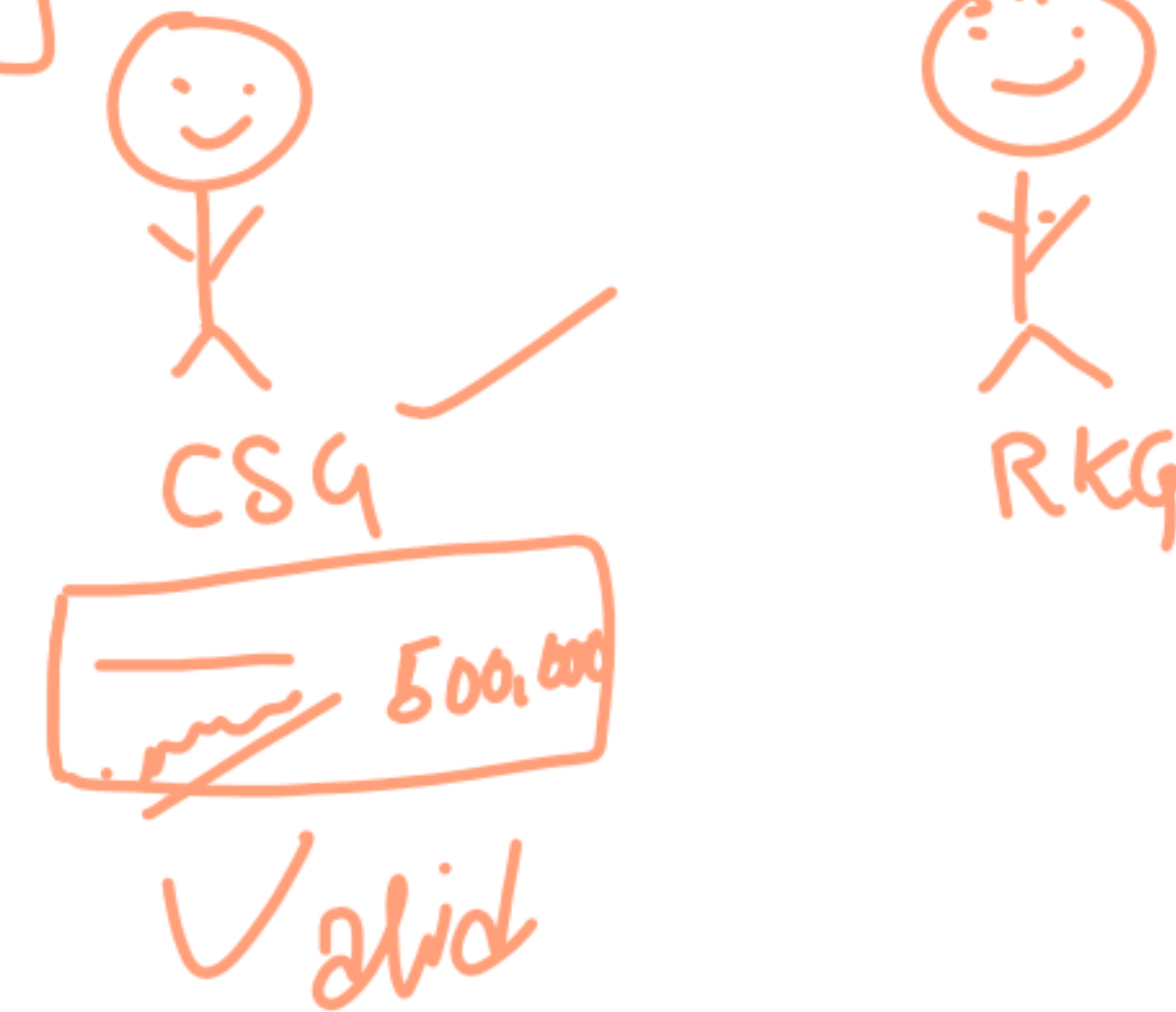
Presumption that the holder has acquired cheque in good faith.

“ Rebuttable presumption “

challenge

Section 140 :

No defence if drawer says that he is unaware.





PRESENTMENT MEANING :- It refers to the act of making the instrument available for the purpose of getting paid.

Section 61 : In case of BOE → if BOE is after sight → **Valid** → **Drawee – found** → **accept**
→ **Drawee – not found**

Section 62 : In case of PN → it is payable after a period at sight – **Promisee**

↓ **Present (in reasonable Time)**
↓
Promisor

if

↓
**Promisee fails
right to payment**



Section 63 : In case of BOE , the drawer shall allow drawee
48 hours on business days for acceptance (eg. Insta collab)

Section 64 : A → B → C → D
 └──┬──┘
 Not liable failed in presentment

If the party fails to prevent the BOE / Cheque / PN for payment cannot
hold the prior parties liable

Section 65 : Presentment to be made within business hours or banking hours as the case
may be

Section 66 : BOE / PN shall be presented on maturity date for payment

Section 67 : If PN payable in installments should be presented 3 days after due date if not
Paid , it is dishonour of PN



Section 68 : If PN / BOE is to be payable at a specified place then presentment shall be made at such place

Section 69 : If a BOE / PN is drawn / made payable at a specified place payment can be charged only at such place

Section 70 : Where no place specified can be presented at any place of business or at residence of place

Section 71 : If maker / drawee of PN/ BOE does not have place of business or fixed residence , then presentment is in person

Section 72 : A cheque shall be presented to the bank before the relation between the drawer and the bank ends.



RULES FOR COMPENSATION { section 117 } :-

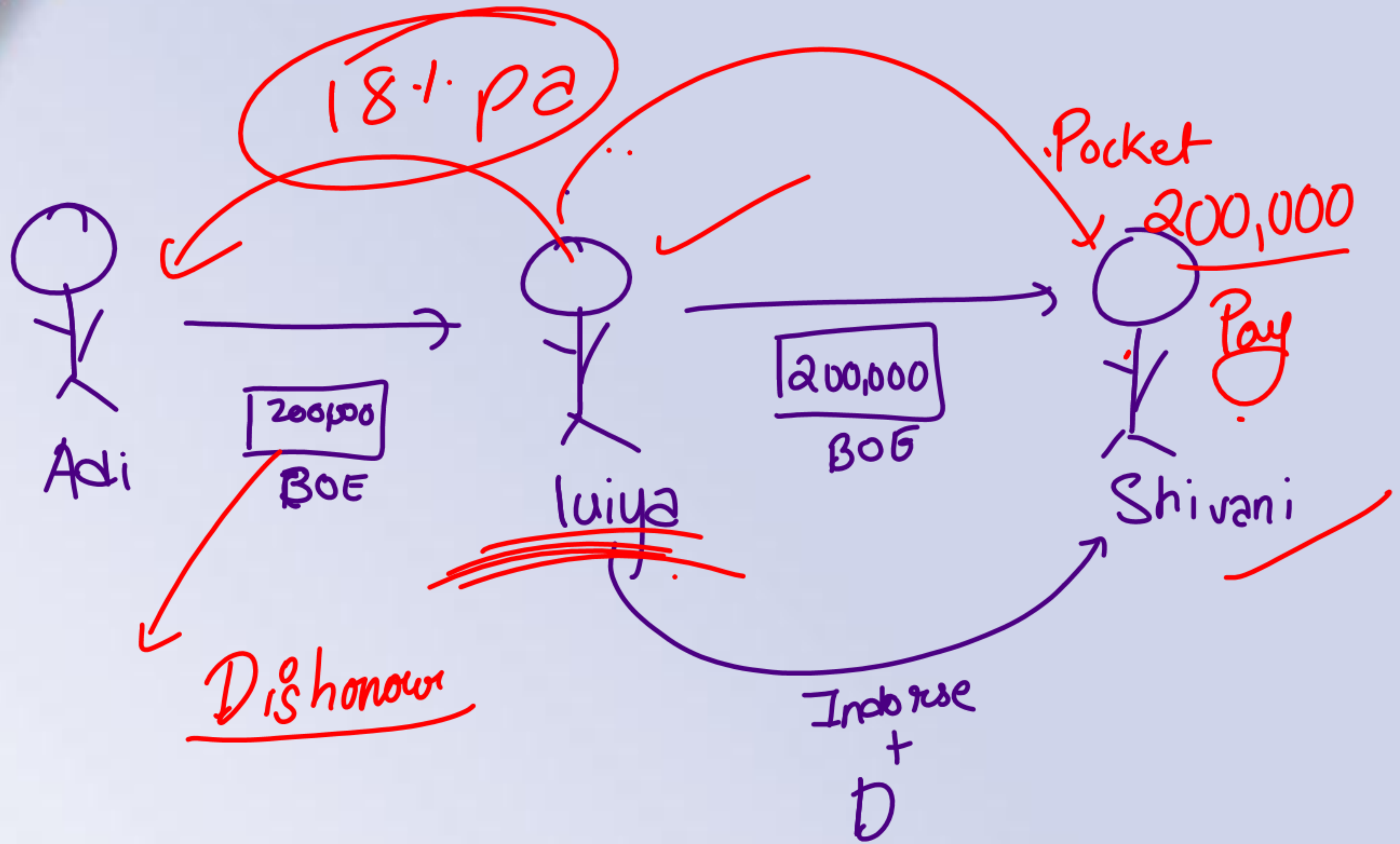
- $\frac{\text{Amount}}{200,000} + \frac{\text{litigation (protest charges)}}{10,000} + \frac{\text{Presentment charges}}{\text{Fare } \checkmark 14,000}$ 224,000
ChX
BOEx PNx
- If in different countries then exchange rate difference
 $1\$ = 90 \checkmark \quad \times \quad 1\$ = 80 \quad \frac{80,00,000}{100,000\$}$
90
- Interest at the rate 18% p.a. on amount if endorser paid to endorsee date of payment to realisation
- If drawer & drawee at different places then exchange rate between two places when indorsed.
- The party entitled to compensation can draw another bill on demand if that dishonour same process.
Bill on demand

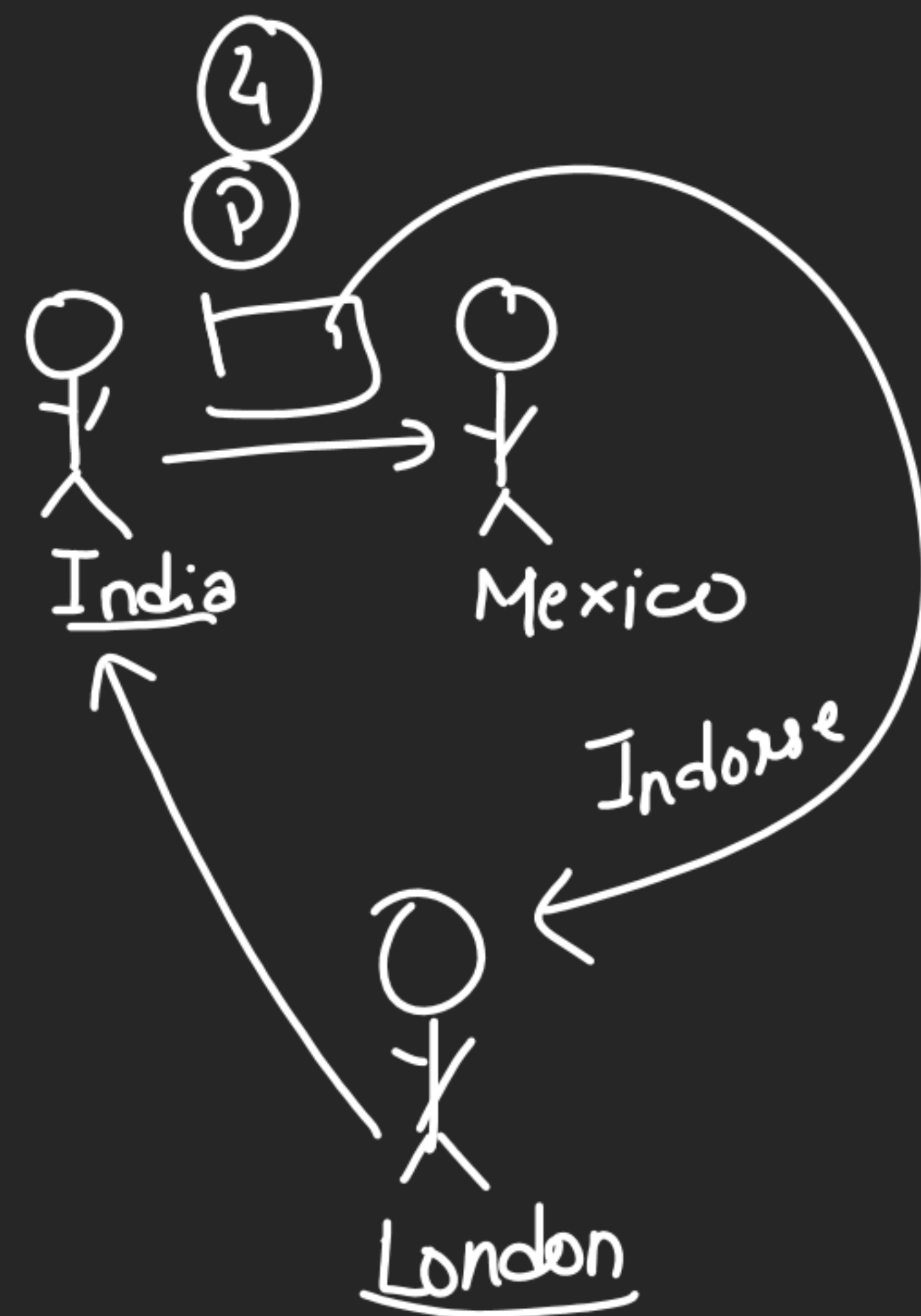
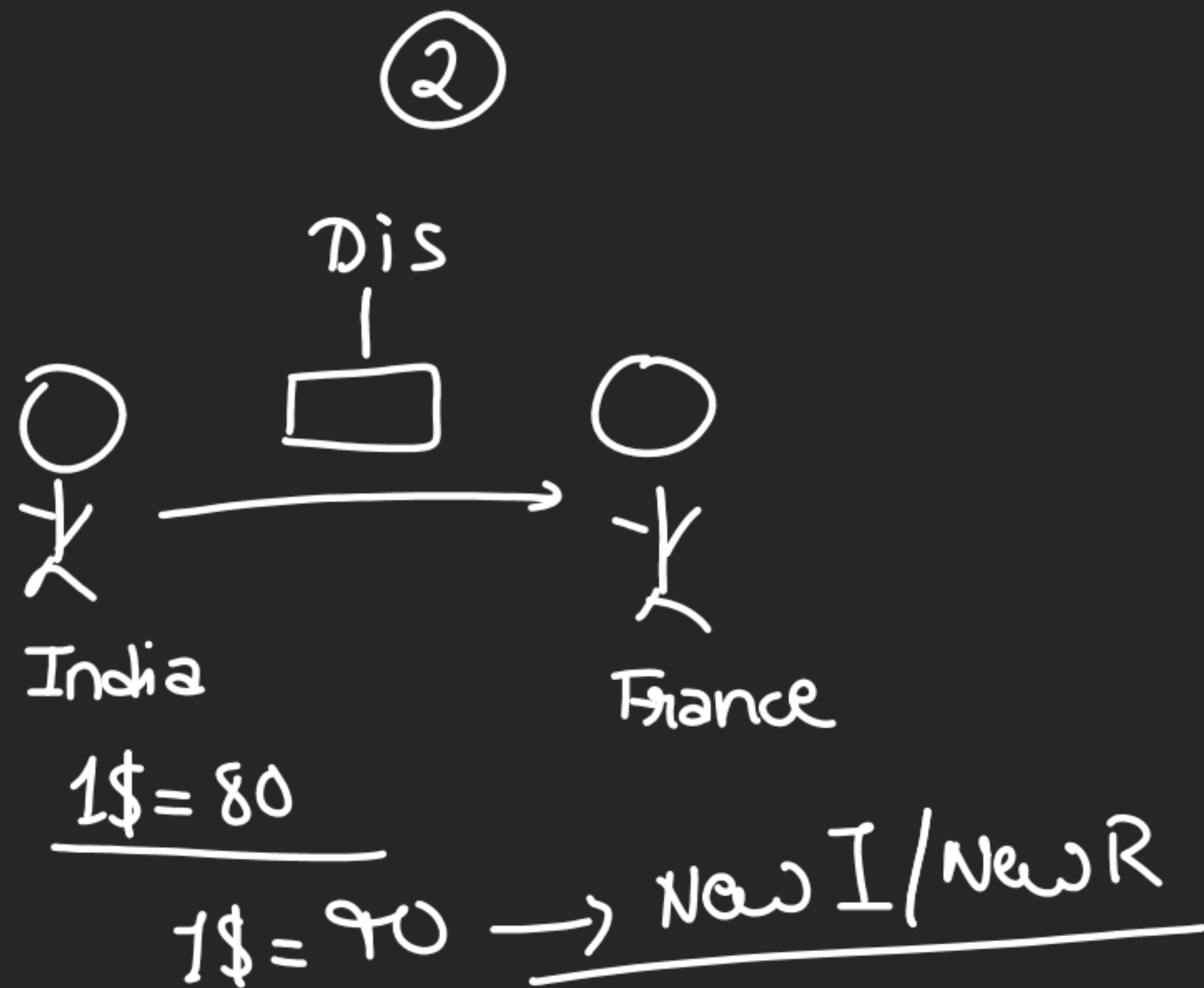
Goal 31st March One Shot	{	Companies Act	X					
		SOGA	X	[25 th	445	One Shot	
		LLP	X		27 th	647	One Shot	
		IRF	X			29 th	849	One Shot
		IPA	X					
		NEGO	X					
		Contract	Unit 1	2	3	X		



Mom

CA Shantam Gupta







END OF NEGO

