



# Frequent Dishonour of Cheques and ECS/NACH Mandates Policy.

09-07-2024



## Document Control

<b>Title</b>	Frequent Dishonour of Cheques and ECS/NACH Mandates	<b>Version</b>	3.0
<b>Created By</b>	Strategy & Partnerships	<b>Date of Origin</b>	01-04-2017
<b>Date of Last Review</b>	30-05-2023	<b>Due Date of Renewal</b>	30-05-2024
<b>Reviewed By</b>	Strategy & Partnerships	<b>Date of Review</b>	08-04-2024
<b>Approved By</b>	Board of Directors under BR No.04	<b>Date of Approval</b>	09-07-2024
<b>Date of Next Review</b>			09-07-2025
<b>Frequency of Review</b>			Annually

### Strategy & Partnerships

3rd Floor, Corporate Headquarters, M.A. Road Srinagar  
0194-2502649  
sp.chq@jkbmail.com

## Table of Contents

S.No	Content	Page No
01	Introduction	5
02	Objectives	6
03	Scope	6
04	Procedural guidelines	7
04-A	Detailed Procedure	7
04-B	Restoration of Cheque/NACH/ECS facility	8
04-C	Role/Responsibility of other Departments	9
04-D	Procedure for Return of dishonoured cheques	10
04-E	Sharing of information with authorities for adducing evidence	10
04-F	Customer Education	10
05	Penalty	11
06	Cheque/NACH/ECS dishonour charges	11
07	Staff responsibility	11
08	Disclosure of the policy	11
09	Ownership and review	11
10	Annexures	12

## Glossary

Abbreviation/ Acronym	Explanation
CBS	Core Banking Solution
ECS	Electronic Clearing Service
MIS	Management Information System
NACH	National Automated Clearing House
NI Act	Negotiable Instrument Act
NPCI	National Payments Corporation of India
OTC	Over The Counter
SOP	Standard Operating Procedure

## 1. Introduction

- i. The policy for frequent dishonour of cheques and ECS/NACH Mandates has been devised in terms of RBI Circular No. [DBR.No.Leg.BC.3/09.07.005/2016-17 dated August 04, 2016](#) whereby RBI decided to leave it to the discretion of the banks to determine their response to dishonouring of cheques of the account holders. Banks were directed to put in place an appropriate policy approved by the Board or its Committee taking into consideration the need to prevent misuse of the cheque drawing facility and avoid penalising customers for unintended dishonour of cheques.

- ii. Section 6 of the NI Act, 1881 defines a cheque as follows:-

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 and a cheque in the electronic form.

The National Payments Corporation of India (NPCI) offers to banks, financial institutions, Corporates and Central and State Government/s a service termed as “National Automated Clearing House (NACH)” which includes both Debit and Credit transactions. It shall be referred to as NACH hereafter. NACH (Debit) & NACH (Credit) products aim at facilitating inter-bank high volume, low value debit/credit transactions, which are repetitive in nature, electronically using the NPCI platform.

Section 92 of NI Act defines the dishonour by non-payment as follows:-

“A promissory note, bill of exchange or cheque is said to be dishonoured by non-payment when the maker of the note, acceptor of the bill or drawee of the cheque makes default in payment upon being duly required to pay the same”.

Section 138 of NI Act has created statutory offence in the matter of dishonour of cheque for insufficiency, etc., of funds in the account stating, “Where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, such person shall be deemed to have committed an offence. Defect in structure of cheque or dishonour of cheque because of incomplete signature of drawer does not attract the relevant provision of section 138.

The Negotiable Instruments Act, 1881 (N.I. Act) continues to be the predominant legal base for all cheque-based (instrument-based) payment systems in India. It has been amended time and again to accommodate new requirements and policies. The latest amendments in respect of the definition of “cheque” by inclusion of the “electronic image of a truncated cheque” and a “cheque in the electronic form” have opened up avenues for introducing new methods of processing paper-based payment instruments. Simultaneous amendment to the Information Technology Act, 2000,

making it applicable to N.I. Act, has accorded legal status to the usage of electronic payment systems in Indian banking (Section-25 of Payment & Settlement Systems Act-2007).

Regarding Dishonour of Electronic Funds Transfer for insufficiency, etc., of funds in the account, the Section 25 of the Payment and Settlements Act states “Where an electronic funds transfer initiated by a person from an account maintained by him cannot be executed on the ground that the amount of money standing to the credit of that account is insufficient to honour the transfer instruction or that it exceeds the amount arranged to be paid from that account by an agreement made with a bank, such person shall be deemed to have committed an offence and shall, without prejudice to any other provisions of this Act, 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 electronic funds transfer, or with both.”

## 2. Objectives

The policy is framed to provide appropriate procedure for dealing with dishonoured Cheques/NACH/ECS Mandates and taking into consideration the need to prevent misuse of the cheque drawing facility and avoid penalising customers for unintended dishonour of cheques.

## 3. Scope

The dishonour of cheque may be classified from the point of view of the banker -as collecting bank or paying bank. This classification can span the following scenarios: -

- i. Where the Bank acts as collecting bank and the cheque is drawn on other bank.
- ii. Where the Bank acts as paying/ drawee bank and the cheque has been received from other bank through clearing / collection.
- iii. Where the Bank acts both as collecting bank and paying bank, i.e. where the accounts of the holder / payee and the drawer are maintained with it.

Dishonour of cheques, in case of transactions classified under (ii) & (iii) above, shall fall within the purview of the policy. Dishonour of cheques classified under (i) above shall not be under the purview of this policy except for the procedure/ timelines for returning of the dishonoured cheques.

For the purpose of this policy, the dishonour of a cheque shall exclusively mean dishonour due to insufficiency of funds etc (Reason Code 1 to 3 as per Annexure C at page No 15) in the drawer’s account and shall include dishonour of NACH/ECS mandate due to the said reasons. Other reasons / forms of dishonour shall be beyond the scope of this policy.

The policy deals with the treatment for dishonour of;

- a.) cheques of Rupees one crore & above
- b.) cheques of Rupees fifty thousand to below one crore
- c.) NACH/ECS mandates irrespective of amount.

The scope of the policy is limited to dishonour of Cheques/NACH/ECS Mandates only and does not deal with issuance, management, processes or SOPs (except for SOP for restoration of cheque book facility and Over the Counter dishonour of Cheque returns) with respect to Cheques/NACH/ECS Mandate.

#### **4. Procedural guidelines**

##### **A.1) Detailed Procedure for Cheques of Rs One Crore & Above**

- i. In the event of dishonouring of a cheque of Rs one crore and above, on three occasions during a financial year for want of sufficient funds / exceeding arrangement in the account, a caution advice through SMS/Mail shall be sent to the account holder.
- ii. In the event of dishonouring of a cheque of Rs. one crore and above, on four occasions during a financial year for want of sufficient funds or exceeding arrangement in the account, issuance of fresh cheque book in the account shall be stopped forthwith. An SMS/Mail shall be sent to such account holder informing him/her about the stoppage of issuance of new cheque book and also intimating him/her to contact the concerned Branch for further course of action.
- iii. In case of return of cheques of Rs. one crore and above on five occasions or beyond during a financial year for want of sufficient funds in SB / CD account (Reason Code 1 to 3 as per Annexure C at page No 15), a notice for closure shall be sent to the constituent concerned by the Branch stating that the account of the constituent may be closed within 30 days from the date of notice, if valid and satisfactory reasons are not received from the constituent within 30 days. However, in respect of loan accounts such as Cash Credit account/overdraft account, the need for continuance or otherwise of the credit facilities and the cheque facility relating to these accounts shall be reviewed by appropriate authority higher than the sanctioning authority.

##### **A.2) For Cheques of Rs Fifty Thousand to Below One Crore and NACH/ECS mandates**

- iv. In the event of dishonouring of a cheque of Rs fifty thousand to below one crore, on five occasions during a financial year for want of sufficient funds / exceeding arrangement in the account, a caution advice through SMS/Mail shall be sent to the account holder.
- v. In the event of dishonouring of a cheque of Rs. fifty thousand to below one crore, on six occasions during a financial year for want of sufficient funds or exceeding arrangement in the account, issuance of fresh cheque book in the account shall be stopped forthwith. An SMS/Mail shall be sent to such account holder informing him/her about the stoppage of issuance of new cheque book and also intimating him/her to contact the concerned Branch for further course of action.
- vi. In the event of failure of NACH/ECS registered in a particular account of the drawer, for want of sufficient funds in the account on six occasions during the financial year, (Reason Code 1 to 3 as per Annexure C at page No 15), following action shall be taken:
  - a. Immediate cancellation of the NACH/ECS mandate:  
In case of failed NACH/ECS due to insufficiency of funds, a communication from the Destination Branch is to be sent to the customer (Destination Account Holder)

intimating him that in case of failed NACH/ ECS for 6 times in a financial year or otherwise, the Branch at its sole discretion may advise the sponsor bank/Branch for cancellation of all mandates given for the particular account in case of Saving/Current accounts, whereas for Cash Credit accounts, a review may be put up to appropriate authority higher than the sanctioning authority in the matter.

b.No fresh NACH mandate to be allowed.

- vii. In case of return of cheques of Rs fifty thousand to below one crore or failure of NACH/ECS mandates on seven occasions or beyond during a financial year for want of sufficient funds in SB / CD account (Reason Code 1 to 3 as per Annexure C at page No 15), a notice for closure shall be sent to the constituent concerned by the Branch stating that the account of the constituent may be closed within 30 days from the date of notice, if valid and satisfactory reasons are not received from the constituent within 30 days. However, in respect of loan accounts such as Cash Credit account/overdraft account, the need for continuance or otherwise of the credit facilities and the cheque facility/ECS/NACH relating to these accounts shall be reviewed by appropriate authority higher than the sanctioning authority.
- viii. For arriving upon qualification of accounts for sending cautionary advice & stopping issuance of fresh cheque book under dishonouring of cheques of Rs 50000 to below 1 crore category, cheque dishonours under both Rs 50000 to below one crore category & 1 crore and above category shall be taken into account.
- ix. For the purpose of introduction of above conditions in relation to operation of the existing account, the Branch shall, at the time of issuing new cheque book/accepting a new NACH/ECS mandate, issue a letter advising the constituents of the new condition. Sample letter to be used for this purpose is attached as Annexure A at page No 13.
- x. If an account is availing both cheque book as well as NACH/ECS mandate facilities, then the incident of dishonour will be taken into account for both dishonour of cheque and failed NACH/ECS for computing the number of dishonour of cheques and failed NACH/ECS mandates.

#### **B. Restoration of Cheque/ NACH/ECS facility**

- i. In case of stoppage of new cheque book issuance/accepting of NACH/ECS mandate for SB / CD accounts on account of frequent dishonour of cheques / NACH/ECS mandates, such facility shall not be ordinarily restored before 90 days from the suspension of the facilities. Sanctioning powers for the restoration of cheque book facility / NACH/ECS facility in such cases shall be vested with the respective Cluster Head and Zonal Head in case of Branches directly reporting to Zones.
- ii. In cases where cheque book/ NACH/ECS facility is stopped on account of frequent dishonour of cheques / NACH/ECS mandates as per Para 4 of the Policy, Branches shall give due consideration to the representation/ explanation given by the constituents regarding the dishonour, in order to avoid penalizing the constituent for unintended dishonour of cheques / NACH/ECS Mandate.
- iii. If the constituent gives a reply furnishing valid reasons / justification for the return of cheques / NACH/ECS mandates in his account and the Branch Head is convinced about the



tenability of the explanation and there has not been any misuse of cheques/ NACH/ECS facility, Branch Head shall forward the reply with his/ her recommendation to the respective Cluster Head and Zonal Head in case of Branches directly reporting to Zones for necessary approval for issuance of fresh cheque book/ restoration of NACH/ECS facility in the account.

- iv. Zonal Head/Cluster Head shall give due consideration to the reasons explained by the constituent, and if satisfied, shall permit issuance of further cheque books/ restoration of NACH/ECS facility against the account of the constituent.
- v. The standard operating procedure for issuance of cheque book and treatment of over the counter cheques in such cases is placed as Annexure D to this policy.

### **C. Role/Responsibility of other departments**

#### **i. MIS/Service Operations Department**

Data in respect of accounts, wherein dishonour of cheques of i.) Rupees one crore and above & ii.) Rupees fifty thousand to below one crore and NACH/ECS mandates, for want of sufficient funds in the account, crosses the threshold of three & five occasions respectively per financial year (Reason Code 1 to 3 as per Annexure C at page No 15), shall be made part of bank's MIS on constituents and Service operations shall send caution advice to such customers through SMS/Mail who have breached the threshold of 3 & 5 respectively. Similarly data in respect of accounts, wherein dishonour of cheques of i.) Rupees one crore and above & ii.) Rupees fifty thousand to below one crore and NACH/ECS mandates for want of sufficient funds in the account crosses the threshold of 4 & 6 dishonours respectively per financial year (Reason Code 1 to 3 as per Annexure C at page No 15), shall also be made part of bank's MIS on constituents and Service operations shall send SMS/Mail to such customers who have breached the threshold of 4 & 6 Cheque / NACH/ECS respectively, informing them about the stoppage of issuance of new cheque book/ NACH/ECS facility and also intimating the customers to contact the concerned Branch for further course of action. Service Operations shall ensure that no fresh cheque book is issued by the Branch of its own in such accounts which have breached the threshold of 4 dishonours of cheques of Rupees one crore and above & 6 dishonours of cheques of Rupees fifty thousand to below one crore per financial year for want of sufficient funds in the account (Reason Code 1 to 3 as per Annexure C at page No 15). The powers to allow the Branch to issue cheque books in such accounts shall be with the respective Cluster Head and Zonal Head in case of Branches directly reporting to Zones.

In the event of dishonour of a cheque of i.) Rupees one crore and above & ii.) Rupees fifty thousand to below one crore and NACH/ECS mandates, drawn on a particular account of the drawer, on five occasions and seven occasions respectively during a financial year for want of sufficient funds in the account, MIS shall forward the list of such accounts to concerned Branches for taking further course of action as already mentioned at point number 4 (Procedural guidelines).

#### **ii. Customer Care Department**

Data in respect of each dishonoured cheque for an amount of Rs.1 crore and above should be made part of bank's MIS which shall be placed before Audit/Management Committee (As per Annexure E) after every quarter, by Customer Care Department. Data in respect of dishonoured cheques drawn in favour of Stock Exchanges separately irrespective of their value, should be consolidated as part of MIS and reported to Audit/Management Committee (As per Annexure E) every quarter.

#### **D. Procedure for Return of dishonoured cheques**

Banks are required to implement the recommendation of the Goiporia Committee which stipulates that dishonoured instruments are to be returned / dispatched to the customer promptly without delay on the same day and in any case within 24 hours. The Bank shall ensure strict compliance to the guidelines.

The Bank (as paying/ drawee bank) shall return dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing houses in terms of Uniform Regulations and Rules for Bankers' Clearing Houses.

As collecting bank, the Bank shall dispatch the dishonoured cheque immediately on its receipt to the payee/ holder.

Regarding cheques presented directly to the Bank for settlement of transaction by way of transfer between two accounts within the Bank, such dishonoured cheques shall be returned to payee/ holder immediately.

Cheques dishonoured, for want of funds in respect of all accounts, shall be returned along with a memo indicating therein the reason for dishonour. The cheque return date shall, invariably, be mentioned on the cheque return memo.

#### **E. Sharing of information with authorities for adducing evidence**

For the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant (i.e. payee / holder of a dishonoured cheque) in any proceeding before a court, consumer forum or any other competent authority in respect of the dishonoured cheque, the Return Memo issuing Branch shall extend full co-operation and furnish documentary evidence about the dishonouring of cheque(s) to the concerned authority.

#### **F. Customer Education**

**Existing Account Holders:** Branches shall inform the account holders about the above mentioned conditions at the time of issuance of new cheque book/ NACH/ECS facility. Branches can use Annexures A & Annexure B for this purpose. The implications of cheque dishonour shall also be intimated to the account holders at the time of renewal/ enhancement of credit facilities (Cash Credits/ Overdrafts).

**New Account holders:** For fresh accounts, these conditions shall be communicated to the customers through Welcome Kit, at the time of account opening. Sample document for the same is attached as Annexure B.

The Bank shall also display these conditions on the Bank's website.

## 5. Penalty

Section 138 of the Negotiable Instruments Act, 1881(N. I .Act) deals with the dishonour of cheque for insufficiency of funds etc. in the account and prosecution in respect of dishonoured cheque(s), stating, "Where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, such person shall be deemed to have committed an offence and shall, without prejudice to any other provisions of this Act, be punished with imprisonment for a term which may be extended to two years, or with fine which may extend to twice the amount of the cheque, or with both".

## 6. Cheque/ NACH/ECS Dishonour Charges

The Bank shall levy charges for dishonour of cheques/ NACH/ECS mandate as per the Service Charges Schedule, revised by the bank from time to time and placed on bank's intranet/website for ready reference of the Branches and customers respectively. Service Operations shall facilitate the automation of charges in respect of dishonour of cheques/NACH/ECS mandate for ensuring seamless deduction of these charges.

## 7. Staff Responsibility

RBI has advised banks to adopt, with the approval of their respective Boards, appropriate procedure for dealing with dishonoured cheques with inherent measures and checks to prevent any scope for collusion of the staff of the bank or any other person, with the drawer of the cheque for causing delay in or withholding the communication of the fact of dishonour of the cheque to the payee/ holder or the return of such dishonoured cheque to him / her.

Any intentional delay in return / dispatch or unwarranted withholding of the dishonoured cheque shall be construed as collusion of the handling staff with the drawer and shall entail initiation of disciplinary proceedings against the erring official. Additionally, any financial obligation devolving on the Bank or imposition of a penalty for any event of delayed return/ dispatch/ withholding of dishonoured cheque shall be compensated for by the erring official.

In accordance with these guidelines, necessary guidelines shall be issued / iterated by S&P Division at least once a year to sensitize the operative levels for strict adherence to the prescribed timelines for return of dishonoured cheques.

## 8. Disclosure of the Policy

In addition to the internal circulation of the policy on Bank's Intranet, Bank retains the right to amend/ modify the policy and displaying of the main features of the policy on the Bank's web portal shall be deemed to be adequate notice to the customers of the Bank.

## 9. Ownership and Review

The ownership of the policy shall lie with S&P and shall be reviewed annually.

Any amendments in the regulatory/statutory guidelines related to the policy in between the reviews shall be deemed to be part of the policy document, however, any other

amendments/modifications needed to be done in the policy shall be put up to the Board for approval.

**10.**  **Annexures**

Annexure	Detail	Page No
Annexure-A	Information Letter to be issued at the time of issuance of new Cheque book/ NACH/ECS Mandate regarding dishonour of cheques/NACH/ECS Mandate.	13
Annexure-B	Conditions to be advised to fresh customers at the time of opening new account/ incorporated in sanction letters for fresh/renewal of operative credit facilities.	14
Annexure-C	Reason for Return Codes	15
Annexure-D	SOP for restoration of cheque book facility and Over the Counter dishonour of Cheques amounting to Rs 50000 & above	18
Annexure-E	Cheques Dishonoured above Rs 1 Crore and above	21

**Annexure A**

The Jammu & Kashmir Bank Ltd

Branch: \_\_\_\_\_ E: \_\_\_\_\_@jkbmail.com.

T: \_\_\_\_\_

Ref: JKB/ \_\_\_\_\_ Dated \_\_\_\_\_

Mr / Mrs / M/s \_\_\_\_\_

**Frequent Dishonour of Cheques/NACH/ECS Mandates-Bank's Policy**

Your SB/ CD/ OD/CC Account No \_\_\_\_\_

Dear .....

We thank you for choosing to bank with us and take this opportunity to update you about policy adopted by the Bank with regard to frequent dishonour of cheques. The detailed policy in this regard is also available on bank's website ([www.jkbank.com](http://www.jkbank.com)).

Please be informed that Bank has adopted a policy wherein cheque dishonour in cheques valuing Rs one crore and above due to insufficiency of funds in the drawer's account **on four occasions** during a financial year and cheque dishonour in cheques valuing Rs fifty thousand to below one crore due to insufficiency of funds in the drawer's account **on six occasions** during a financial year shall be considered "**frequent dishonour**" entailing applicability of punitive provisions including stopping issuance of fresh cheque book. The Bank may also consider closing the deposit account and review the continuance or otherwise of the credit facilities extended to you. Similar action shall be taken in case of dishonour of NACH/ECS mandate **on six occasions** during a financial year which shall also be considered frequent dishonour.

We are hopeful that you will duly observe the revised rules and conduct your account in a satisfactory manner to obviate the applicability of punitive measures for frequent dishonour of cheques/ NACH/ECS mandates.

Yours sincerely,

**Branch Head**

## Annexure B

### Policy on Frequent Dishonour of Cheques/ NACH/ECS Mandates

#### i) Frequent dishonour of cheques

RBI has issued regulatory guidelines to be followed by all Banks for treatment of frequent dishonour of cheques. In accordance with these guidelines, the Bank's policy shall be as under:

In the event of dishonour of a cheque valuing Rs one crore and above **on four occasions** and cheque valuing Rs fifty thousand to below one crore **on six occasions** drawn on a particular account of the drawer during the financial year for want of sufficient funds in the account, the following action shall be taken by operative levels:

- No fresh cheque book to be issued.
- The bank may also consider closing the deposit account

#### Cautionary Advice

If a cheque valuing Rs one crore and above is dishonoured for a **third time** and cheque valuing Rs fifty thousand to below one crore is dishonoured for a **fifth time** on a particular account of the drawer during the financial year for want of sufficient funds in the account (Reason Code 1 to 3 as per Annexure C), bank will issue a cautionary advice to the concerned constituent drawing his / her attention to the aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on **one more occasion** on the same account during the financial year. Similar cautionary advice will be issued if the bank intends to close the account.

#### ii). Frequent dishonour of NACH/ECS mandates.

In the event of dishonour of NACH/ECS mandate on **six occasions** during a financial year for want of sufficient funds in the account, the action to be taken by operative levels shall be as under:

- Immediate cancellation of the NACH/ECS mandate.
- No fresh NACH/ECS mandate to be allowed.
- The bank may also consider closing the deposit account.

#### Cautionary Advice

If the NACH/ECS mandate is dishonoured for a **fifth time** on a particular account of the account holder during the financial year for want of sufficient funds in the account, bank will issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of NACH/ECS facility in the event of the mandate being dishonoured on **sixth occasion** on the same account during the financial year. Similar cautionary advice will be issued if the bank intends to close the account.

**ANNEXURE C**

**REASON FOR RETURN**

CODE NO.	REASON FOR RETURN
<b>(01-03)</b>	<b>Funds</b>
01	Funds insufficient
02	Exceeds arrangement
03	Effects not cleared, present again.
<b>(04-05)</b>	<b>Reference to Drawer</b>
04	Refer to drawer
05	Kindly contact Drawer/Drawee Bank and please present again.
<b>(10-17)</b>	<b>Signature</b>
10	Drawer's signature incomplete
11	Drawer's signature illegible
12	Drawer's signature differs
13	Drawer's signature required
14	Drawer's signature not as per mandate
15	Drawer's signature to operate account not received
16	Drawer's authority to operate account not received
17	Alteration requires drawer's authentication
<b>(20-29)</b>	<b>Stop Payment</b>
20	Payment stopped by drawer
21	Payment stopped by attachment order
22	Payment stopped by court order
23	Withdrawal stopped owing to death of account holder
24	Withdrawal stopped owing to lunacy of account holder
25	Withdrawal stopped owing to insolvency of account holder
<b>(30-42)</b>	<b>Instrument</b>
30	Instrument post dated
31	Instrument out dated/stale
32	Instrument undated/ without proper date
33	Instrument mutilated; requires Bank's guarantee
34	Cheque irregularly drawn/ amount in words and figures differs
35	Clearing House stamp/ date required
36	Wrongly delivered/ Not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear, present again with paper
40	Present with document

41	Item listed twice
42	Paper not received
<b>(50-55)</b>	<b>Account</b>
50	Account closed
51	Account transferred to another Branch
52	No such account
53	Title of account required
54	Title of account wrong/ incomplete
55	Account blocked (situation covered in 21-25)
<b>(60-68)</b>	<b>Crossing/Endorsement</b>
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
64	Amount in protective crossing incorrect
65	Amount in protective crossing required/illegible
66	Payee's endorsement required
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal
<b>(70-76)</b>	<b>RBI /Government</b>
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order/ cheque requires counter signature
76	Required information not legible/ correct
<b>(80-92)</b>	<b>Miscellaneous</b>
80	Bank's certificate ambiguous/ incomplete/ required
81	Draft lost by issuing office/ confirmation required from issuing office
82	Bank/Branch blocked
83	Digital Certificate Validation failure
84	Other reasons-connectivity failure
85	Alterations on instrument- Other than "Date" field (Alteration/correction on instruments are prohibited under Cheque Truncation System. Return reason code applicable to instruments presented in CTS)
86	Fake/Forged/Stolen-draft/cheque/cash order/interest warrant/dividend warrant
87	'Payee's a/c credited'- Stamp required
88	Other reasons (Please specify)



92	Bank Excluded
----	---------------

Illustrative but not exhaustive list of objections where customers are not at fault:

*(Applicable for instrument and image-based Cheque Clearing as detailed in Annexure C to Uniform Regulations and Rules for Bankers' Clearing Houses)*

Code No.	Reason for Return
33	Instrument mutilated; requires bank's guarantee
35	Clearing House stamp/date required
36	Wrongly delivered/ not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear ; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
67	Payee's endorsement irregular/ requires collecting bank's confirmation
68	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal
70	Advice not received
71	Amount/ Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient(applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order/cheque requires counter signature
76	Required information not legible/correct
80	Bank's certificate ambiguous/ incomplete/required
81	Draft lost by issuing office; confirmation required from issuing office
82	Bank/ Branch blocked
83	Digital Certificate validation failure
84	Other reasons-connectivity failure
87	'Payee's a/c Credited'-Stamp required
92	Bank excluded

## Annexure D

### SOP for restoration of cheque book facility after stoppage due to frequent dishonour for following reasons:-

- (i) Insufficient funds
  - (ii) Exceeds arrangement
  - (iii) Effects not cleared, present again.
1. Cheques dishonoured Over the Counter (OTC) shall be mandatorily entered in CBS by using menu option **HECHRAC** and a cheque return memo shall be issued to the presenter.
  2. Branch shall use Menu option **CGSTMAN** to enable the system to deduct cheque return charges from the drawer (as per Service Charges Schedule), with charges type **“OTC Cheque Return Charges (A/C No.xxxx53010000018)”**.
  3. In **Tran Remarks** field of **CGSTMAN** option the cheque number and the reason of return shall be mentioned as per standard format below:-

#### **Chq number: Reason Description**

4. If a cheque valuing Rs one crore and above is dishonoured on 3 occasions during a Financial Year, the customer shall get the following SMS on his registered mobile number cautioning him/her of non-issuance of fresh cheque book if the cheque is dishonoured for the 4<sup>th</sup> time:-

***“Dear Customer, Cheques amounting to Rs 1 crore & above of your account number xxabcde returned 3 times due to insufficient funds. Fresh cheque book issuance to be stopped if cheque returned 4th time.”***

5. If a cheque valuing Rs one crore and above is dishonoured on 4<sup>th</sup> occasion, the customer shall get an SMS on his / her registered mobile number informing him/her about the stoppage of fresh cheque book facility and to contact respective Branch for further details. In this case the following SMS shall be sent to the customer:-

***“Dear Customer, Fresh Cheque book issuance stopped in your a/c xxabcde on 4th dishonor of cheque amounting to Rs 1 crore & above due to insufficient funds. For details, kindly contact your Branch.”***

6. If a cheque valuing Rs fifty thousand to below one crore is dishonoured on 5 occasions during a Financial Year, the customer shall get the following SMS on his registered mobile number cautioning him/her of non-issuance of fresh cheque book if the cheque is dishonoured for the 6<sup>th</sup> time:-

***“Dear Customer, Cheques amounting to Rs 50000 & above, of your account number xxabcde returned 5 times due to insufficient funds. Fresh cheque book issuance to be stopped if cheque returned 6th time.”***

7. If a cheque valuing Rs fifty thousand to below one crore is dishonoured on 6<sup>th</sup> occasion, the customer shall get an SMS on his / her registered mobile number informing him/her about the stoppage of fresh cheque book facility and to contact respective Branch for further details. In this case the following SMS shall be sent to the customer:-

***“Dear Customer, Fresh Cheque book issuance stopped in your a/c xxabcde on 6th dishonor of cheque amounting to Rs 50000 & above due to insufficient funds. For details, kindly contact your Branch.”***

8. In case issuance of fresh cheque book is stopped in an account due to frequent dishonour of cheques, such facility shall not be ordinarily restored before 90 days from the suspension of the facility. Sanctioning powers for the restoration of cheque book facility is vested with the respective Cluster Head and Zonal Head in case of Branches directly reporting to Zones. In such cases, Branches shall adopt the following procedure:-

- a. The customer shall submit a written request furnishing valid reasons for frequent dishonour of cheque(s) in his/her account.
- b. If the Branch Head is convinced about the genuineness of the reasons provided by the customer and there has not been any misuse of cheque facility, Branch Head shall forward the request with his/ her recommendation to the respective Cluster Head and Zonal Head in case of Branches directly reporting to Zones for necessary approval for allowing issuance of fresh cheque book facility in the account.
- c. Zonal Head/Cluster Head shall give due consideration to the reasons provided by the customer, and if satisfied, shall allow issuance of fresh cheque book in the account of the customer.

9. Once the approval is received from Zonal Head/Cluster Head, Branch shall adopt the following procedure for issuance of fresh cheque book in such an account:-

- i. Use menu option **ALLOWCB** (sub-option: **A**) and enter chequebook issuance authorization details.

- ii. Verify **ALLOWCB** (option **V**) in other user under maker-checker concept.
  - iii. Issue chequebook by using **HICHB** after authorization in option **ALLOWCB**.
10. The number of cheque dishonour instances in an account can be viewed by Branches under Report ID TXNRPT106 in RPTGEN menu option in Finacle.

**Annexure E**

**Cheques Dishonoured of value Rs 1 Crore and above for the quarter \_\_\_\_\_**

S.No	Name of Drawer	BRANCH name	Amount of Cheque	Date of dishonour	Name of beneficiary/Stock Exchange	Reasons for dishonour
<b>Total</b>						

