

POLICY FOR DEALING WITH INCIDENTS OF FREQUENT DISHONOUR OF CHEQUES

Salient features

- Formulation of procedure for dealing with incidents of frequent dishonour of cheques with regard to returning time for dishonoured cheques.
- Formulation of policy for dealing with incidents of frequent dishonour, where in it has been approved that in the event of 3rd dishonour of cheque during a financial year, a cautionary notice will be sent to the customer intimating him that no fresh cheque book will be issued after dishonour of cheque on 4th occasion and the Bank will have the right to close the account after serving a notice of 30 days to the customer
- Provision for providing information on dishonoured cheques by making it part of MIS (Management Information System) for the purpose of reporting system as per RBI's guidelines.
- Framing appropriate procedure for dealing with dishonoured cheques as a preventive measure and checks to prevent any scope for collusion of the staff of the bank 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 return of such dishonour cheque to him.
- The Policy also incorporates the steps to be taken in terms of RBI's guidelines for dealing with incidents of frequent dishonour of cheque of Rs.1 crore and above as detailed in paragraph 15.4 of RBI's Master Circular on customer service, in order to provide ready references to the operating units.(placed as Annexure-I)

A. PROCEDURE FOR DEALING WITH INCIDENTS OF FREQUENT DISHONOUR OF CHEQUES OF VALUE LESS THAN RS.1 CRORE

(i) Returning time for dishonoured cheques

The dishonoured instruments are required to be returned / dispatched to the customer promptly without delay, in any case within 24 hours of dishonour.

(ii) Procedure for return/dispatch of dishonoured cheques

- a) The payee branch should return dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulations and Rules for Bankers' Clearing Houses. The collecting branch on receipt of such dishonoured

cheques should dispatch it immediately to the payees / holders within 24 hours of receipt of the instruments.

- b) In relation to cheques presented directly to the payee branch across the counter for settlement of transaction by way of transfer between two accounts of the same branch / inter-branch, branch should return such dishonoured cheques to the payees/ holders same day/or next day, in case of dishonour due to insufficiency of fund .
- c) Cheques dishonoured for want of funds in respect of all accounts should be returned along with a memo indicating therein the reason for dishonour as "insufficient funds".

(iii) Dealing with incidents of frequent dishonor

- a) With a view to enforce financial discipline among the customers, branch should introduce a condition for operation of (SB/CA) account with cheque facility that in the event of dishonour of a cheque of **value of less than rupees one crore** drawn on a particular account of the drawer **on 4 occasions** during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued and branch may close the account after issuing 30 days-notice to the customer on subsequent dishonour.
- b) The branch may consider closing current account with the prior approval at its discretion, and proper notice to the customer recording the reason of closure of account. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts should be reviewed by appropriate authority, i.e., the sanctioning authority.
- c) For the purposes of introduction of the condition mentioned at (a) and (b) above in relation to operation of the existing accounts, branch may, at the time of issuing new cheque book, obtain a letter from the constituents regarding acceptance of the new condition for operation of account. The condition may also be incorporated in the Account Opening Forms as declaration from the constituent.
- d) If a cheque is dishonoured for a **3rd time** during a financial year in respect of cheques mentioned in para (a) above on a particular account of the drawer during the financial year, branch should issue a **cautionary advice** to the concerned constituent drawing his attention to aforesaid conditions and consequential stoppage of cheque facility in the event of cheque being dishonoured on next occasion on the same account during the financial year

- e) If an account is having cheque book facility is also registered, then the incidents of dishonour will be taken into account both for dishonour of cheque for computing the number of dishonour of cheques.
- f) Branch may consider for closing the account after serving 30 days-notice to the customer in the event of subsequent dishonour of cheque mandate in the account.

B. GENERAL

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 relating to dishonoured cheque before a court, consumer forum or any other competent authority, branch should extend full co-operation, and should furnish him/her documentary proof of fact of dishonour of cheque(s).