



SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore – 641 107

An Autonomous Institution

Accredited by NBA – AICTE and Accredited by NAAC – UGC with ‘A’ Grade

Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai



DEPARTMENT OF MANAGEMENT STUDIES

COURSE NAME : 19BA104- LEGAL ASPECTS OF BUSINESS

I YEAR / I SEMESTER

Unit -3 : NEGOTIABLE INSTRUMENTS ACT 1881

Topics : Cheque



Cheque – Section 6

Meaning :

Cheque refers to a negotiable instrument that contains an unconditional order to the bank to pay a certain sum mentioned in the instrument, from the drawer's account, to the person to whom it is issued, or to the order of the specified person or the bearer. It also includes truncated cheque and cheque in electronic form.

Definition :

“A cheque is a bill of exchange drawn upon a specified banker and payable on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form”

Note –

A cheque is a species of a bill of exchange; but it has the following two additional qualifications:

- 1. It is always drawn on a specified banker, and**
- 2. It is always payable on demand.**



ICICI Bank

Mumbai Branch
Free Press House, 215 Nariman Point, Mumbai - 400 021.
RTGS / NEFT IFSC Code : ICIC0000004

D	D	M	M	Y	Y	Y	Y		

Pay

OR ORDER

Rupees

₹

A/c No.

000405006241

FOR

CABUS CBS
BUSINESS BANKING : CURRENT ACCOUNT
Payable at par at all branches of ICICI Bank Limited in India

AUTHORISED SIGNATORIES

Please sign above

The picture can't be displayed.



There are certain points to remember regarding cheques which are mentioned below:

1. A cheque can only be issued against a current or savings bank account
2. A cheque without date shall be considered invalid
3. Only the payee, in whose name the cheque has been issued, can encash it
4. A cheque is only valid 3 months from the date it has been issued
5. A 9-digit MICR (Magnetic Ink Character Recognition) code is mentioned at the bottom of the cheque.

This makes the clearance of cheques easier for the banks.



Requisites (Essentials) of a Cheque –

- 1. A cheque must be an order in writing.
- 2. It must contain an unconditional order
- 3. A cheque must be signed by the maker
- 4. The amount must be specifically mentioned in figures and words
- 5. A cheque may be drawn payable to order or bearer. There are two kinds of cheques prevailing now a days. They are: a) it may be a bearer or order cheque; and b) it may be a self cheque
- 6. The cheque must contain the date.
- 7. Payee to be certain

Holder – Section 8

- 1). The "holder" of a promissory note, bill of exchange or cheque means any person entitled in his own name :
 - a) to the possession thereof; and
 - b) to receive or recover the amount due thereon from the parties thereto.
- 2) His rights and title are dependent on the transferor. He has a right to demand and receive but does not have a right to sue.

Note :

It is not every person in possession of the instrument who is called a holder.

To be a holder, the person must be named in the instrument as the payee, or the endorsee, or he must be the bearer thereof.

A person who has obtained possession of an instrument by theft, or under a forged endorsement, is not a

holder, as he is not entitled to recover the instrument

An agent holding an instrument for his principal is not a holder although he may receive its payment.

The holder implies de jure (holder in law) holder and not de facto (holder in fact) holder



Holder in Due Course – Section 9

A holder in due course is one who receives the instrument:

- a) for consideration;
- b) without notice as to the defect in the title of the transferor; i.e. in good faith; and
- c) before maturity.

Note :

- a) His rights and title are independent on the transferor.
- b) He has a right to demand and receive and also have a right to sue

Payment in Due Course – Section 10

a) Payment in due course refers to a payment in keeping with the evident tenor of the instrument, in good faith & without negligence to any person in possession thereof.

b) A payment will be regarded as a payment in due course if:

- Payment is done as per apparent tenor of instrument
- It is made in good faith & without negligence
- It is made to the person who possesses the instrument who is entitled as holder to obtain payment;
- Payment is made in money & money only



Parties	Meaning
Drawer	The person who draws the cheque
Drawee	The banker of the drawer on whom the cheque is drawn
Payee	One to whom the sum stated in the cheque is payable, either the drawer himself or any other person may be the payee
Holder	Is either the original payee or any other person to whom the payee has endorsed the cheque. In case of a bearer cheque, the bearer is the holder
Endorser	When the holder endorses the cheque to anyone else, the latter becomes the endorser
Endorsee	Is the person to whom the cheque is endorsed



RECAP

QUESTIONS???

THANK YOU