

**Rajasthan Marudhara Gramin Bank**  
Department of Planning & Development and  
Risk Management  
Head Office Jodhpur

Frequent Dishonour of Cheques and Electronic  
Payment System Policy



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**Rajasthan Marudhara Gramin Bank**

Frequent Dishonour of Cheque and Electronic Payment System Policy



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## **1. Introduction**

Banking transaction has become easier with the advent of digital payment system. Though there is a popularity of digital banking, cheques still hold importance in various situations and hence continued to be a preferred mode of financial transactions for many.

A cheque, a negotiable financial instrument, is a written order issued by the account holder, instructing their bank to pay a specified sum of money to the one in whose favour the cheque has been drawn.

## **2. Cheque collection process**

### **2.1 Local Cheques**

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the same day.

Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented in the next clearing cycle.

As a policy, bank would give credit to the customer account on the date of funds settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavour to credit the proceeds at the earliest.

### **2.2 Outstation Cheques**

Cheques drawn on other banks at outstation centres will normally be collected through bank's branches at those centres. Where the bank does not have a branch of its own, the instrument would be directly sent for collection to the drawee bank or collected through a correspondent bank.

The bank would also use the National Clearing services offered by the Reserve Bank of India at centres where such collection services exist.

Cheques drawn on bank's own branches at outstation centres will be collected on the same day during office hours to its customers in respect of outstation instruments drawn on any branches in the CBS network.

### **2.3 Speed Clearing**

Speed clearing refers to collection of outstation cheques through the local clearing house. It facilitates collection of cheques drawn on outstation core-banking-enabled branches of banks, if they have a net-worked branch locally.



### **3 Cheque Truncation System**

“CTS-2010 Standard” is a set of benchmarks prescribed by RBI towards achieving at the collecting bank and only image is transferred to the drawee bank. The drawee bank processes the instrument using the image.

Certain image specifications are mandated by RBI in the CTS clearing. Images that do not meet the specifications are rejected.

In Cheque Truncation System or CTS, physical movement of the cheque is stopped. In CTS, the payments are made by the drawee bank on the basis of the images. In known as "CTS2010 standard" order to ensure quality of the images transmitted for processing at the drawee bank, provision of mandatory minimum security features on cheque forms like quality of paper, watermark, bank's logo in invisible ink, void pantograph, etc., and standardization of cheques issued by banks across the country. These include standardization of field placements on cheques.

#### **3.1 Special directives by RBI regarding correction/alteration on cheques.**

For any changes in the payee's name, courtesy amount (amount in figures) or legal amount (Amount in words) etc., excepting change in the date for validation period, fresh cheque forms should be used by customers. This will help bank to identify and control fraudulent alterations.

### **4. Collection of cheques drawn on foreign countries**

The clause is not applicable on the Bank, as it does not collect cheques drawn on foreign countries.

### **5. Payment of Local cheques / Outstation Cheques:**

Branches / extension counters of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs 10,000/- tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period not less than 6 months. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearing house exists.

The facility of immediate credit will be offered on Savings Bank / Current / Cash Credit Accounts of the customers. For extending this facility there will not be any separate stipulation of minimum balance in the account.

Under this policy, prepaid instruments like Demand Drafts, Interest / Dividend warrants shall be treated on par with cheques.

In the event of dishonour of cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period the bank remained out of funds at the rate applicable for overdraft / loans limits sanctioned for individual customers.

For the purpose of this Policy, a satisfactorily conducted account shall be the one

a) Opened at least six months earlier and complying with KYC norms.



b) Conduct of which has been satisfactory and bank has not noticed any irregular dealings.

c) Where no cheques / instruments for which immediate credit was afforded returned unpaid for financial reasons

d) Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will not, however be charged.

### **5.1 Purchase of local/outstation cheques**

Bank may, at its discretion, purchase local/outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement. Besides satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

### **6. Issuance of cheques**

Cheque book facility (Personalised/Multicity Cheque) will be provided by the bank on demand of the customers. For this facility-

A. The account should be operating satisfactorily for at least six months and complying with KYC norms.

B. In view of the creditworthiness of the customer, the Bank may issue cheque books even before six months at its sole discretion.

C. If a cheque drawn on a customer's account of the value of more than Rs. 50,000.00 has been returned unpaid for financial reasons more than three times, the cheque book facility of that customer may be closed by the bank.

D. If the cheque of a customer is found to be misused by the bank, the bank may, at its sole discretion, discontinue the cheque book facility of that customer.

E. Non-personalized cheques are currently being issued by the bank. Which will be phased out and only personalized cheque books will be issued. Non Personalized cheques issued by the Bank earlier will be valid and acceptable for payment.

F. Personalized cheques can be issued both at branch payable and payable at par at other branches.

G. The facility of withdrawal of amount from Multicity Cheque for self-use by the customer will be as per the instructions issued for Non-Personalized Cheque.

H. In the Personalized Cheque, the name of the customer, the address of the branch along with the account number and MICR code will also be mentioned.

### **7. Acceptance of cheque-**

A The Bank shall make regular payment of cheques received for payment over the counter without delay.



B. If there is change in the date of validity period, customers will have to use the new cheque form for any change in the name of the payee, request amount (in numbers) or valid amount (in amount words) etc. It will assist the bank in identifying and controlling fraudulent manipulation.

#### **8. Validity of Cheque:-**

As per RBI directions, with effect from 01.04.2012, the validity of the instruments/cheques shall be 3 calendar months from the date of issue.

#### **9. Timeline for Collection of Local / Outstation Cheques / Instruments:**

For local cheques presented in clearing credit will be afforded as on the date of settlement of funds in clearing and the account holder will be allowed to withdraw funds as per return clearing norms in vogue.

For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied:

- a) Collection of cheques drawn on state capitals: Maximum period of 7 days.
- b) Collection of cheques drawn on major cities: Maximum period of 10 days.
- c) In all other Centres : Maximum period of 14 days.

The above time norms are applicable irrespective of whether cheques/instruments are drawn on the bank's own branches or branches of other banks.

#### **9.1 Payment of Interest for delayed Collection of Outstation Cheques:**

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned above. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

Interest for delayed collection shall be paid at the following rates:

- a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.
- c) In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In the event the proceeds of cheque under collection was to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.



## **10. Lost/Stolen cheques**

### **Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:**

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy of the bank the bank will compensate the account holder in respect of instruments lost in transit in the following way:

- a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- b) In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/ institution who would charge a fee for issue of duplicate instrument.

## **11. Return of cheques and reasons thereof**

- a) If the cheque is returned unpaid by the drawing branch, the original Cheque Return Memo issued by them will be delivered by the bank.
- b) The refund of the cheque shall be intimated to the customer immediately. If the representative is not present at the branch, the cheque will be sent back to the customer immediately through post. Postage expenses will be recovered from the concerned account holder along with service charges.
- c) The bank will charge cheque refund charges as per rules in refund of cheques submitted for collection.
- d) The Bank shall levy refund charges only in cases where the customer is at fault, and is liable for such return.
- e) In cases where the customer is not at fault, the charges shall not be recovered by the bank in such cases.

## **12. Provisions for e- mandate and NACH**

The NACH e-Mandate system facilitates hassle free registration of Standing Instruction by customers through alternate modes to paper based mandate. Through NPCI, the bank will provide the facility of e-mandate to its customers through NACH.



By e-mandate, the customer can authorize the bank to send or withdraw the amount electronically

### **13. Service Charges**

The Bank shall levy appropriate service charges and postage charges for all recovery services as may be decided by the Bank from time to time. The service charges applicable to the customers shall be communicated by the bank on demand of the customers on the Branch Information Counter through the Bank's website.

### **14. Formulation of policy for dealing with incidents of frequent dishonour of Cheques:-**

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.

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.

#### **A. PROCEDURE FOR DEALING WITH INCIDENTS OF FREQUENT DISHONOUR OF CHEQUES**

##### **i) Returning time for dishonoured cheques.**

RRBs are required to implement the recommendations of the Goiporia Committee that dishonoured instruments are to be returned /dispatched to the customer promptly without delay, in any case within 24 hours.

##### **(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.
- b) In relation to cheques presented direct to the paying bank for settlement of transaction by way of transfer between two accounts with that bank, it should be return such dishonoured cheques to payees /holders immediately.
- c) In case of dishonour /return of Cheques, the paying banks should clearly indicate the return reason code on the return memo /objection slip which should also bear the signature /initial of the bank officials as prescribed in Rule 6 of the uniform Regulations and Rules for Bankers' Clearing Houses ( URRBCH).





**(iii) Information on dishonoured cheques**

Data in respect of each dishonoured cheques for amount of Rs.25 lacs and above should be made part of RRBs MIS on constituents and concerned branches should report such data to their respective Regional Office/Head Office.

Data in respect of cheques drawn in favour of stock exchanges and dishonoured should be consolidated separately by RRBs irrespective of the value of such cheques as apart of their MIS relating to broker entities, and be reported to their respective Head Office.

**(iv) Dealing with incidents of frequent dishonour of cheques of value Rs.25 lacs and above**

- a) With a view to enforce the financial discipline among the customer, RRBs should introduce a condition for operation of accounts with cheque facility that in the event of dishonour of a cheque valuing rupees twenty five lacs and above on a particular account of the drawer on four occasions during the financial year for the want of sufficient funds in the account, no fresh cheque book would be issued. However in respect of advances accounts such as cash credit account, over draft account the need for continuance or otherwise of these credit facilities and cheque facility relating to these accounts should be reviewed by appropriate authority higher than the sanctioning authority.
- b) For the purpose of introduction of the condition mentioned at (a) above in relation to operation of the existing accounts ,RRBs may , at the time of issuing new cheque book , issue a letter advising the constituents of the new condition.
- c) If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, RRBs should issue a cautionary advice to the concerned constituent drawing his attention to the aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year. Similar cautionary advice may be issued if the RRB intends to close the account.

**(v) Dealing with incidents of frequent dishonour of cheques of value less than Rs.25 lacs.**

Since frequent dishonour of cheques of value of less than Rupees twenty five lacs is also a matter of concern. It is felt that RRBs need to take appropriate action in those accounts where such dishonour of cheques occurs. Further, it is also felt that though it may not be necessary to extend all the steps laid down by RBI to smaller cheques, we have adopted a system of collecting service charges on bounced cheques and withdrawing the cheque facility to the customer if frequent dishonour of cheques happened four times in a financial year.



## 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).

### 15. Force Majeure

The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

### Amendment/Modification to the policy

The Bank reserves the right to amend/modify this Policy, as and when deemed fit and proper, at its sole discretion. Bank shall also endeavour, to review the Policy at annual intervals. The policy will be presented to the Board of Directors for review at annual intervals. The current version will remain effective till the expiry of one year from the date of adoption by the Board or the next immediate meeting after the completion of one year, whichever is later.

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