



Liabilities & Product Development Department

## **SUB: CHEQUE DISHONOUR POLICY**

### **1. Procedure for return / dispatch of dishonoured cheques**

Branches will 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.

In relation to cheques presented direct to the branches for settlement of transaction by way of transfer between two accounts with that branch, it will return such dishonoured cheques to payees / holders immediately.

Cheques dishonoured for want of funds in respect of all accounts will be returned along with a memo indicating therein the reason for dishonour as "insufficient funds".

In any case, the dishonoured instrument will be returned / despatched to the customer promptly without delay on the same day but within 24 hours.

### **2. Information on Dishonoured Cheques**

Data in respect of each dishonoured cheque for amount of Rs.1 Crore and above will be made part of Bank's MIS on constituents and consolidated report will be sent to their respective Regional Offices on a monthly basis.

Data in respect of cheques drawn in favour of stock exchanges and dishonoured will be consolidated separately by branches irrespective of the value of such cheques as a part of their MIS relating to broker entities, and be reported to the respective Regional Offices on a monthly basis.

### **3. Frequent dishonour of Cheques amount above 1 Crore.**

With a view to enforce financial discipline among the customers, bank has introduced a condition for operation of accounts with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer

on four occasions during the financial year for want of sufficient funds in the account. The detail of the policy is:

If a cheque is dishonoured for a third time in case of value rupees one crore and above on a particular account of the drawer during the financial year, branch will issue cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion for value rupees 1 crore and above on the same account during quarter.

Similar cautionary advice will be issued if a branch intends to close the 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 will be reviewed Regional Heads/Regional Offices.

For the purposes of introduction of the above condition in relation to operation of the existing accounts, branch may, at the time of issuing new cheque book, issue a letter advising the constituents of the condition.

#### **4. Frequent dishonour of Cheque / Debit/Electronic mandate for amount below 1 Crore.**

**i)** At the time of issuance of cheque - book / accepting mandate of Electronic Debit the customer would be put on notice that it is their responsibility to ensure that adequate funds are maintained in the account to honour their commitment of payment.

**ii)** On reaching the number of incidents of dishonour of cheque / debit mandate on twenty occasions during the quarter cautionary advice would be issued stating that any more instances would disentitle the customer from availing facility of cheque - book / debit mandate. In respect of Cash - Credit / OD accounts additionally, clarification would be sought as to the circumstances under which adequate funds were not maintained in the account and this factor would be given weightage at the time of renewal / review of credit facilities.

**iii)** Despite the customer being cautioned if such incidents of dishonour persist, in the event of dishonour of cheque valuing rupees one crore and below drawn on a particular account of the drawer on twenty occasions during a quarter for want of sufficient funds in the account, bank will send notice advising to maintain sufficient balance in the account before issuing Cheques. Further the account shall be reviewed and closely monitored.

**iv)** If considered appropriate, Bank can give adequate notice of 15 days and close the account by recovering charges / dues if any and remitting the remaining balance by pay order / draft to the address on record of the Bank by registered post. In case of cash credit/overdraft accounts, this fact shall be referred to appropriate authority higher than the sanctioning authority.

#### **5. 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 cheques) 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.

#### **6. Charging of Interest on cheques returned unpaid where Instant Credit was given:**

**1.)** If a cheque sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque will be immediately debited to the account. Bank shall charge interest at Clean Advances rate for the period the bank was out of funds.

**2.)** If the proceeds of the cheque were credited to the Savings Bank Account and was not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid.

**3.)** If proceeds were credited to an overdraft/loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/instrument was returned unpaid to the extent the bank was out of funds.

**4.)** If a cheque sent for collection for which the bank has provided credit is returned unpaid, the value of the cheque will be immediately debited to the account even if the account goes to debit balance because of this debit and the outstanding balance shall be treated as any other clean overdraft. Bank shall charge interest at Clean Advances rate for the period the bank was out of funds.

**5.)** Bank shall also charge "Cheque Return Charges" at rates applicable from time to time, duly adhering to RBI guidelines.

## **7. Force Majeure:**

Bank shall not be liable if any transaction does not fructify or may not be completed or for any failure on part of the bank to perform any of its obligations contemplated hereunder if performance is prevented, hindered or delayed by a force majeure event (defined below), and in such case its obligations shall be suspended for so long as the Force Majeure.

"Force Majeure Event" means any event due to any cause beyond the reasonable control of the Bank, including without limitations, unavailability of any communication systems, breach, or virus in the processes or payment or delivery mechanism, sabotage, fire, flood, explosion, natural disasters or other "Acts of God", war, damage to the bank's facilities or of its correspondent bank(s), civil commotion, strikes or industrial action of any kind, riots, insurrection, war, acts of government, computer hacking, unauthorized access to computer data and storage devices, computer crashes, malfunctioning in the computer terminal or the systems getting affected by any malicious, destructive or corruptive code or program, mechanical or technical errors/failures or power shut down, faults or failures in telecommunication etc., which prevents it from performing its obligations within the specified service delivery parameters.

## **8. Right to alter or add Rules:**

The Bank reserves the right to alter or add to these rules and such alteration and additions shall be binding on the account holder. Such alteration will be made known to the account holder through website.

**Annexure Part I**



.....Branch

Date:

Dear

Reg: Your account NO:.....- Frequent Cheque Returns

We value your relationship with LVB and thank you for banking with us.

It has been observed that cheques /ECS Debit mandate are being issued without funding the account with required balance, due to which number of cheques/ ECS debit mandate could not be honoured.

As you are aware that by issuing cheques without sufficient balance reflects on your financial indiscipline and may even attract penal provision under Negotiable Instruments Act (NI Act) at the instance of Payee of the cheque.

Hence you are requested to maintain sufficient balance in the account to honour the cheques/ ECS debit Mandates if any issued by you. If you continue to issue cheques / ECS Debit mandate without sufficient balance in spite of receipt of this letter, no further cheque book will be issued. Also note that if you continue to issue cheques without sufficient funds or fail to provide sufficient balance in your account to meet the ECS debit instructions, your account will be closed, without further reference/notice.

Regards,

Branch Manager

(Auto generated notification- hence no signature required)

**Annexure – Part II**



.....Branch

Date:

Dear

Reg: Your account NO:.....- Frequent cheque return

We refer to our earlier communication sent to you on the captioned subject.

It has been observed that inspite of advising to maintain the required balance in the account before issuing any cheque / ECS debit, still cheques/ ECS are being issued without funding the account.

Since no improvement is noticed in the operation of the account, issuance of cheque book has been blocked.

Further please note that we will be constrained to close your account if there is no improvement in the operations of the account, without further notice.

Regards,

Branch Manager

(Auto generated notification- hence no signature required)

**Annexure – Part III**



**Account closure intimation**

.....Branch

Date:

Dear

Reg: Your account NO:.....- Frequent cheque return

We refer to our earlier communication/s sent to you on the captioned subject.

It has been observed that in spite of advising to maintain the required balance in the account before issuing any cheque / ECS debit, still cheques/ ECS are being issued without funding the account.

No improvement is noticed in the operation of the account, even subsequent to blocking the issuance of cheque book and cautioning that the account will be closed. Hence we are constrained to close your account.

(a) You are advised to surrender the un-used cheque leaves in hand and not to issue any further cheques.

(b) Please find attached a Banker's Cheque for Rs..... , being the balance available in the account.(applicable only if there is credit balance available in the account)

Regards,

Branch Manager