

# **DISHONOUR OF INWARD CHEQUES/ DISHONOUR OF ECS MANDATES FOR THE REASON “INSUFFICIENT FUNDS”**

**VERSION NO. - 11  
2022-23**

**CUSTOMER SERVICE SECTION  
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**POLICY ON DISHONOUR OF INWARD CHEQUES/ ECS MANDATES FOR THE REASON INSUFFICIENT FUNDS FOR THE YEAR 2022-23**

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## POLICY ON DISHONOUR OF INWARD CHEQUES / DISHONOUR OF ECS MANDATES FOR THE REASON INSUFFICIENT FUNDS FOR THE YEAR 2022-23

### A. OBJECTIVES:

To enforce financial discipline among the customers, for operation of accounts with cheque book facility, in the event of Dishonour of inward Cheques and dishonour of ECS mandates for the reason 'Insufficient Funds', guidelines which are in force and are as below:

### B. REPORTING STRUCTURE/ REQUIREMENTS:

#### 1. Dishonour of inward Cheques of value less than Rs.1 Crore and Dishonour of ECS mandates for the reason "Insufficient Funds":

- Dishonour of a cheque for the reason insufficient funds of value less than Rs. 1 Crore, on **SIX** occasions during the financial year will attract stoppage of cheque book facility and closure of account.
- If a cheque is dishonoured for the reason insufficient funds for a **FIFTH** time in a particular account of the drawer during the financial year, a cautionary advice will be issued to the concerned constituent, drawing attention to aforesaid condition and consequential stoppage of cheque facility, in the event of inward cheque being dishonoured for the reason insufficient funds on sixth occasion on the same account during the financial year. Similar cautionary advice will be issued before closing any such account.
- Bank will be constrained to close the account, if ECS mandates are dishonoured for the reason insufficient funds on **FOUR** occasions during the financial year. A cautionary notice to this effect shall be served to the account holder.
- If the ECS mandate is dishonoured for the reason insufficient funds for a **THIRD** time in a particular account of the drawer during the financial year, a cautionary advice will be issued to the concerned constituent, drawing attention to aforesaid condition and consequential closure of the account, in the event of ECS mandate being dishonoured for the reason insufficient balance on fourth occasion in the same account during the financial year.
- Bank has the discretion to waive the above condition, on case to case basis.
- Data of return of cheques/ failed ECS transactions for the reason insufficient funds shall be furnished in the credit proposal and shall be taken into account, while taking credit decision.
- The cases reported in prescribed format shall be monitored and reviewed by the bank periodically and the guidelines shall be modified, wherever necessary.

**2. Dishonour of inward Cheques of value Rs.1 Crore and above and cheques favouring Stock Exchanges irrespective of the amount, for the reason “Insufficient Funds”:**

- In case of Dishonour of a cheque for the reason insufficient funds valuing Rs.1 crore & above and cheques favouring Stock Exchanges irrespective of the amount, on **FOUR** occasions during the financial year no cheque book would be issued and Bank may consider closure of Current Accounts at our discretion.

However, in respect of advances accounts such as Cash Credit, Overdraft, the need for continuance or otherwise of these credit facilities and the cheque facilities relating to these accounts shall be reviewed by the appropriate authority other than the sanctioning authority.

- While issuing a new cheque book to such accounts, Bank may issue a letter advising the constituents of the new condition.
- If a cheque is dishonoured for the reason insufficient fund for **THIRD** time in a particular account of the drawer during the financial year, a cautionary advice will be issued to the concerned constituent, drawing attention to aforesaid condition and consequential stoppage of cheque facility, in the event of cheque being dishonoured for the reason insufficient funds on fourth occasion on the same account during the financial year. Similar cautionary advice will be served before closing such account.
- Dishonour of inward Cheques favoring Stock Exchanges irrespective of the amount, for the reason “Insufficient Funds” shall be reported by the branches periodically to the controlling office. Data in respect of cheques drawn in favour of Stock Exchanges and dishonour for the reason insufficient funds shall be consolidated separately by the bank, irrespective of the value of such cheques, as a part of its MIS relating to broker entities, and shall be reported to their controlling offices.

**C. STRATEGIES FOR MEETING OBJECTIVES:**

**General:**

1. Paying Bank should return all the dishonoured cheques for the reason insufficient funds including those cheques dishonoured relating to settlement of transactions of Stock Exchanges, presented through clearing house strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulation and Rules for Bankers' Clearing House. The Collecting Bank on receipt of such dishonoured cheque for the reason insufficient funds should dispatch/ deliver it immediately to the payees/ holders.
2. In relation to cheques presented directly to the paying Bank for settlement of transaction by way of transfer between two accounts with that Bank, it should return such dishonoured cheques for the reason insufficient funds to payee/ holders immediately.

3. Cheques dishonoured for the reason insufficient funds in respect of all accounts should be returned/ dispatched to the customers without delay, in any case within 24 hours, along with a memo indicating therein the reasons for dishonour as 'Insufficient Funds'.
4. For the purpose of adducing evidence to prove the fact of dishonour of inward cheque for the reason insufficient funds on behalf of a complainant (i.e., payee/ holder of a dishonoured cheque) in any proceeding relating to dishonoured inward cheques before a court, consumer forum or any other competent authority, bank shall extend full co-operation to furnish documentary proof of fact of dishonour of inward cheques for the reason insufficient funds.
5. The branch head shall take a decision on stopping of issuing cheque book/ closure of account and he /she shall take a decision in consultation with appropriate sanctioning/ reviewing authority, in case of limits sanctioned to parties.
6. As inward cheques are handled at LPCs/CPC, most of the time branches are not aware of the reason for cheque return unless proper narration is entered by LPC/CPC. LPC/CPC shall ensure that while returning any cheques a clear and proper reason for returning the cheque may be fed in the narration column to avoid ambiguity
7. In case of dishonour/ return of cheques the paying Banks should clearly indicate the return reason code on the return memo/ objection slip which shall also bear the signatures/ initials of the Bank Officials as prescribed in rule 6 of the URRBCH (Uniform Regulations and Rules for Bankers' Clearing Houses)
8. Data in respect of each dishonoured cheque for amount of Rs. 1 crore and above and Cheques drawn in favour of Stock Exchange irrespective of the value of the cheque shall be made part of bank's MIS on constituents and broker entities, and concerned branches shall report such data to their respective controlling office/ Head Office.
9. After **THREE** occasions of dishonour of ECS mandate, information/ cautionary advice be given to the lodger of ECS.
10. SMS alerts are being sent to those customers who have registered mobile numbers at the base branch, regarding Dishonour of inward Cheques and ECS mandates for the reason "insufficient funds". SMS alerts are admissible as evidence under the Information Technology Act, 2000 and the Indian Evidence Act, 1972 (Section 3, 65 A & 65 B)

#### **D. AMENDMENT/ MODIFICATION OF THE POLICY:**

The Bank reserves the right to amend/ modify this Policy, as and when deemed fit and proper, at its sole discretion. However, the Bank shall endeavor to review the Policy at annual intervals.

**E. COMPLIANCE/ MONITORING OF IMPLEMENTATION OF THE POLICIES**

Implementation of policy at Branches will be checked by Inspection Wing during RBIA & Concurrent inspection and deviations will be reported to Circles/ SP&D Wing, HO & to Audit committee of the Board.

Overseeing Executive of MIPD & PP Section/ Customer Service Section in Circle to ensure that all Regional offices are adhering to the Policy guidelines.

Overseeing Executive of MIPD & PP Section in Regional Office to ensure that all Branches are adhering to the policy guidelines.

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