



Welcome!

**Today, let us
learn about
Cheques
(Checks)**

Cheque



What is Cheque (Check)?

A cheque is a bill of exchange (written order) given by the account holder to his banker to debit and pay money to the person presenting the cheque (Payee) provided the account has funds and the signature tallies with the signature held with the bank. The cheque is provided to savings and current account holders. It is a negotiable instrument (NI) and comes under NI act

Cheque



What are the parties involved?

Following are the parties involved in a cheque

Drawer – The account holder

Drawee – Bank of the account holder

Payee – Person who is the beneficiary of the cheque

Cheque



Key aspects of cheque

- Amount – Written both in words and figures, both should generally tally, if not lower of the 2 is paid
- Can be bearer or order cheque
- The cheque is valid from the date of cheque for a specific period (depending on the local law)
- Alterations are generally not accepted
- Crossing (2 lines) on top left hand of the cheque makes the cheque to be presented via bank, if name is written between 2 lines, then it is not negotiable
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Cheque



Order and bearer cheque

- Order cheque should be paid to payee or to the transferee (based on proper endorsement) based on proper identification (across counter) or through Payees bank
- Bearer cheque can be paid to any person who presents the cheque for payment
- Endorsement is a process by which ownership of cheque by signing on the back along with the name of the payee
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Cheque



Mutilation

- The cheque should not be mutilated or torn at the time presenting for payment, if the cheque is torn and if it happens at the bank, then collecting bank should confirmation of the cheque mutilation by signing at the back of the cheque, generally mutilated cheques are not paid and are returned.

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Cheque



Stop Payment

- The drawer has the right to stop the payment of the cheque at any point of time
- In case of joint account, one of the person can has the right to stop the payment
- In the event of a stopped cheque being paid, the bank can claim and exercise all the rights against the recipient which the drawer has
- The stop can be placed basis a written or verbal (authenticated later)
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That is all folks for now, we will learn more about banking in the coming session

Thank you and will meet you in the next module.