

DISHONOURED OF A CHEQUE:

When Cheque is dishonored:

Although is a banker's duty to honor the customer's cheque yet there are certain reasons on the basis of which the banker can dishonor or refuse payment on cheque. Following are the reasons on the basis of which it becomes obligatory to refuse payment:

1. Defective Title of Holder:

In case the banker comes to know by any means that title of the holding party is defective, he must refuse payment.

2. Notice of Assignment:

In case the banker has received notice of Assignment any cheque presented afterwards will be dishonored.

3. Garnishee Orders:

On the receipt of the Garnishee orders the banker will close the account and any cheque presented will be dishonored.

4. Insolvency of Customer:

When a banker receives the notice of insolvency, he will dishonor all subsequent cheques presented for payments.

5. Death, Insanity of Customer:

When banker receives, that customer has gone insolvent or mad; he must refuse payment on cheques.

6. Counter Manding payment:

When a customer directs a bank not to honor a particular cheque the banker is bound to refuse payment on that cheque.

7. Closing of Account:

When a customer has given a notice to close the account, the banker must refuse payment on any cheque presented afterward.

8. Loss of Cheques:

When a customer has informed the banker about the numbers of cheques that have been misplaced, banker must refuse payment on any such cheques if presented.

9. Material Alteration:

When on the face it appears that any unauthorized material alteration has been made in cheque, banker is bound to refuse payment. Apart from these there are certain other cases where banker is not bound to refuse payment but he may refuse if he deems it safe. Such cases are as follows:

1. Post Date Cheques:

If a cheque is post dated i.e. if cheque is presented for payment before the date

mentioned on it the banker can refuse payment.

2. Stale Cheques:

If the cheque is not presented within six months of the date written on it, it becomes stale and the banker can refuse payment on such cheques.

3. Insufficient Funds:

When there are insufficient funds in the account to honor a cheque, the banker can refuse payment.

4. Doubtful Appearance:

If there are cuttings on a cheque, rendering it doubtful, the banker may refuse payment.