



# DHANLAXMI BANK

## POLICY ON DISHONOUR OF CHEQUES

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## **1. Introduction**

The policy is based on the guidelines advised by RBI vide their circular letter No. DBOD.BC.Leg.113/09/ 09.12.001/2002-03 dated 26th June, 2003, for dealing with the procedure for dishonoured cheques for Rs. 1 Crore and above and vide circular no. RBI/2009-10/213, DBOD. NO. Leg.BC.59/09.07.005/2009-10 dated November 9, 2009 containing guidelines for dealing with incidents of frequent dishonor of cheques of value less than Rs.1 crore and frequent dishonor of ECS Mandates and Master Circular on Customer Service in Banks dated 1st July 2015. Further, the above instructions have been reviewed and RBI vide circular No. RBI/2016-17/33 DBR.No. Leg.BC.3/09.07.005/2016-17 dated. August 04,2016 has been decided to leave it to the discretion of the banks to determine their response to dishonour of cheques of the account holders. Banks are instructed to put in place an appropriate policy approved by the Board or its Committee taking into consideration the need to prevent misuse of the cheque drawing facility and avoid penalising customers for unintended dishonour of cheques.

## **2. Objective**

The policy is framed to provide appropriate procedure for dealing with dishonoured Cheques/ /ECS Mandates and taking into consideration the need to prevent misuse of the cheque drawing facility and avoid penalising customers for unintended dishonour of cheques.

## **3. Scope**

This policy aims to enforce financial discipline among the customers, for operation of accounts with cheque/ECS mandate facility, in the event of dishonor of a cheque or ECS drawn on a particular account of the drawer for want of sufficient funds in the account. The bank is committed to increased use of technology to provide quick collection services to its customers.

## **4. Guidelines on Dishonour of Cheque**

### **4.1 Return / Dispatch of Dishonoured Cheques**

The paying branch should return dishonored cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulations and Rules for Banker's Clearing Houses. The collecting Bank on receipt of such dishonored cheques should dispatch it immediately to the payees /holders.

In relation to cheques presented direct to the paying bank for settlement of transaction by way of transfer between two accounts within the bank, it should return such dishonored cheques to the payees /holders immediately.

Cheques dishonored for want of funds in respect of all accounts should be returned along with a memo indicating therein the reason for dishonor as "Insufficient Funds" or "Exceeds arrangement" as accordingly.

#### **4.2 Dealing with Incidence of Frequent Dishonour**

In line with RBI Circular DBR.No.Leg.BC.3/09.07.005/2016-17 dated August 4, 2016, the Bank shall follow a Board-approved framework for dealing with dishonour of cheques valuing ₹1 crore and above. In the event of four or more dishonours in a financial year for want of funds or exceeds arrangement, the Bank shall issue cautionary advice to the customer and may, at its discretion, with appropriate approval, restrict issuance of further cheque leaves or review the banking relationship. Any such action shall be duly recorded and approved by a higher authority.

- However, in respect of advances accounts or overdraft account, the need for continuance or otherwise of these credit facilities to these accounts should be reviewed by appropriate authority higher than the sanctioning authority.
- The condition mentioned above in relation to operation of the existing accounts, bank's branches should, at the time of issuing new cheque book, advise the constituents suitably.
- When a cheque is dishonored for a third time on a particular account of the drawer during the financial year, bank shall issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonored on fourth occasion on the same account during the financial year. Similar cautionary advice may be issued if the Bank intends to close the account.

#### **5. Handling of dishonoured Cheques**

##### **5.1 For Cheques tendered at the base branch:**

The cheque shall be returned to the customer as early as possible. If he is a customer visiting the branch regularly either personally or through his representative the cheque shall be delivered to him/his representative across the counter on the very next day if not on the same day.

##### **5.2 For cheques tendered at non-base branch:**

The cheque shall be returned to the customer through the base branch. The non-base branch shall send the cheque to the base branch. On receipt of the cheque at the base branch, that base branch shall deliver the cheque to the customer as specified above. In this case, additional actual postage charges incurred by the non-base branch to send the cheque to the base branch shall also be collected by the base branch.

##### **5.3 Return/dispatch of dishonoured Cheques:**

- The collecting bank on receipt of such dishonoured cheques should despatch it immediately to the payees / holders.
- Cheques dishonoured for want of funds in respect of all accounts should be returned along with the memo indicating therein the reason for dishonor as "insufficient funds."

- In relation to cheques presented direct to the paying bank for settlement of transaction by way of transfer between two accounts with that bank, shall return such dishonoured cheques to payees/ holders immediately.
- Dishonoured instruments shall be returned or dispatched promptly, and in any case not later than 24 hours from the date of dishonour decision, in accordance with URRBCH and CTS clearing rules. Delivery may be across the counter, or where not feasible, by registered post/courier without diluting the 24-hour requirement.

#### **5.4 Information on dishonored Cheques:**

- Data in respect of each dishonoured cheque for amount of Rs.1 crore and above should be extracted by the branches and reported to respective Regional Office and to the Head Office. A quarterly report is submitted to the Board on such cases by Head Office.
- Data in respect of Cheques drawn in favour of stock exchanges and dishonoured should be consolidated separately by the branches irrespective of the value of such cheque and should be reported to respective Regional Office and to the Head Office.

### **6. Dealing with incidence of frequent dishonour:**

#### **6.1 Frequent dishonour of Cheques / ECS mandate for amount above 1 Crore**

- In line with RBI Circular DBR.No.Leg.BC.3/09.07.005/2016-17 dated August 4, 2016, the Bank shall follow a Board-approved framework for dealing with dishonour of cheques valuing ₹1 crore and above. In the event of four or more dishonours in a financial year for want of funds or exceeds arrangement, the Bank shall issue cautionary advice to the customer and may, at its discretion, with appropriate approval, restrict issuance of further cheque leaves or review the banking relationship. Any such action shall be duly recorded and approved by a higher authority.
- For the purposes of introduction of the condition mentioned above 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 new condition.
- 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 quarter, 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 the financial year.
- Similar cautionary advice will be issued if a branch intends to close the account with the permission of appropriate authorities / Regional Head.

#### **6.2 Frequent dishonour of Cheques / ECS mandate for amount below 1 Crore**

- At the time of issuance of cheque – book / accepting mandate of ECS 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.

- On reaching the number of incidents of dishonour of cheque / ECS mandate on four occasions during the financial year cautionary advice would be issued stating that any more instances would disentitle the customer from availing facility of cheque – book / ECS mandate. All references to ECS (Electronic Clearing Service) in this policy shall be read as NACH (National Automated Clearing House) mandates, in line with the migration of electronic clearing to NACH under NPCI. The Bank shall monitor dishonor of NACH mandates separately and review persistent dishonors at the time of renewal or continuation of cheque/ECS facilities
- 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.
- 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 four 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.
- In continuation of the above, if the cheque return in a particular account persists continuously for two quarters, under such accounts the branch should be instructed not to issue fresh cheque book without permission of appropriate authorities / Regional Head.
- 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.

#### **7. Cheque Return Charges**

The Bank shall levy cheque return charges only in cases where the customer is at fault, such as insufficient funds, exceeds arrangement, etc. No charges shall be levied for technical returns or returns not attributable to the customer, including clearing system failures, CTS image quality issues, or instruments not conforming to CTS standards. All return memos shall clearly mention the return reason codes as per CTS standard return code list.

#### **8. Positive Pay**

The Bank has implemented Positive Pay System (PPS) for cheque transactions, as per RBI instructions. Positive Pay shall be enabled for all cheques of ₹50,000 and above. For cheques of ₹5 lakh and above, confirmation through Positive Pay is mandatory. Cheques not compliant with Positive Pay shall be returned under ‘Customer at fault’ category, and return charges shall apply as per the Bank’s Schedule of Charges.

#### **9. 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 Cheques.

Instruments not conforming to CTS 2010 standard will be returned, as there is no other provision to validate the instrument. Charges will not be collected from the account in such cases, as the return reason is a non-financial one. The return reason will be 'Kindly Contact Drawee / Drawer bank/branch'.

Bank retains the right to amend / modify the policy and display of the same on notice board of branches / on the web site would be deemed to be adequate notice to customers of the said change.

#### **10. Policy Validity**

The policy would be valid for a period of 1 year from the date of approval of the Board before which the same should be reviewed. Any modification / review of the policy, irrespective of the reasons / nature of such modification / review, should be done only with the approval of the Board. No authority is authorised to grant extension of the validity period of the policy.

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