

Policy on Dealing with frequent dishonour of Cheques and ECS / NACH Debit mandates for the year 2018-19

1. Preamble

1.1 Reserve Bank of India Master Circular on Customer Service, provide the guidelines for dealing with frequent dishonour of Cheques. Wherein, Para 15.4 of aforesaid Master Circular stipulates the procedure to be adopted for dealing with frequent dishonour of cheques of value of ₹ 1 crore and above and Para 15.5 stipulates enacting a Board approved policy for dealing with frequent dishonour of cheques of value of less than ₹ 1 crore and also with matters relating to frequent dishonour of ECS mandates.

1.2 Objective

1.2.1 This policy aims to enforce financial discipline among the customers, for operation of accounts with cheque/ECS mandate facility, in the event of dishonour of a cheque or ECS drawn on a particular account of the drawer for want of sufficient funds in the account.

2. Dealing with incidence of frequent dishonour

2.1 Dishonour of cheques valuing ₹1 crore and above

2.1.1 In the event of dishonour of cheques valuing ₹ 1 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, no fresh cheque book will be issued. Customers will be apprised of this condition at the time of issuing new cheque book.

2.1.2 If a cheque for ₹ 1 Crore and above is dishonoured for a third time, in a particular account of the drawer, during the financial year, bank will issue a cautionary advice to the customer, drawing his attention to the aforesaid condition and consequential stoppage of cheque facility, in the event of cheque being dishonoured on the fourth occasion in the same account, during the financial year.

2.1.3 In such cases, customers will be contacted and impressed upon, the necessity of drawing cheques, only against sufficient balance. If the efforts are in vain, such accounts will be closed duly following the guidelines mentioned in Para 3 below.

2.1.4 However, in respect of advances accounts such as OCC/OD, the need for continuance or otherwise of the facilities and the cheque facilities to these accounts will be reviewed by an appropriate authority higher than the sanctioning authority.

Annexure to Circular CRA 35/2018.19 dated 26.11.2018

2.2 Dishonour of cheques/ECS valuing less than ₹ 1 crore

2.2.1 In the event of dishonour of cheques / ECS mandate valuing less than ₹ 1 Crore, drawn on a particular account of the drawer on four occasions during a half year, for want of sufficient funds in the account, no fresh cheque book / ECS mandate will be issued / accepted. Customers will be apprised of this condition at the time of issuing new cheque book / accepting ECS mandate.

2.2.2 If a cheque / ECS mandate for less than ₹ 1 Crore is dishonoured for a third time in a particular account of the drawer during the half year, bank will issue a cautionary advice to the customer drawing his attention to the aforesaid condition and consequential stoppage of such facility in the event of being dishonoured on the fourth occasion, in the same account during the half year.

2.2.3 In such cases customers will be contacted and impressed upon the necessity of drawing cheques/mandate only against sufficient balance. If the efforts are in vain, such accounts will be closed duly following the guidelines mentioned in Para 4 below.

2.2.4. However, in respect of advances accounts such as OCC/OD, the need for continuance or otherwise of the facilities and the cheque facilities to these accounts will be reviewed by an appropriate authority higher than the sanctioning authority.

3. Closing unremunerative /undesirable account

3.1 Holders of accounts in which the balance quite often falls below the stipulated minimum will be contacted and the need for maintaining the minimum balances in the accounts will be impressed upon them. If there is persistent default in respect of any account, a letter will be sent, expressing our intention to close the account without further notice, if the stipulated minimum balance is not maintained within a fortnight. Further, if the account is not brought in order within a reasonable period of 30 days, the account will be closed and the balance, if any, will be remitted to the party by means of a Demand Draft by registered post with acknowledgement due along with a covering letter.

3.2 However, in case of constituents, who give other remunerative business or whose connections are for any other reasons worth retaining, action will be taken for closure of the account after such account holders are impressed upon the need for maintaining minimum balance. Bank will periodically review to assess the continuous availability of other benefits/connections.

3.3 Bank will not issue fresh cheque books or accept fresh ECS mandate, after sending registered letter to the account holder, without the written authorisation of the Branch Manager.

3.4 Every endeavour will be made to get back the unused cheque leaves / book at the time of closure of the account.

3.5. Bank will not take unilateral decision to close the deposit accounts without giving proper notice or reason to the customer.

4. Co-operation to courts etc.

4.1 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, bank will extend full co-operation and furnish documentary proof of fact of dishonour of cheques.

FORM – A

Notice to customers on frequent return of cheques



Branch

Date:

Private & Confidential

By Regd. Post

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Dear Sir,

Your Cheque No..... dated for ₹

favouring drawn on us.

When the above cheque was presented to us today for payment, the credit balance in your account was ₹..... only. The cheque was, therefore, returned unpaid. We may draw your attention to a similar incident on when we had to return cheque No..... for ₹..... for want of funds in your account.

We cannot over-emphasize the need for providing enough funds in your account to enable us to pay your cheques on presentation. We trust, we shall have your co-operation in the matter.

If for any reason you find it inconvenient to conduct your account in conformity with the bank's regulations, it would be advisable to close the account.

Please acknowledge receipt of this letter.

Yours faithfully,

Branch Manager

FORM – B

Reminder Notice to customers on frequent return of cheques



Branch

Date:

Private & Confidential

By Regd. Post

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Dear Sir,

Your account

We invite reference to our letter dated regretting that you had issued a cheque/cheques without adequate funds to honour it/them and requesting you to ensure that you would not issue any more cheques without sufficient funds to honour them.

We regret that inspite of our earlier letter dated..... , we had to return your cheque No(s). dated for ₹..... favouring for want of funds on

Please note, not to issue any more cheques without sufficient funds, failing which we will close your account at our sole discretion, without any further notice and send you the balance to your credit by means of Demand Draft on such closure.

Please acknowledge receipt of this letter.

Yours faithfully,

Branch Manager



FORM – C

Covering letter enclosing DD on closure of Undesirable Accounts

Branch

Date:

Private & Confidential

By Regd. Post with Ack. Due

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Dear Sir/s,

Your account.

We invite your reference to our registered letter dated drawing attention to your issuing cheques without sufficient funds to honour such cheques. We further notified that the bank reserved the right to close the account on its own and without any further notice and send the balance to you, if you persisted in issuing further cheques without sufficient funds.

We regret to note that inspite of our previous two registered notices dated..... & dated, we had to return on your cheque No. dated for ₹..... favouring for want of funds. We have therefore regretfully closed your account and are enclosing our Demand Draft No.for ₹. being the sum standing to your credit. Please note not to issue any further cheques or deposit any money or instrument for credit to the account.

Please surrender immediately the unused cheque leaves, if any, in your possession.

Please acknowledge receipt of this letter.

Yours faithfully,

Branch Manager