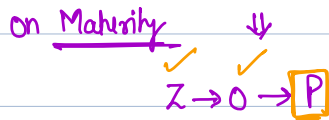
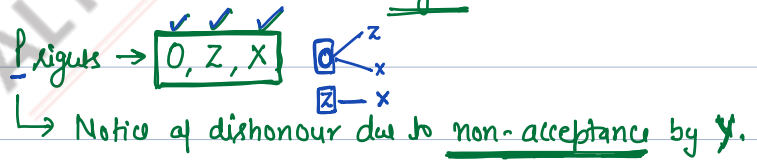
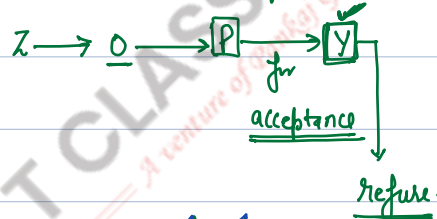
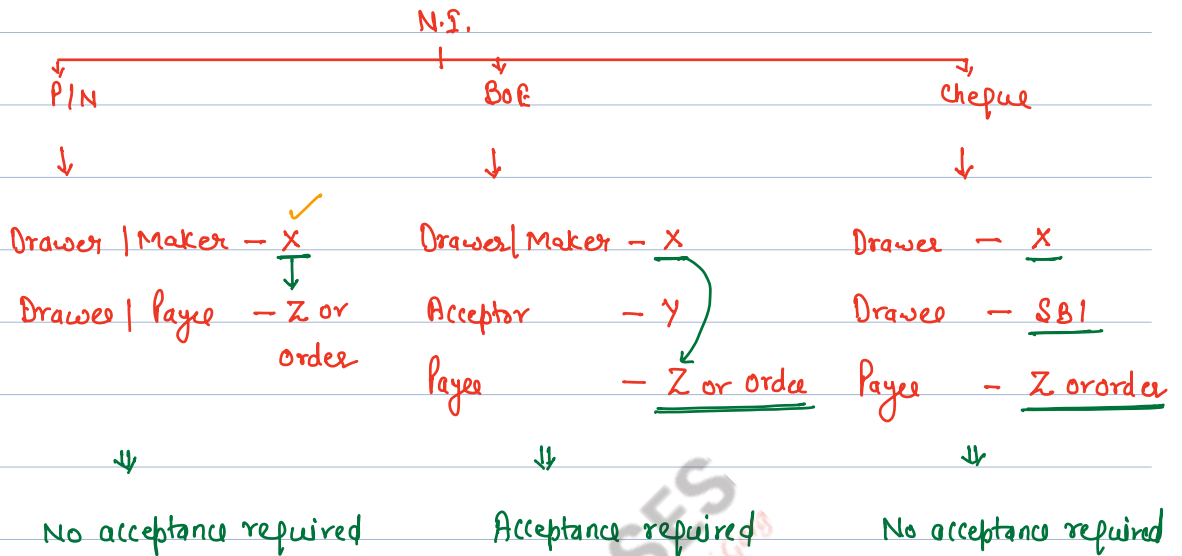


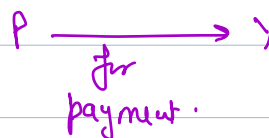
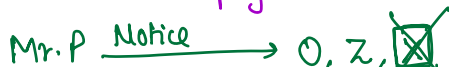
(xii) Dishonour of N.I.:



↓  
 refused by X  
 ↓

dishonour due to

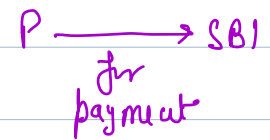
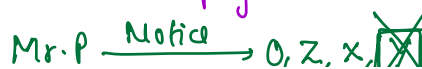
non-payment.



↓  
 refused by Y  
 ↓

dishonour due to

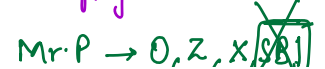
non-payment



↓  
 refused by SBI  
 ↓

dishonour due to

non-payment.



A negotiable instrument may be dishonoured by

(a) Non acceptance (in case of Bill) - Sec. 91

(b) Non-payment (Sec. 92)

- Bill presented for acceptance is refused by the drawee (within 48 hr. of presentment)
- Presentment is excused and bill not accepted.
- Drawee is incompetent to contract
- " " a fictitious person
- " " could not be found.
- Qualified acceptance by drawee.

- Default in payment by
- Maker of Note
  - Acceptor of BoE
  - Drawee of a cheque.

Notice of dis-honour: In case of dishonour of N.I., the holder thereof must give a notice of dishonour to the drawer or previous holder, in order to make them liable on instrument.

Holder of the Instrument

or

Party liable on the instrument

Notice of dishonour →

All parties except

(a) Maker of P/N

(b) acceptor of BoE

(c) drawee of cheque

- may be given to duly authorised agent / legal rep. / assignee
- oral / written (if written, to be sent by post)
- may be in any form; must be given within the reasonable time at place of business / residence.

Circumstances where notice of dishonour is not necessary! - to be covered from book -

(Xiii) Dishonour of cheque due to insufficiency of funds (Sec. 138-140):

Sec. 138: (a) Drawer of a cheque shall be deemed to have committed an offence, if:

(i) Cheque was drawn for payment of any amount to another person for discharge of any debt or other liability.

(ii) Cheque was returned unpaid by the bank as the money standing to the credit of that account is insufficient to honour the cheque.

(b) Punishment for offence: Imprisonment upto 2 years

Or

Fine upto twice the amount of cheque

Or

Both

Compoundable offence

Note: Provisions of 138 shall be applicable if following conditions satisfied:

(a) Cheque presented within the validity period of 3 Months.

(b) Demand Notice is given by the payee, in writing, to drawer within 30 days of receipt of information as to return of cheque as unpaid.

(c) Drawer fails to make the payment within 15 days of receipt of Notice.

# Cheque

Not presented

within Validity  
period.

Sec. 138 not  
applicable

Presented within Validity period, but dishonoured

due to reason other than  
Insufficiency of funds.

Sec. 138 not applicable.

Due to Insufficiency of funds.

Payee does not  
serve any notice  
to drawer

Sec. 138 not applicable.

Payee serve notice  
within 30 days of  
notice of info. as to  
dishonour

Drawer makes payment  
within 15 days of receipt of  
Notice.

Sec. 138 not applicable.

Drawer does not make  
payment within 15 days  
of Notice.

Sec. 138 will be applicable.

Sec. 139: Unless a contrary is proved, it shall be presumed that

holder of a cheque received the cheque of the nature referred  
to in Sec. 138, for the

discharge, in whole or in part, of any debt or other liability.

Sec. 140: In an prosecution u/s 138



it shall not be a defence that the drawer had no reason to believe, when he issued the cheque, that



the cheque may be dishonoured on presentment for the reason stated in that section.

Ex: X Ltd. - SBI - Current A/c [OD facility - S. Laku] - O/s 4.60L.  
Dr. → Y Ltd. - Cheque → 10000

← →  
(xiv) Miscellaneous Provisions:

- (i) Offences by Companies (Sec. 141)
- (ii) Cognizance of offences (Sec. 142)
- (iii) Power of Courts to try cases summarily (Sec. 143)
- (iv) Power to direct interim compensation (Sec. 143A)
- (v) offences to be compoundable (Sec. 147)
- (vi) Powers of Appellate Court to order payment pending appeal against conviction (Sec. 148).



H.W: Revision of entire chapter and written practice of 2-3 Questions of Dishonour.