



# **POLICY ON FREQUENT DISHONOUR OF CHEQUES**

**Introduction:**

The Cheque Collection policy provides guidelines for the process to be followed for return/dispatch of dishonoured cheques and the process for dealing with incidents of outward clearing cheque return. This policy records guidelines to be followed on frequent return of inward clearing cheque in a customer account for an amount equal to ₹ 1 crore and above and in cases where cheques are for an amount below ₹ 1 crore.

The policy is based on the guidelines advised by RBI vide their circular numbers:

- DBOD.BC.Leg.113/09/09.12.001/2002-03 dated 26th June 2003 and DBR No.Leg.BC.3/00.07.005/2016-17 dated 04th August 2016 for dealing with the procedure for dishonoured cheques for ₹ 1 crore & above
- DBOD.NO.Leg.BC.59/09.07.005/2009-10 dated 9th November 2009 containing guidelines for dealing with incidents of frequent dishonour of cheques of value less than ₹ 1 crore and frequent dishonour of ECS Mandates, and Master Circular on Customer Service dated 01st July 2015

**A. Guidelines for dealing with incidents of frequent dishonour of cheques of value ₹1 crore and above**

- i. With a view to enforcing financial discipline among the customers, should there be instances of dishonour of a cheque for an amount equal to Rupees one crore and above on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. The Bank may consider closing the account after serving due notice to the customer and after complying with all regulatory requirements.
- ii. Dishonour of Cheques notice is placed on the Notice Board of all the branches informing the customers of restrictions imposed by the Bank in case of return of inward clearing cheques of ₹1 crore and above on 4 or more occasions in a financial year due to want of funds.
- iii. If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, bank would issue a cautionary advice to the customer drawing his/her attention to number of cheques returned during the financial year and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year.
- iv. In the event of the bank considering closure of the account, the Bank will close the account after serving a notice of 30 days to the customer (RBI Circular DBOD.BC.Leg. No.113 / 09.12.001/ 2002-03, dated 26th June 2003)

**B. Guidelines for dealing with frequent dishonour of cheques of value of less than ₹1 crore**

As frequent dishonour of cheques of value of less than ₹1 crore is also a matter of concern and the following will be the process followed by the bank.

- i. RBI has not advised any definition of frequent dishonour of cheques of value of less than ₹ 1 crore. For the purpose of this policy, in any account, if there are incidents of dishonor of cheques of value less than ₹ 1 crore on 6 occasions in a financial year for want of sufficient funds, then this would be considered as frequent dishonor of cheques.
- ii. Hence with a view to enforcing financial discipline among the customers, in the event of dishonour of a cheque for an amount less than ₹ 1 crore, on six occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Also, the bank may consider closing the account based on irregular conduct of account.
- iii. If a cheque is dishonoured for fifth time on a particular account of the drawer during the financial year, bank would issue a cautionary advice to the customer drawing his /her attention to number of cheques returned and consequential stoppage of cheque facility in the event of cheque being dishonoured on the sixth occasion on the same account during the financial year.
- iv. In the event of the bank considering closure of the account, the Bank will close the account after serving a notice of 30 days to the customer (RBI Circular DBOD.BC.Leg. No.113 / 09.12.001/ 2002-03, dated 26th June 2003)
- v. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to those accounts – where cheques valuing below ₹1 crore and drawn on a particular account of a drawer are returned on 6 occasions during the financial year for want of sufficient funds in the account shall be reviewed by Credit Risk Management Committee.

**C. Periodicity of Review:**

The policy for “Frequent Dishonour of Cheques” will be effective from the date of its approval by the Board and will be renewed annually.