

Cheque Return Policy

The main objective of Cheque Return Policy is to identify the situations under which an instrument presented by the presenting bank, in either CTS or MICR clearing, is returned. An instrument may not be honoured owing to a single reason or due to multiple reasons. These reasons are broadly categorized as fund based, stop payments, deficiencies in instrument such as discrepancy in cheque date, amount, difference in signature, client account profile, ambiguous crossing / endorsements etc.

This policy also covers the dishonor of ECS mandates as well.

It is the endeavour of our bank to reduce the number of clearing cheque/ECS returns to the lowest level possible and towards this intention, all our branches have been instructed to maintain a strict check on the number of returns, which would otherwise adversely affect the image of the organization.

Generally, the following four are the different categories of cheque returns:-

1. The return of cheques presented in CTS or MICR Clearing
2. Return of cheques over the counter
3. Return of collection cheques received by post.
4. Dishonour of ECS mandates.

Instructions have been issued to the branches regarding the return of cheques of the above 4 categories, in conformity with instructions laid down by RBI as well as in terms of Uniform Regulations And Rules for Bankers' Clearing Houses.

In the case of inward clearing cheques, return if any, are presented to the respective clearing houses within the time frame laid down by local clearing houses. If any delay happens on account of any unavoidable circumstances, the matter of return should be intimated to the presenting bank over telephone. Cheques presented over the counter are returned to the bearer then and there if not paid. If the payee insists on a return memo branch should return it with a memo. Cheques received by post are returned by registered post at the earliest. Bank, as a part of excellent corporate governance, gives maximum thrust to this point. Hence any unreasonable and avoidable delay observed in returning outstation cheques received by post is taken very seriously and the delinquents are taken to task.

This policy envisages implementation of all standard formalities of cheque return such as adducing proper reason for return, educating customers about the necessity of prompt honouring of cheques issued by them, taking appropriate steps in the case of recalcitrant customers who fail to abide by the instructions in this regard etc.

Dealing with incidents of frequent dishonour of cheques of value Rs. 1 crore and above

Dishonour of cheques for Rs. 1 crore and above is taken as a very serious offence on the part of a customer. With a view to enforce financial discipline among the customers, bank has introduced a condition that in the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account on four occasions during a financial year for want of sufficient funds in the account, no fresh cheque book would be issued. The account holder is persuaded to desist from the practice of issue of cheques without maintaining sufficient balance. In order to protect the image of the Bank, the branch may decide to close the account after giving due notice to the customer. In the case of Cash Credit account the cheque return should invariably reflect in the renewal proposal of the party so that the sanctioning authority can take an appropriate decision on the file.

Dealing with frequent dishonour of cheques of value of less than Rs. 1 crore

Since frequent dishonour of cheques of value of less than Rs. 1 crore is also a matter of concern, it is felt that branches need to take appropriate action in those accounts where such dishonour of cheques occur. Since number of instances of cheque return in this category is more, bank keeps a constant vigil on such accounts and persuade the account

holders to be more disciplined so far as the conduct of their accounts are concerned. Bank views it as a serious misconduct on the part of the customer to issue cheques in favour of Govt. departments like customs, sales tax etc. without maintaining sufficient balance in the account. So such instances are dealt separately with all seriousness they deserve, lest it will lower the esteem of the institution. An account where frequent dishonor of cheques exists is defined as the one where cheques are returned unpaid on 6 or more occasions during a financial year due to reasons such as 'Funds Insufficient'.

The dishonouring of ECS mandate is also dealt with the same way as that of cheque returns.

Apart from the common reasons for cheque returns such as discrepancy in the amount and date of the cheque, improper drawing of the instrument etc. the following are other reasons for return of cheques.

Returns owing to lack of funds

If the account does not have sufficient funds, while entering the instrument via inward clearing screen in Maarvel CBS, the instruments will be dishonored / returned with the reason 'Funds Insufficient or Exceeds Arrangement'

Cheque Return charges

The Bank levies cheque return charges not only as fee for handling the instrument, but also as a deterrent for recurrence of such misconduct on the part of the customer. This fine imposed on the customer is more to safeguard the image of the Bank by reducing the number of cheque returns.

Return charges will be collected if the account has sufficient balance for the return charges. Otherwise, as overdrawings for charges are not allowed in Maarvel CBS, the return charges will not be collected then and there. But a process termed as hovering would be initiated, if there is no sufficient balance for recovering the cheque return charges. As and when sufficient balance is made available in the account, the charges pending collection would be levied by the system automatically.

Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. The illustrative, but not exhaustive, list of returns, where the customers are **not** at fault are indicated in the annexure.

Cheques that need to be re-presented without any recourse to the payee, shall be made in the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such re-presentation through SMS alert, email etc.

Returns owing to other reasons

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'

Returns related to Paper to Follow (P2F) presentations

Instruments marked as P2F, during the outward presentations, and non-receipt of the instrument physically in the P2F session from the presenting bank will be returned. Charges will not be collected from the account, as the return reason is a non-financial reason. Paper to Follow presentations are when banks would be required to send paper along with scanned images. These are applicable in the following situations: -

- (a) Government cheques.
- (b) In case of IQA failure. (IQA failure represents Image quality validation tests not passed in spite of the rescanned image done on the capture system).
- (c) When the instrument has been returned by the drawee bank with reason code 39 (Image not clear, present again with paper) or reason code 40 (Present with document).

The drawee bank shall retain and preserve the physical instrument after making the payment thereof.

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 will furnish him/her documentary proof of fact of dishonour of cheques.

This policy is subject to review from time to time.

ANNEXURE

Illustrative but not exhaustive list of objections where customers are not at fault

(Applicable for Instrument and Image-based Cheque Clearing as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing Houses)

Code No.	Reason for Return
33	Instrument mutilated; requires bank's guarantee
35	Clearing House stamp / date required
36	Wrongly delivered / not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark / thumb impression requires attestation by Magistrate with seal
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient (applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1 st proximo
75	Pay order requires counter signature
76	Required information not legible / correct
80	Bank's certificate ambiguous / incomplete / required
81	Draft lost by issuing office; confirmation required from issuing office
82	Bank / Branch blocked
83	Digital Certificate validation failure
84	Other reasons – connectivity failure
87	'Payee's a/c Credited' – Stamp required
92	Bank excluded

