

The paying banker is the bank whose name is printed on a given cheque. This bank pays the specified amount by the cheque to the collecting banker and withdraws that amount from the customer's account. This is only done if the customer has sufficient funds within their account in order to enable the transaction. It is also the duty of the paying banker to examine the cheque and ensure that it has been properly signed, the endorsements are correct and that the cheque is generally in order. In the case of bills, it is part of the paying banker's duty from instruction by the customer to pay them. Otherwise the banker is not legally required to do so. The paying banker is considered a party to a given cheque as they are considered the drawee; however a bill is merely left with the banker to take care of and has no part in it.

Duties Of Paying Banker:

The duty of the paying banker to honour his customer's cheques is a statutory duty.

Section 31 of the Negotiable instruments Act, has imposed upon the banker the obligation to honour customers cheques.

According to this section, the drawer of a cheque having sufficient funds of the drawer in his hands, properly applicable to the payment of such cheque must pay the check when properly required to do as such, and in default of such payment, must remunerate the drawer for any loss or damage brought by such default.

The paying banker has the following duties:

A) In case of sufficiency of funds in the account of the drawer which can be properly used to pay the cheque, the banker must pay the cheque when required to do so.

B) The paying banker is expected to pay the cheque to the genuine payee as per the direction of the drawer.

Section 138- Dishonour of Cheque for Insufficiency, etc., of funds in the Account- Where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, such person shall be deemed to have committed an offence and shall, without prejudice to any other provisions of this Act, be punished with imprisonment for 19 [a term which may be extended to two years], or with fine which may extend to twice the amount of the cheque, or with both: Provided that nothing contained in this section shall apply