

A Bill of Exchange, also referred to as BOE, is an unconditional, written order by an entity (the drawer) to another (the drawee) to pay an amount, either right away or on a set date for payment of goods or services received. Once the payee receives, accepts, and signs the bill, it then becomes a post-dated check and a binding contract between the two parties.

The two parties typically involve two parties: a drawer—the person who has the bill drafted or written up, and a drawee—the person who is responsible for payment on the bill. When the draft becomes a bill, the drawer then becomes the “payee”, or the receiver of payment from the drawee or buyer.

A bill of exchange can either be paid immediately, which is known as a “sight bill” or on a fixed date, which is known as a “term bill.”

.What do you mean by Hundis.

Hundi is a negotiable instrument written in an oriental (vernacular) language. The term ‘Hundi’ includes all indigenous negotiable instruments whether they are in the form of notes or bills. But they are mostly of the nature of bills of exchange. They are virtually inland bills of exchange and recognized by custom and law in India. The term comes from the Sanskrit word Hund which means to collect. It means that Hundis were used as means of collection of debts. Hundis are very popular among the Indian merchants and indigenous bankers from ancient times.

The Negotiable Instruments act does not apply to Hundis. Hundis are governed by the custom and usages of the locality in which they are intended to be used. In case there is no customary rule known as to a certain point, the court can apply the rules of the Negotiable Instruments Act. It is also open to the parties to exclude expressly the applicability of any custom relating to Hundis by agreement and include the provision of the Negotiable Instrument Act.

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