A **Negotiable Instrument** is a document guaranteeing the payment of a specific amount of money, either on demand or at a set time, with the payer usually named on the document. **The Concept of the study Explains – Negotiable Instruments: Meaning, Definition of Negotiable Instruments, Characteristics of Negotiable Instruments, and Features of Negotiable Instruments.** More specifically, it is a document contemplated by or consisting of a contract, which promises the payment of money without condition, which may be paid either on demand or at a future date. The term can have different meanings, depending on what law is being applied and what country and context it is used in. **Also learned, Negotiable Instruments: Definition, Characteristics, and Features!**

Negotiable Instruments Act: The law relating to "Negotiable Instruments" is contained in the Negotiable Instruments Act, 1881, as amended up-to-date. It deals with three kinds of negotiable instruments, i.e., Promissory Notes, Bills of Exchange and Cherubs. The provisions of the Act also apply to "hands" (an instrument in oriental language), unless there is a local usage to the contrary.

Other documents like treasury bills, dividend warrants, share warrants, bearer debentures, port trust or improvement trust debentures, railway bonds payable to bearer etc., are also recognized as negotiable instruments either by mercantile custom or under other enactments like the Companies Act, and therefore, Negotiable Instruments Act is applicable to them.

he word "Negotiable" means "Transferable by delivery", and the word "Instrument" means "A written document by which a right is created in favor of some person". Thus, the term "Negotiable instrument" literally means "a written document transferable by delivery".

According to Section 13 of the Negotiable Instruments Act,

> **"A negotiable instrument means a promissory note, bill of exchange or cheque payable either to order or to bearer."**

The Act, thus, mentions three kinds of negotiable instruments, namely notes, bills and cherubs and declares that to be negotiable they must be made payable in any of the following forms:

A) Pay able to order:

A note, bill or cheque is payable to order which is expressed to be “payable to a particular person or his order”.

But it should not contain any words prohibiting the transfer, e.g., “Pay to A only” or “Pay to A and none else” is not treated as “payable to order” and therefore such a document shall not be treated as the negotiable instrument because its negotiability has been restricted.

There is, however, an exception in favor of a cherub. A cheque crossed “Account Payee only” can still be negotiated further; of course, the banker is to take extra care in that case.

B) Payable to bearer:

“Payable to bearer” means “payable to any person whom so ever bears it.” A note, bill or cheque is payable to bearer which is expressed to be so payable or on which the only or last endorsement is an endorsement in blank.

The definition given in Section 13 of the Negotiable Instruments Act does not set out the essential characteristics of a negotiable instrument. Possibly the most expressive and all-encompassing definition of negotiable instrument had been suggested by Thomas who is as follows:

“A negotiable instrument is one which is, by a legally recognized custom of trade or by law, transferable by delivery or by endorsement and delivery in such circumstances that (a) the holder of it for the time being may sue on it in his own name and (b) the property in it passes, free from equities, to a bonfire transferee for value, notwithstanding any defect in the title of the transferor.”

They are transferable from one person to another without any formality. In other words, the property (right of ownership) in these instruments passes by either endorsement or delivery (in case it is payable to order) or by delivery merely (in case it is payable to bearer), and no further evidence of transfer is needed.

The transferee can sue in his own name without giving notice to the debtor:

A bill, note or a cheque represents a debt, i.e., an “actionable claim” and implies the right of the creditor to recover something from his debtor. The creditor can either recover this amount himself or can transfer his right to another person. In case he transfers his right, the transferee of a negotiable instrument is entitled to sue on the instrument in his own name in case of dishonor, without giving notice to the debtor of the fact that he has become the holder.