

Section-2

Q-1
Ans

A paying banker is a banker who is liable to pay the value of a cheque of a customer as per the contract, when the amount is due from him to the customer is called paying banker or drawee bank. The payment to be made by him has arisen due to the contractual obligation. He is also called drawee bank as the cheque is drawn on him. The payment has to be made by the banker as per the legal obligation also.

* Duties responsibilities of paying banking:-

a) Payment of order cheque - When a cheque payable is issued to be endorsed by or on behalf of the payee, the drawee is discharged by payment in due course.

The section provides protection to paying banker if he has made payment of an order cheque in due course.

b) Payment of bearer cheque - Where a cheque is originally expressed to be payable to bearer, the drawee is discharged by payment in due course to the bearer therefore, notwithstanding any endorsement whether full or blank appearing thereon, not that any such endorsement purports to restrict or exclude further negotiation.

c) Payment of crossed cheque - Where the banker on whom a crossed cheque is drawn has paid the same in due course, the banker paying the cheque and the drawee therefore shall respectively be entitled to the same rights, and the amount of cheque has been paid to and receive by the owner.

When the cheque is dishonoured, the drawee bank immediately issues a cheque return memo to the banker of the payee mentioning the reason for non-payment. The payee banker then gives the dishonoured cheque and the memo to the payee. The holder or payee can resubmit the cheque within three months of the date on it, if he believes it will ~~be~~ be honoured the second time. Some

Legal ~~co~~ actions are also involved in dishonour of cheque. The dishonour of cheque is a criminal offence and is punishable by imprisonment upto two years or with monetary penalty or with both.