

POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS & DISHONOUR OF INSTRUMENTS 2024-25



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OPERATION DEPARTMENT

CO Annexe, Mangaladevi Temple Road, Pandeshwar, Mangalore

**POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS
AND DISHONOUR OF INSTRUMENTS 2023-24**

1. Introduction

Keeping in view the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on:

- (i) Immediate Credit of local/outstation cheques,
- (ii) Time Frame for Collection of Local / Outstation Instruments and
- (iii) Interest Payment for Delayed Collection.

As per the referred RBI circular RBI/2004/261 DBOD.No.Leg.BC.55/09.07.005/2004-05 dated 01.11.2004, the discretion to formulate the policy on the above points was given to Banks keeping in view the interest of the depositors/customers. Accordingly, the points are covered in this Policy under point no 5.3.11, point no 8 & point no 9 respectively.

The withdrawal of these mandatory guidelines was expected to enable market forces, of competition to come into play, to improve efficiencies in collection of cheques and other instruments. This collection policy of the Bank reflects our on-going efforts to provide better service to our customers and set higher standards for performance. The policy is based on principles of transparency and fairness in the treatment of customers. The bank is committed to increased use of technology to provide quick collection services to its customers. This policy document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centers within India and abroad
- Our commitment regarding time norms for collection of instruments
- Policy on payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments
- Our policy on dealing with collection instruments lost in transit
- Our Policy on dishonor/return of cheques
- Availability of Option of Positive Pay to customers

2. Regulatory Concern and Steps Initiated by Bank:

RBI vide its letter no.RBI:2020-21:41 DPSS.CO.RPPD.No.309:04.07.005:2020-21 dated 25.09.2020 has introduced Positive Pay System in cheque clearing process. The directives issued by RBI are, under Section 10(2) read with Section 18 of Payment and Settlement Act of 2007 (Act 51 of 2007). RBI has laid down the broad parameters for Positive Pay System, to benchmark various scenarios and challenges that could emerge upon implementation of Central Positive Pay System and on lodgment of clearing cheques. Bank has accordingly conducted a study and issued a policy on Positive Pay System vide Instruction Circular No.02374-2021 dated 06.01.2021.

Earlier RBI has also expressed its concern on Breach of limit on Return v/s Drawing (RD) and Return v/s Presentation (RP) in various clearing houses. Branches, therefore, need to take cognizance of the concern shown by RBI on Return of Cheques presented for clearing. *Branches should ensure that Return of Cheque presented shall not exceed the pre-fixed limit of RBI i.e. 10% of the total cheque presented. The customers should be sensitized to abide the financial discipline.*

3. Scope of Policy:

The policy is applicable to all Domestic Branches of Union Bank of India. It also covers collection of foreign cheques, through the Domestic Branches.

4. Objective of Policy:

- 4.1 To safeguard the customers' interest and avoid possible dispute and time taken in settlement of such disputes.
- 4.2 To stop physical movement of cheques and replacement of physical instrument by image of instrument and the corresponding data contained in MICR line.
- 4.3 To make the process cost effective.
- 4.4 To reduce fraudulent cases related to clearing of cheques.
- 4.5 To making the payment safe & secure.

5. Guidelines on Collection, Processing & Handling of Cheque:

- 5.1 **Local Cheques:** All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the center. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented in the next clearing cycle. As a policy, bank would give credit to the customer account as per clearing settlement timelines. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. Branches are advised to mention the cut off timing of clearing at appropriate places in the branch/ collection boxes.

5.2 BTF (Batch to File) model: Instruments are collected by the Branch, data entry is done in the CBS-Finacle System, Scanning & verification is done in Vsoft Branch Deposit Application and finally cheque details and images are moved to CHI (Clearing House Interface). The BTF model is applicable wherever compatible scanner is available and end to end outward clearing activities are done in the branch only [Detailed guidelines with Standard Operating Procedure has been circulated through Instruction Circular No.02938 dated 04.12.2021].

5.3 CTS Cheques (Cheque Clearing Process under CTS based Clearing System): Cheque truncation is the process of eliminating the flow of physical cheque from presenting bank to the Drawee Bank. The physical cheques are truncated, and electronic images of the cheques are captured for processing at presenting Bank. The physical cheques are retained in the presenting bank itself. The captured image of instruments along with data is exchanged across the Banks. Bank handles inward & outward clearings as per laid procedures of NPCI and with the help of the solution providers.

5.3.1 Receiving payment based on an electronic image of truncated cheque:

5.3.1.1. Legal status of the cheque transaction is derived from amendments made to the Negotiable Instrument Act, 1881 by virtue of Negotiable Instruments (Amendments and Miscellaneous Provision) Act, 2002 whereby among others, the section 6,64, 81, 89 & 131 of the NI Act, 1881 are also suitably amended to incorporate the validity of the truncated image of the cheque.

- i. Cheque truncation system - Section 131 of Negotiable Instrument Act 1881 (Amendments).
- ii. Onus of due diligence shifted to the presenting bank in CTS environment.

It shall be the duty of the bank who receives payment based on an electronic image of a truncated cheque held with him, to verify the prima facie genuineness of the cheque to be truncated and any fraud, forgery or tampering apparent on the face of the instrument that can be verified with due diligence and ordinary care as per the guidelines of the NI Act 1881, as amended from time to time.

5.3.1.2. In view of the above amendment, the presenting bank takes responsibility for exercise of due diligence. The branches while sending cheques to CTS Scanning Center / Clearing Centre / Hub should ensure the following:

- i. To exercise due diligence on all instruments.
- ii. To check the apparent tenor of the instruments.
- iii. To ensure verification under UV lamp of Rs.50,000/- & above cheques and affixing UV Verified stamp and signed by officer.
- iv. To scrutinize the cheques for material alteration.
- v. To ensure genuineness and validity of instruments.
- vi. To ensure that pay in slip is properly filled up or necessary information is given on reverse of the cheque with correct and complete account number, name of the account holder, and Mobile Number etc.

- vii. To ensure that the complete account No. is written on the back of the cheque/instrument along with the mobile no. of the depositor.
- viii. To ensure that the branch stamp is affixed on the cheque before sending for scanning. The stamps should be affixed in such a way that it is not overwriting the material contents of the cheque.

5.3.1.3. The scanning center/clearing center/hub while scanning the instruments should inter-alia also ensures the following:

- i. To check the apparent tenor and genuineness of the instruments
- ii. To ensure verification of instruments under Ultra-Violet Lamp (ULV) - as required by the passing officer at Service Branch/outward centre
- iii. To ensure that instrument confirms to features of CTS 2010 standard
- iv. To ensure that physical feel of the instrument meets the usual paper standard used for cheque
- v. To ensure that no material alteration visible to naked eye
- vi. To affix PAID/RETURNED stamp on the cheque after completion of clearing cycle.

5.3.1.4. General points:

- i. Both the drop box facility and the facility for the acknowledgement of the cheques at regular collection counters should be available to the customers and no branch should refuse to give an acknowledgement if the customer tenders the cheques at the counters.
- ii. Branch should ensure that customers are not compelled to drop the cheques in the drop-box.
- iii. Further, in the context of customer awareness in this regard, branch should invariably display on the cheque drop box itself that “customer can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips”. The above message is required to be displayed in English, Hindi and the concerned regional language of the State.
- iv. Branches are also advised to make full proof arrangement in accounting for the number of instruments each time the box is opened so that there is no dispute and the customer’s interest is not compromised.
- v. Branches shall not decline to accept outstation cheques deposited by its customers for collection.
- vi. Branches shall give wide publicity to the collection policy by prominently displaying salient features thereof in bold and visible letters on the notice board at their branches.
- vii. A copy of the complete CCP shall be made available by the Branch Manager, if the customer requires so.
- viii. Notice on positive pay should be displayed by the branches on the prominent places and customers must be sensitized to use positive pay to prevent fraud.

- 5.3.2** Bank issues only Payable at Par CTS Standard 2010 cheques to Customers.
- 5.3.3** In terms of RBI letter no. DEL.DPSS.No./01.03.003/2022-23 dated 22nd February 2023 present architecture of three Regional Grids (South, North and West Grid) have been merged into single ‘National Grid’ under concept of "One Nation One CTS Grid" in phased manner.
- 5.3.4** W.e.f. 13.10.2023, single National Grid has come into existence. Accordingly, for better coordination, liasoning and management, our Southern Grid i.e. Service Branch Chennai has been made Nodal Grid (National Grid).
- 5.3.5** States/UTs covered separately under erstwhile Grids are now covered under National Grid.
- 5.3.6 Non-CTS Cheques**
As per RBI extant guidelines, all banks providing cheque facility to their customers have been advised to issue only “CTS-2010” standard cheques. Cheques not complying with CTS-2010 standards will not be cleared through CTS clearing. Accordingly, Bank do not issue any non-CTS cheques to the customers.
- 5.3.7 Where no clearing house exists / Over the Counter (OTC)**
Bank branches situated at centers which are not members of any CTS Grid or where no Clearing House exists, would present local cheques on Drawee Banks across the counter and it would be the bank’s endeavor to credit the proceeds at the earliest but not later than 3rd working day from the date of deposit by customer.
- 5.3.8 General Guidelines on Government Cheques (State) & Paper to Follow (P2F):**
- 5.3.8.1.** As per RBI circular dated 20.06.2019, it has now been decided, to dispense with the current requirement of forwarding the paid State Government Cheques in Physical Form (Commonly known as P2F) to the State Government departments/ treasuries.
- 5.3.8.2.** In Cheque Truncation System, the ‘Drawee Bank’ means the dealing branch of a bank accredited to a Ministry/Department/Treasury/Sub-Treasury on which the cheques are drawn. The ‘presenting bank’ means a branch of any bank where the cheques are presented for payment by the clients. Both the presenting banks and Drawee banks would continue to discharge their duties prescribed under various Acts/Regulations/Rules such as the Negotiable Instruments Act 1881, Bankers’ Books Evidence Act 1891, Uniform Regulations and Rules for Bankers’ Clearing Houses, Procedural Guidelines for Cheque Truncation System etc. with respect to payment of cheques. *The government cheques would henceforth be paid in CTS clearing solely based on their electronic images. The paid cheques in physical form would be retained by the presenting bank.*

- 5.3.8.3. In case any Drawee bank desires to verify the government cheque in physical form before passing it for payment, the image would be returned unpaid under the reason “present with document”. The presenting bank on such instances shall ensure that the instrument is presented again in the next applicable clearing session without any reference to the account holder (payee).
- 5.3.8.4. The presenting banks are required to preserve the physical instruments in their custody securely for a period of 10 years as required under Procedural Guidelines for CTS. In cases one specific cheques are required for the purpose of any investigation, enquiry, etc., under the law, they may be preserved beyond 10 years. Drawee banks shall make necessary arrangements to preserve the images of all government cheques for a period of 10 years with themselves or through the National Archival System put in place by National Payments Corporation of India (NPCI).
- 5.3.8.5. The government cheques paid by a drawee bank across its counter by way of cash withdrawal or transfer also need to be truncated and preserved for 10 years. Adequate safeguards shall be built to ensure that these images are captured separately by the drawee banks and not mixed up with the images of the instruments received for payment in clearing. A common electronic file containing the images of all the paid cheques shall be created on a daily basis for onward transmission to State Government Departments/ Treasuries/ Sub-Treasuries (to be discussed).
- 5.3.8.6. The branch handling the State Government transactions shall continue to send the Payment Scrolls on a daily basis in the prescribed form or as per the arrangement amongst the Sub- Treasury / Treasury to whom they are attached as hitherto. However, as the paid cheques would no longer be available with the accredited branch, the same will not be attached with the payment scroll, but the electronic images of paid cheques (by way of cash, clearing and transfer), preserved by the presenting bank, shall be provided to the Office of AG/State Government Departments/Treasuries/Sub-Treasuries by way of secured electronic communication/ e-mail, etc., as per their requirement.
- 5.3.8.7. At any time during the preservation period of cheques, for the purpose of reconciliation, enquiry, investigation, etc., the Office of AG/State Government Departments/ Treasuries/ Sub-Treasuries may require any paid cheque in physical form for which the concerned State Government Department/Treasury/Sub-Treasury would approach the dealing branch. Whenever so demanded, the dealing branch shall arrange to furnish the cheques paid by it by way of cash and transfer immediately. In case of cheques paid by way of clearing, the same shall be supplied to the Office of AG/State Government Departments/Treasuries/Sub-Treasuries within a reasonable period after obtaining it from the presenting bank. It is the responsibility of the presenting bank in such instances to comply with the request of the Office of AG/State Government Departments/Treasuries/Sub- Treasuries / Drawee bank for any physical cheque and provide the same to the respective Drawee bank within a reasonable period.

- 5.3.8.8. As hitherto, the Drawee bank shall ensure through the dealing branch that the mistakes/ discrepancies pointed out in payment scrolls, monthly DMS etc. are rectified as per procedure, missing images of paid cheques are submitted immediately, the copies of the scrolls duly verified by the Sub- Treasury/Treasury are kept on its record, etc.
- 5.3.8.9. The revised guidelines are effective in respect of cheques issued by the State Governments from July 01, 2019 and made applicable for those State Governments which give their consent for withdrawal of P2F arrangement. As and when State Governments give their consent, the same will be advised to the banks. In case any State Government desires to have a parallel run, the same may be done for a period not exceeding three months (RBI Circular No. RBI/2018-19/216 DGBA.GBD.No.3136/42.01.035/2018-2019 dated June 20, 2019). During the parallel run period, P2F shall continue to remain operational and the Drawee banks should forward both the physical instruments and their images to concerned Treasury/Sub-treasury as desired by them. After completion of the parallel run, P2F shall be discontinued and only images shall be sent as outlined above.

5.3.9 Outstation Cheques

- 5.3.9.1. For cheques drawn on bank's own branches at outstation centers, same day credit will be provided to the customers through our inter-sol transfer system, subject to obtaining confirmation from the customer over the threshold limits for High Value Cheques as per bank's guidelines.
- 5.3.9.2. Cheques drawn on other banks at outstation centers will normally be collected through bank's branches at those centers. Where the bank does not have a branch of its own, the instrument would be directly sent for collection to the Drawee bank or collected through a correspondent bank. The credit in the account of the customer will be given on the same day after receipt of funds from the drawee/correspondent Bank.

5.3.10 Cheques payable in Foreign Countries

- 5.3.10.1. Cheques payable at foreign centers where the bank has branch operations (or banking operations through a subsidiary etc.) will be collected through that office. The services of correspondent banks will be utilized in country/centers where the correspondent has presence. Cheques drawn on foreign banks at centers where the bank or its correspondents do not have direct presence will be sent directly to the Drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.
- 5.3.10.2. Domestic Foreign Business & International Banking Division is authorized to issue operational guidelines in this regard. [Ref. IC No.7560-2020 dated 20.12.2006 and further as amended from time to time.]

5.3.11 Immediate Credit of Local / Outstation Cheques / Instruments

- 5.3.11.1. Branches / extension counters of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.15,000/- tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period of 6-12 months. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centers where no formal clearing house exists.
- 5.3.11.2. The facility of immediate credit will be offered on Savings Bank / Current / Cash Credit Accounts of the customers. For extending this facility there will not be any separate stipulation of minimum balance in the account.
- 5.3.11.3. Under this policy, prepaid instruments like Demand Drafts, Interest/Dividend warrants shall be treated on par with cheques.

In the event of dishonor of cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period the bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers.

- i. For the purpose of this Policy, a satisfactorily conducted account shall be the one;
- ii. Opened at least six months earlier and complying with KYC norms in totality.
- iii. Conduct of which has been satisfactory and bank has not noticed any irregular dealings.
- iv. Where no cheques / instruments drawn for which immediate credit was afforded returned unpaid for financial reasons.
- v. Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will not, however be charged. The schedule of charges is updated in Bank's website from time to time.

- 5.3.12 **Immediate credit of Banker's Cheque, Drafts etc. during suspension of clearing:** In case of temporary suspension of Clearing House operations for reasons beyond the control of the authorities/ bank, and it is apprehended that suspension may prolong, in order to entail hardships of the customers, bank may try to accommodate to the extent possible by purchasing the Banker's cheque, demand draft etc. and cheques deposited in their account drawn by Government Departments and Demand Draft drawn on local banks. The facility will be extended based on credit worthiness, integrity, past dealings and occupation of the constituents to safeguard the interest of the bank against possibility of such instruments being dishonoured subsequently.

Minor's account whether individually, jointly or represented by natural guardian, Non-Residents, Self Cheques, endorsed cheques and Exchange company cheques are not eligible for immediate credit of local/ outstation cheques.

5.3.13 Purchase of Local / Outstation Cheques

Bank may, at its sole discretion, purchase local / outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement. Besides satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

Charges as applicable from time to time will be levied. The applicable service charges are made available on corporate website of the Bank.

- 6. Collection of third party cheque:** "In consonance with the legal requirements and in particular, the intent of the Negotiable Instruments Act, 1881 and with a view to protect the Banks being burdened with liabilities arising out of unauthorized collections, and in the interest of the integrity and soundness of the payment and banking systems, and in order to prevent recurrence of deviations observed in the recent past, the Reserve Bank has considered it necessary to prohibit the banks from crediting 'account payee' cheque to the account of any person other than the payee named therein. Accordingly, branch will not collect account payee cheques for any person other than the payee constituent". However, under following circumstances bank will collect account payee cheques for third parties. a) Where the drawer / payee instructs the bank to credit the proceeds of collection to any account other than that of the payee, the instruction being contrary to the intended inherent character of the 'account payee' cheque, bank will ask the drawer / payee to have the cheque or the account payee mandate thereon withdrawn by the drawer. This instruction would also apply with respect to the cheque drawn by a bank payable to another bank. b) In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realization. c) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, bank may consider collecting account payee cheques drawn for an amount not exceeding Rs. 50,000/- to the account of their customers and the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, bank will obtain a clear representation in writing from the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque. This shall, however, be subject to the fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof. This is applicable to Drafts, Pay Orders and Banker's Cheque also.
- 7. Collection of cheques in the name of Deceased Person :** For collection of cheque in the name of deceased person, bank will obtain authorization from the Survivor(s)/nominee

of a deceased account holder to open an account styled as “Estate of Shri _____ Deceased”. Where all pipeline flows in the name of deceased account holder could be allowed to be credited, provided no withdrawals are made. Or the Bank would be authorized by the survivor(s) / nominee to return the pipeline flows to the remitter with the remark “Account holder deceased” and will intimate the survivor(s) / nominee accordingly. The survivor(s) / nominee / legal heir(s) could then approach the remitter to effect payment through a negotiable instrument or through ECS transfer in the name of the appropriate beneficiary.

8. Time Frame for Collection of Local / Outstation / Foreign Cheques / Instruments:

8.1 For Local Cheques presented in clearing credit will be afforded as on the date of settlement of funds in clearing and the account holder will be allowed to withdraw funds on T+1 or T+2 day as per return clearing norms in vogue at that center. For cheques and other instruments sent for collection to centers within the country the following time norms shall be applied:

8.1.1. Cheques/ instruments drawn on one of our branches deposited at another center - Same day

8.1.2. Cheques/instruments drawn on other bank and sent for collection to:

- i. Centers where our Bank have a branch - Maximum T+6 days
- ii. Centers where our Bank do not have a branch:

Centers	Maximum Timeframe (in days)
State Capitals	7
Major Cities	10
Other Locations	14

8.2 Cheques drawn on Foreign Countries:

The bank is committed to ensure that instruments drawn in foreign currencies and payable outside India are also collected in the quickest and most efficient manner. Towards this the bank may enter into specific collection arrangements with its Correspondent Banks in those other countries for speedy collection of such instrument(s). Bank would give credit to the customer upon realization of proceeds in the bank’s Nostro Account with the Correspondent Bank after considering cooling periods as applicable to the other countries concerned.

Country / location specific norms wherever stipulated for such foreign currency instruments and the same shall be made known to the customers at the time of accepting instruments in collection.

The above time norms are applicable irrespective of whether cheques/instruments are drawn on the bank’s own branches or branches of other banks. Domestic Foreign Business & International Banking Division issues the operational guidelines in this regard. [Ref. IC No.7560-2020 dated 20.12.2006 and as amended from time to time.]

9. Payment of Interest for delayed Collection of Local / Outstation Cheques and Cheques payable outside India:

- 9.1** As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned below. There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.
- 9.2** Interest for delayed collection shall be paid at the following rates:
- 9.2.1.** Savings Bank Rate for the period of delay beyond T+2 days in collection of local cheques.
- 9.2.2.** Savings Bank Rate for the period of delay beyond T+6 days in collection of outstation cheques sent to Bank's own branches at other centers.
- 9.2.3.** In case of cheques sent to other bank's branches for collection where delay is beyond T+10 days interest will be paid at the rate applicable to term deposit for the respective period or Savings Bank rate, whichever is higher.
- 9.2.4.** In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding interest rate mentioned above.
- 9.2.5.** If proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.
- 9.2.6.** In case of cheques drawn on foreign countries interest at the rate of savings bank interest rate will be paid on the amount of cheque collected for any delay from the value date of credit to the Nostro Account till the date of actual credit to customer's account. [Ref. IC No.7560-2020 dated 20.12.2006 and as amended from time to time, issued by International Banking Division, Central Office].

10. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:

- 10.1** In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the bank shall immediately being aware of the loss, will inform the account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
- 10.2** In line with the compensation policy of the bank, the bank will compensate the account holder in respect of instruments lost in transit in the following way:

- 10.2.1. In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (T+2/T+6/T+10 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
 - 10.2.2. In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide likely further delay in obtaining duplicate cheque/instrument and collection thereof.
 - 10.2.3. The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/institution who would charge a fee, if any, for issue of duplicate instrument.
11. **Third Party Endorsement:** RBI has prohibited banks from crediting 'account payee' cheque to the account of any person other than the payee named therein. Bank does not collect account payee cheques for any person other than the payee constituent. However, in case 'account payee' instructions are withdrawn by the drawer then procedure mentioned at point no. 6 to be followed.
 12. **Validity of Cheques / Drafts / Pay orders / Banker's Cheques:** With effect from April 1, 2012, the validity of Cheques / Drafts / Banker's Cheques is three months only from the date of issue. The validity period is mentioned on the face of Cheque leaves, Drafts / Banker's Cheques printed after 01.04.2012. Instruments should be presented within the validity period of three months from the date of issue.
 13. **Force Majeure**
The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to) Civil Commotion, Sabotage, Lockout, Lockdown, Strike or other labor disturbances, accident, fires, natural disasters or any other "Acts of God", War, Pandemic, Invocation of Disaster Management Act by Central/State/District/Local government/authorities, Damage to the bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation etc. beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters. In such events, Bank will not be liable to pay any compensation.
 14. **Charging of interest on cheques returned unpaid where instant credit was given:**
 - 14.1 If a cheque sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque will be immediately debited to the account. Further, applicable interest would be charged on the notional overdrawn balances in the account.
 - 14.2 If the proceeds of the cheque were credited to the Savings Bank Account and were not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. If proceeds were credited to an overdraft/loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the

overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/ instrument were returned unpaid to the extent the bank was out of funds.

15. Service Charges / Fees on Collection of Cheque

Wherever service charges are applicable on collection services, Bank will recover the applicable services charges. The list and applicable services charges are made available on the corporate website of the Bank (<https://www.unionbankofindia.co.in>).

16. Return/ Dishonour of Cheques:

Branches will return dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Rules 6 of Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH) of RBI.

16.1 Return/ dishonour and dispatch of dishonored cheque/instruments:

- 16.1.1. In relation to cheques presented directly to the branches for settlement of transaction by way of transfer between two accounts with that branch, it will return such wrongly presented cheques to payees / holders immediately.
- 16.1.2. In case of dishonor/return of cheques, the paying Bank's branch will clearly indicate the return reason code on the return memo/ objection slip which should also bear the stamp of the branch & signature/initial of the bank officials.
- 16.1.3. Cheques dishonoured for want of funds in respect of all accounts will be returned along with a memo indicating therein the reason for dishonor as "insufficient funds".
- 16.1.4. Cheques received back unpaid will be returned by post/ courier etc. to the customer within 48 working hours (excluding holiday) on the address recorded in Bank's database. However, these will be kept in the Bank for returning to the customer over the counter if he/she makes a request for the same. If not collected by the customer on the same or next working day, bank will send them back at the recorded address by post or courier.
- 16.1.5. Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the customers within 48 working hours (excluding holiday) on the address recorded in the system. However, in cases with incomplete address, incomplete phone no., no phone number mentioned on the Pay-in slip, the bank will be responsible to keep/preserve these instruments for a maximum period of 3 months in case the customer fails to collect the same.
- 16.1.6. **Re-presentation of technical return cheques:** Cheques that are rejected due to technical reason need to be re-presented in the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to customers.
- 16.1.7. Cheque will be returned if any alteration is made in cheque. No changes / corrections should be carried out on the cheques in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc., such cheques

will not be accepted for presentation in CTS. Except change in the date for validation period, fresh cheque forms should be used by customers.

- 16.1.8. Bank will pay the cheques issued by the Bank's customers and received in clearing based on the closing clear available balance of previous day / live balance at the time of presentment of cheque, subject to the cheque is in order for payment. In case the closing balance of previous day / live balance is not sufficient, or cheque is discrepant the same will be returned.
- 16.1.9. Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns.
- 16.1.10. The cheques are returned as per Rule 6 of URRBCH. The key reason for returns of cheque is under:

CBS CODE	Reason
1	Payees endorsement irregular / requires collecting banks confirmation
2	Payees endorsement required
3	Required information not legible/ correct
4	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal.
5	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal.
6	Exceeds arrangement
7	Refer to drawer
8	Exceeds arrangement
9	Effects not cleared, present again.
10	Instrument specially crossed to another bank
11	Crossed to two banks
12	Clearing House stamp/ date required
13	Drawers signature differs
14	Account closed
15	Alteration require drawer's authentication
16	Payment stopped by drawer
17	Wrongly delivered/ Not drawn on us
18	Banks certificate ambiguous / incomplete/ required
19	Instrument mutilated requires Banks guarantee
20	Instrument mutilated requires Banks guarantee
21	Funds insufficient
22	Exceeds arrangement
23	Instrument post dated
24	Cheque irregularly drawn / amount in words and figures differ
25	Kindly contact Drawer / Drawee Bank and please present again
26	Drawers signature illegible
27	Drawers signature required
28	Drawers signature not as per mandate

29	Drawers signature to operate account not received
30	Drawers authority to operate account not received
31	Payment stopped by attachment order
32	Payment stopped by court order
33	Withdrawal stopped owing to death of account holder
34	Withdrawal stopped owing to lunacy of account holder
35	Withdrawal stopped owing to insolvency of account holder
36	Instrument outdated / stale
37	Instrument undated / without proper date
38	Present in proper zone
39	Instrument contains extraneous matter
40	Image not clear, present again with paper
41	Present with document
42	Item Listed Twice
43	Paper not received
44	Amount / name differs on advice
45	Account transferred to another branch
46	No such account
47	Title of account required
48	Title of account wrong/ incomplete
49	Account blocked (situation covered in 21-25
51	Crossing stamp not cancelled
52	Clearing stamp not cancelled
53	Instrument specially crossed to another bank
54	Amount in protective crossing required/ illegible
55	Amount in protective crossing incorrect
56	Advice not received
57	Amount / name differs on advice
58	Drawee banks funds with sponsor bank insufficient
59	Payees separate discharge to bank required
60	Not payable till 1st proximo
61	Pay order/ cheque requires counter signature
62	Required information not legible/ correct
63	Draft lost by issuing office / confirmation required from issuing office
64	Bank / Branch Blocked
65	Digital Certificate Validation failure
66	Bank Excluded
67	Alterations/Corrections on instruments are prohibited under CTS
68	Alterations/Corrections on instruments are prohibited under CTS
84	Other reasons-connectivity failure
86	Fake / Forged / Stolen draft / cheque / cash order / interest warrant / dividend warrant
87	Payees a/c Credited - Stamp required
88	Other reasons (Please specify)
89	Drawers signature incomplete

The reasons are indicative, bank may add the reasons as per the practice.

16.2 Information on Dishonoured Cheques

- 16.2.1. Data in respect of each dishonoured cheque for amount of Rs.1.00 crore and above will be made part of Bank's MIS on constituents.
- 16.2.2. Data in respect of cheques drawn in favor of stock exchanges and dishonoured will be taken separately irrespective of the value of such cheques as a part of Bank's MIS relating to broker entities at Central Office.
- 16.2.3. Bank will place before Audit / Management Committee, every quarter, consolidated data in respect of the matters referred to above.

16.3 Dealing with incidence of frequent dishonor:

16.3.1 Dealing with frequent dishonour of cheques of Rs.1.00 crore and above

- a. With a view to enforce financial discipline among the customers, bank has decided to introduce a condition for operation of accounts with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. The bank may also consider closing current account at its discretion.
- b. If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, bank will issue a cautionary advice (Physical or Electronic) to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year. Similar cautionary advice (Physical or Electronic) will be issued if the bank intends to close the account.
- c. As per RBI circular Ref No. DBR.No.Leg.BC.3/09.07.005/2016-17 dated 04.08.2016 it has been left at the discretion of the Bank to determine the course of action/response to dishonor of cheques of the account holders.

17. Issuance of Cheque with Security Features:

- 17.1 In order to curb cheque related frauds, Bank has introduced additional security feature of Random Number on the cheques w.e.f. 27th November 2017, as per IC 04069:2017 dated 5th December 2017. As per this the system prompts for Random Number for Passing Rs.2.00 lacs and above cheques at Branches/Service branches. This module is stabilized and effective in curtailing cheque related frauds to large extent. The random is mandatory in case of inter-sol transactions irrespective of amount. Bank may introduce further changes in the threshold ceiling and process of handling random numbers. Please refer IC no. 4424:2023 dated 04th November 2023 for additional security features introduced in the cheque book.
- 17.2 All the customers should be issued cheques with alphanumeric random number. Customers should physically handover their old cheques to branches and such

cheques should be marked as surrendered in the system and physically also these should be destroyed immediately as per policy after issue of new cheques with random number. All the branches are advised to identify such customers of their branch who use a greater number of cheques and convince these customers to replace the existing cheques which are not having the security feature of alphanumeric Random number with the cheques having Alphanumeric random number immediately.

18. Verification of Cheques presented in clearing at various centers by Base Branch

- 18.1 As per IC No. 00843-2017 dated 04.05.2017, all Cheques of Rs.2.00 Lakhs and above presented for payment in CTS/MICR Clearing, Cash Payment, NEFT/RTGS/Transfer should be invariably cross verified by contacting the customer and obtaining confirmation over registered phone/email/SMS. However, it can be exempted in case of customer using the positive pay in CTS.
- 18.2 The detailed guidelines are reiterated vide IC No.1052:2017 dated 19th December 2017 & IC No.1442/2019 dated 05.01.2019, whereby base branch has to contact the customer for getting confirmation on issuance of the cheque either through telephone/e-mail/SMS. However, it can be exempted to the customer who are using positive pay in CTS.
- 18.3 By invoking the Option “15” i.e. “Inward Cheques lodged in other branches” under “QUERY” Menu every day, branch gets the details of all inward cheques of the respective “SOL” presented in clearing at various service branches. The details/image of these cheques can be verified from “HICTMO” menu.
 - i. “QUERY” Menu → Option “15” → Gives List of cheques lodged in other branches.
 - ii. “HICTMO” menu → Verify details/image of the Cheque

From the Inward Clearing report generated, Branch Officials has to go through the cheques lodged and contact the customer for verifying the issuance of the cheque in case of Cheques of Rs.2.00 lakhs and above.

Printout of the list generated in ‘Query’ option with signatures of branch officials who permitted the transactions should be held at branch and the same file can be used as Register.

Data in respect of each dishonored cheque for an amount of Rs.1.00 crore & above should be made part on constituents, and concern branches should report such data to their respective controlling office / Head Office [Ref. RBI Circular no. DBOD.BC.Leg No.113/09.12.001/2002-03 dated 26.06.2003].

The list of customers who have used Positive Pay can be derived by using “PLUSPAY” menu and generating “Positive Pay Channel Report” under report option. Since, reconfirmation of cheque issuance is made available by the customer in Positive Pay Channels, there is no need to contact these customers. However, in exceptional cases customers can be contacted.

- 18.4 In case of any doubt even when the amount is below Rs.2.00 lacs or the payment is to an entity/person not connected to the previous trend of the account or profile

or business of the customer, take confirmation from the customer though it is less than Rs.2.00 lakhs. Bank also provides SMS to customers on lodgment of cheque in clearing, so that customers are kept informed.

- 18.5** All big value cheques should be brought to the notice of the Branch Head / Dy. Branch Head.
- 18.6** The name of the official confirming/honoring of such cheque should be recorded. A register should be maintained for such transactions recording the name of the official of the base branch who has permitted the transaction as per IC No.00843-2017 dated 03.05.2017.
- 18.7** Maintenance of this register (Physical or electronic in CBS) is mandatory on confirmation of Cheque and auditors and inspecting officials will verify the register during their visits to the branches and comment on adherence of norms by the branch.
- 18.8** If any cheque is not issued by the customer or the customer refuses to provide confirmation or branch suspects the genuineness of the cheque due to the features appearing on the image of the cheque or if they fail to get confirmation from the customer, it should be informed to the respective service branch before 12.00 Noon on the same day for returning the cheque to Clearing House and alerting the presenting bank.
- 18.9** Service branches should continue to contact the Customer in case of Holiday at Base Branch Centre as per IC No.1442 dated 05.01.2019. However, customers using positive pay should be excluded.
- 19. Customer Grievances Redressal:** Bank has a structured Customer Grievances Redressal Policy displayed on the web site. Customer having grievances on the subject area will be redressed as per our Customer Grievances Redressal Policy.
- 20. General:**
- For the purpose of adducing evidence to prove the fact of dishonor of cheque on behalf of a complainant (i.e. payee / holder of a dishonored cheque) in any proceeding relating to dishonored 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 dishonor of cheque.
- At the cost of repetition, it is reiterated that, all the cheque, if they are to be returned for want of funds in the account, then they will be returned with the reason “Insufficient Funds in the account” only.
- 21. SMS/e-mail Alerts:**
- The Bank as a policy has enabled the customer to receive SMS/e-mail-based alerts for presentation, realization or dishonor of instruments sent through clearing/collection.

22. Dispute Resolution Mechanism at RBI - Panel for Resolution of Disputes (PRD):

[As per Enclosure to RBI Circular PSS.CO.CHD.No.654/03.01.03/2010-2011 dated September 24, 2010]

There is a Dispute Resolution Mechanism for all payment systems, in line with the provisions of the Payment and Settlement Systems Act, 2007 (PSS Act). This is applicable for all Clearing House-related activities, including paper (cheques) and retail electronic (ECS) payment products. Service Branches/ GRIDs can refer the relevant disputed cases between banks to PRD in time. The PRD is applicable for cheque amount ₹50000.00 and above.

23. Positive Pay System:

23.1 Background: With a view to prevent fraud, Positive Pay System has been introduced by RBI vide letter No. RBI: 2020-21:41 DPSS.CO.RPPD No 309:04.07.005:2020-21 dated 25.09.2020. Accordingly, our Bank has implemented Positive Pay System from 01.01.2021. Positive Pay System involves a process of validating key details of large value cheques of ₹50000.00 and above. The positive pay has been introduced to prevent the frauds and making the payment of cheque secure under CTS process.

23.2 Channels of Positive Pay: The following Channels can be used by the customer for reconfirmation of cheque under Positive Pay:

- a. Mobile Banking (VYOM)
- b. Internet Banking
- c. Corporate Website (using the following link)
<https://myportal.unionbankofindia.co.in/PositivePay/>
- d. WhatsApp Banking (UVCON)
- e. SMS Banking
- f. Branch Banking

23.3 Features of Positive Pay:

- Bulk upload option- Bulk handling of positive pay is made available in Internet Banking & Branch Banking. Customer Branch can submit positive pay details by consolidating and uploading the file.
- After selecting the cheque number under Positive Pay in Internet banking, Mobile Banking, WhatsApp Banking & Corporate Website, the customer to select the relevant cheque number and provide the details of beneficiary, amount and cheque date. MICR code, SAN code and Transaction Code is auto populated.
- Instant acknowledgement is provided to the customer on using Positive Pay on customer devised channels and history is also made available.
- The process of positive is user friendly and very simple.
- Branches can generate the Positive Pay Reports under report option in “PLUSPAY” menu.
- Positive Pay Enquiry option under “PLUSPAY” menu.

- Positive Pay Limit Option for the customers. Customers can fix their own threshold limit. In case limit is fixed and details of cheque issued is not provided in Positive Pay for the limit and above, the cheque is returned in the clearing. Thus, it is an added advantage to the customer.
- The system flashed the details of positive pay received from the NPCI portal at the time of payment of the cheque, thus branches can cross cheque the details available in the CTS.
- Below are flags which will be provided as part of the inward file by NPCI to drawee Banks to take decision for payment.

S.No	Flag	Description	Proposed action
I.	P	Instruments validated with CPPS. No mismatch in cheque number, Drawee bank MICR and amount	Pass the instrument
II.	D	Duplicate instruments already presented. No mismatch in cheque number, Drawee Bank MICR and amount	Two scenarios are available in this case: a. Actual cheque is returned back & presented again b. Already passed cheque is presented again as duplicate Role of Service Branch: In above scenarios, Service Branch user has to verify the data available in inward file vis-a-vis PPS data to take suitable decision on passing/returning the inward cheque.
III.	Y	Amount mismatch. Cheque number and Drawee Bank MICR have matched	Role of Service Branch: There may be instances where amount is inadvertently entered by customers in PPS. In this scenario, Service Branch user may take decision as per the extant guidelines available in the Bank such as contacting the customer/refer to drawer etc.
IV.	Z	Duplicate instrument already presented. Amount mismatch. Cheque number and Drawee Bank MICR matched	Role of Service Branch: In this scenario, Service Branch user may take decision as per the extant guidelines available in the Bank such as contacting the customer/refer to drawer etc.
V.	N	Instrument not part of CPPS data	Adoption of Positive Pay System is at the discretion of the customer. However, if a customer is opting for Positive Pay System, then it is obligatory to present the cheque through Positive Pay System for an amount of Rs.2.00 lacs and above. Role of Service Branch: As the instrument is not the part of PPS data,

			Service Branch user may reject the instrument if it is Rs.2.00 lacs and above. For cheques below Rs.2.00 lacs, Service Branch user may take decision as per extant guidelines available in the Bank.
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- The Above flags are reflected at the time of payment of the instrument, in case the flag is “P” then branch can pass the instrument. In case of flag “D, Y, Z” the branch is advised to take due precautions. In case of “N” branch can pass the instrument, but the customer should be advised to use positive pay mandatorily above Rs.2.00 Lakh.

23.4 Mandatory Positive Pay: Bank has made positive pay mandatory ₹2.00 lakhs & above. The cheques can be returned by the branches if reconfirmation is not given in the Positive Pay by the customers.

24. Validity & Review of the Policy:

The policy shall be reviewed annually in tune with the regulatory guidelines issued from time to time or internal requirements or as and when considered necessary.

The Policy on Collection of Cheque / Instrument and Dishonor of Instrument 2024-25 shall be valid up to 31st March 2025.

Further, Operation Department, is authorized to issue Standard Operating Procedure for CTS clearing/ Positive Pay/ PRD in line with RBI/ NPCI guidelines.
