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L.L.B Part- 1st

Subject- Negotiable Instrument Act

Paper- 8th

Date- 21/01/2021

Topic- Write short notes on the following:

- 1. Crossing of cheque, 2. Acceptor of honour, 3. Holder, 4. Holder in due course, 5. Negotiation, 6. Endorsement.**

1. Crossing of cheque

Crossing of a cheque is nothing but instructing the banker to pay the specified sum through the banker only, i.e. the amount on the cheque has to be deposited directly to the bank account of the payee.

Hence, it is not instantly encashed by the holder presenting the cheque at the bank counter. If any cheque contains such an instruction, it is called a crossed cheque.

The crossing of a cheque is done by making two transverse parallel lines at the top left corner across the face of the cheque.

Crossing a cheque refers to drawing two parallel transverse lines on the cheque with or without additional words like "& CO." or "Account Payee" or "Not Negotiable" between the lines.

By using a crossed cheque, one can make sure that the amount specified cannot be en-cashed but can only be credited to the payee's bank account.

Crossing of Cheque is recognized under The Negotiable Instruments Act, 1881.

The crossing of cheque had developed gradually as a means of protection against misusing of cheques.

Crossing of cheque provides instruction to the paying banker to pay the amount through banker only, and not directly to the payee or holder presenting it at the counter. This ensures that payment is made to the actual payee.

2. Acceptor of honour

When a bill of exchange has been noted or protested for non-acceptance or for better security], and any person accepts it supra protest for honour of the drawer or of any one of the indorsers, such person is called an “acceptor for honour”.

3. Holder

The “holder” of a promissory note, bill of exchange or cheque means any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon from the parties thereto.

4. Holder in due course

Holder in Due Course is a legal term to describe the person who has received a negotiable instrument in good faith and is unaware of any prior claim, or that there is a defect in the title of the person who negotiated it.

For example; a third-party check is a holder in due course.

The 3rd party who gets the check is not aware of any prior issues with a check, such as it was overdue, dishonored when presented for payment, had any claims against it,

Holder in Due Course called protected holder or bona fide holder for value.

So Holder in Due Course means;

- If payment is not made on a negotiable instrument when it is due, the holder can use the court system to enforce the instrument.
- Various parties, including both signers and non-signers, may be liable for it.
- Accommodation parties (i.e., guarantors) can also be held liable.

5. Negotiation

NEGOTIATION According to section 14 of The Negotiable Instruments Act 1881, “When a promissory note, bill of exchange or cheque is transferred to any person so as to constitute that person the holder thereof, the instrument is said to be negotiated.” The main purpose and essence of negotiation is to make the transferee of a promissory note, a bill of exchange or a cheque the holder there of. Negotiation thus requires two conditions to be fulfilled, namely:

- There must be a transfer of the instrument to another person; and
- The transfer must be made in such a manner as to constitute the transferee the holder of the instrument. Handing over a negotiable instrument to a servant for safe custody is not negotiation; there must be a transfer with an intention to pass title.

6. Endorsement

Depending on the context of its use, an endorsement can have different meanings. An endorsement may be a signature authorizing the legal transfer of a negotiable instrument between parties.

Endorsements can also be amendments to contracts or documents, such as life insurance policies or driver's licenses.

A public declaration of support for a person, product, or service is also called an endorsement. For example, a WNBA basketball player may endorse a pair of Nike-brand shoes in a commercial.

Endorsements can also represent a show of support or a form of approval. A person or entity may make a public declaration of support for a person, product, or service. Most commonly, this occurs when a government official, an influential person, or an entity expresses their support for a political candidate. For example, a newspaper may endorse a political candidate that is running for office in an upcoming election.

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