

**CITY UNION BANK LIMITED  
CENTRAL OFFICE  
KUMBAKONAM**

**POLICY ON DEALING WITH DISHONOUR OF  
CHEQUES AND ECS DEBIT MANDATES**

## **Policy on dealing with Dishonour of Cheques / ECS Debit mandates**

### **I) Procedure for Return / despatch of dishonoured cheques**

- a) In case of cheques received through inward clearing, the bank will return the cheques to respective presenting banks by following the return discipline strictly within the time frame prescribed by the respective clearing houses in terms of Uniform Regulations and Rules for Bankers Clearing Houses.
- b) When the cheques presented by us through clearing get dishonoured , the bank shall take utmost care to ensure that such dishonoured instruments are returned / despatched to the payees / holders promptly without delay, in any case within 24 hours.
- c) In relation to the cheques presented directly to the bank for settlement of transaction by way of transfer between two accounts with our bank, if such cheques could not be honoured then those dishonoured cheques will be returned to the payees / holders immediately.
- d) Cheques dishonoured for want of funds in respect of all accounts should be returned along with memo indicating therein the reason for dishonour as "insufficient funds".
- e) If a Cheque under "STOP PAYMENT" instruction is presented for payment and if the account on which the cheque is drawn does not have sufficient balance at the time of return, then both the reasons such as (i) insufficient funds and (ii) payment stopped by the drawer will be mentioned in the return.
- f) Other reasons for return of cheques to include signature mismatch, endorsement irregular, Account closed etc., and the same to be intimated to the customers immediately.

### **II) Procedure for handling Dishonour of cheques**

In order to ensure financial discipline among the customers, when a cheque is dishonoured on a particular account of the drawer for want of sufficient funds in the account the following procedure shall be followed:

1. After the return of **three cheques** a cautionary advice shall be issued to the customer that further cheque book will be stopped in the event of

- (a) return of **fourth cheque** of value of Rs.1 crore and above in a financial year or
- (b) return of **fourth cheque** of value less than Rs. 1 crore in a month or beyond **10 Cheques** of value less than Rs.1 crore in a financial year

Issue of further cheque book shall be permitted to the customers mentioned in para 1 of (a) & (b) above only after clearance from General Manager of Inspection / Advances based on whether the account is CA/SB or CC/OD respectively.

2. In case of cheque return beyond **four cheques** of value Rs.1 crore and above in a financial year or beyond **four cheques** of value less than Rs. 1 crore in a month or beyond **10 Cheques** of value less than Rs. 1 crore in a financial year, a notice for closure shall be sent to the constituent concerned by the branch stating that the account of the constituent will be closed within 30 days from the date of branch letter if valid and satisfactory reasons are not received from the constituent.

3. If the constituent gives a reply furnishing valid reasons / justification explaining the reasons behind the act and there was no misuse of cheques and if the Branch Manager is convinced as to the genuineness of the explanation he/she will forward the letter with his recommendation to the General Manager, Inspection/Advances depending on whether the account is CA/SB or CC/OD respectively and seek approval.

4. The General Manager, Inspection /Advances shall give due consideration to the reasons explained by the constituent, and if satisfied, shall permit issue of further cheque books or operations to avoid penalizing the constituent for unintended dishonour of cheques.

### **III) Procedure for Dishonour of ECS Debit mandates:**

Reserve Bank of India has expressed its serious concern also on high volume of return of ECS debits and Clearing Houses of Reserve Bank of India have passed resolution to charge Rs.1000 on every ECS return as penalty.

In order to ensure discipline, the following procedure shall be adopted in case of dishonour of ECS Debit mandates.

- i) Penalty shall be levied in the account of the client for every return of ECS Debit mandate as per the resolution of the respective clearing houses.
- ii) Whenever there are dishonour of ECS Debit mandates **for three times consecutively for want of funds** in a particular account, then the bank shall issue a cautionary advice to the drawer on the aforesaid condition with a warning that the account will be closed within 30 days if there is dishonour of ECS Debit mandate on another occasion.
- iii) Even after this notice, if there is dishonour of ECS Debit mandate on the fourth occasion, then the bank shall arrange for closing the account and the amount outstanding and payable, after adjusting all applicable charges for closure, will be sent to the constituent by way of a banker's cheque/ draft to the latest address available on the records of the bank through registered post under acknowledgement.
- iv) After closure of the account, intimation shall be sent to the beneficiary on the closure of the account with a request not to present the ECS Debit mandate any further.

- v) The bank shall give due consideration to the reasons explained by the constituents and, if satisfied, shall permit operations after obtaining a written assurance from the constituent to operate the account without dishonour of ECS Debit mandates.
- vi) A suitable agreement, incorporating all the conditions mentioned above shall be obtained at the time of acceptance of ECS Debit mandate.