



POLICY ON FREQUENT DISHONOUR OF CHEQUES

**Corporate office Address:
Ujjivan Small Finance Bank Ltd.
Grape Garden, No. 27, 3rd A Cross, 18th Main
Koramangala 6th Block, Bengaluru 560 095**

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Policy Approval Committee	
Board Committee	Customer Service Committee
Management Committee	Product and Process Approval Committee

Approver	Board of Directors
Approved on	Jan 31, 2018
Policy Owner	Head Liabilities
Review frequency	Annual
Annual Review approved on	Nov 05, 2019
Annual Review	Oct 19,2020
Annual Review approved on	May 12,2022
Annual review	16 Aug,2023

Document version control			
Version	Date	Policy Owner	Changes
1.0	19/01/2017	Business Head of Branch Banking	First version – Policy on frequent dishonor of cheques
2.0	31/10/2019	Business Head of Branch Banking	1. The name of Product Approval Committee has been changed to Product and Process Approval Committee
2.1	19/10/2019	Head Liabilities	1. Policy owner has been chaged from Business Head Branch Bankig to Head Liabilities
2.2	12/05/2022	Head-Branch Banking	1. The designation of Policy owner has been changed from Head Liabilities to Head – Branch Banking 2. NACH return and implications has been updated
2.3	16/08/2023	Head-Branch Banking	1. Annual review with no change

Mr. Sumit Thomas
Head Branch Banking
Ujjivan Small Finance Bank Ltd.

A. SCOPE :

The existing Cheque Collection policy provides guidelines for the process to be followed for return/ dispatch of dishonoured cheques/NACH return and the process for dealing with incidents of outward clearing cheque return. This policy records guidelines to be followed on frequent return of inward clearing cheque in a customer account for an amount equal to ₹ 1 crore and above and in cases where cheques are for an amount below ₹ 1 crore.

The policy is based on the guidelines advised by RBI vide their circular numbers:

- DBOD.BC.Leg.113/09/09.12.001/2002-03 dated 26th June 2003 and DBR No.Leg.BC.3/00.07.005/2016-17 dated 04th August 2016 for dealing with the procedure for dishonoured cheques for ₹ 1 crore & above
- DBOD.NO.Leg.BC.59/09.07.005/2009-10 dated 9th November 2009 containing guidelines for dealing with incidents of frequent dishonour of cheques of value less than ₹ 1 crore and frequent dishonour of ECS Mandates, and Master Circular on Customer Service dated 01st July 2015

B. Guidelines for dealing with incidents of frequent dishonour of cheques/NACH of value ₹1 crore and above

- i. With a view to enforcing financial discipline among the customers, should there be instances of dishonour of a cheque/NACH for an amount equal to Rupees one crore and above on **four** occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. For NACH, account would be marked freezed. The Bank may consider closing the account after serving due notice to the customer and after complying with all regulatory requirements.
- ii. Dishonour of Cheques notice (Annexure II) to be placed on the Notice Board of all the branches informing the customers of restrictions imposed by the Bank in case of return of inward clearing cheques of ₹1 crore and above on 4 or more occasions in a financial year due to want of funds.
- iii. If a cheque/NACH is dishonoured for a **third** time on a particular account of the drawer during the financial year, bank would issue a cautionary advice (Annexure III) to the customer drawing his/her attention to number of cheques/NACH returned during the financial year and consequential stoppage of cheque facility in the event of cheque being dishonoured on **fourth** occasion and marking freeze in the event of NACH on the same account during the financial year.
- iv. In the event of the bank considering closure of the account, the Bank will close the account after serving a notice (Annexure IV) of 30 days to the customer (Refer RBI Circular DBOD.BC.Leg. No.113 / 09.12.001/ 2002-03, dated 26th June 2003)
- v. The monitoring of frequent dishonour of cheques with value Rs 1 crore and above shall be applicable for the NACH returns too where in NACH issued to other Banks and Financial institutions by our customers.

- vi. Bank maintains MIS on the dishonoured cheques/ NACH/ ECS for value for Rs 1 crore and above including the data of cheques drawn in favour of stock exchanges and dishonoured

C. Guidelines for dealing with frequent dishonour of cheques/NACH of value of less than ₹1 crore

As frequent dishonour of cheques of value of less than ₹1 crore is also a matter of concern and the following will be the process followed by the bank.

- i. RBI has not advised any definition of frequent dishonour of cheques/NACH of value of less than ₹ 1 crore. For the purpose of this policy, in any account, if there are incidents of dishonor of cheques/ NACH of value less than ₹ 1 crore on 6 occasions in a financial year for want of sufficient funds, then this would be considered as frequent dishonor of cheques/NACH return.
- ii. Hence with a view to enforcing financial discipline among the customers, in the event of dishonour of a cheque/NACH for an amount less than ₹ 1 crore, on six occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued and for NACH, account would be marked freezed. Also, the bank may consider closing the account based on irregular conduct of account.
- iii. If a cheque/NACH is dishonoured for fifth time on a particular account of the drawer during the financial year, bank would issue a cautionary advice (Annexure III) to the customer drawing his /her attention to number of cheques/NACH returned and consequential stoppage of cheque facility in the event of cheque being dishonoured and marking freeze in the event of NACH on the sixth occasion on the same account during the financial year.
- iv. In the event of the bank considering closure of the account, the Bank will close the account after serving a notice (Annexure IV) of 30 days to the customer (Refer RBI Circular DBOD.BC.Leg. No.113 / 09.12.001/ 2002-03, dated 26th June 2003)
- v. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to those accounts – where cheques valuing below ₹1 crore and drawn on a particular account of a drawer are returned on 6 occasions during the financial year for want of sufficient funds in the account – is to be reviewed by Credit Risk Management Committee.
- vi. The monitoring of frequent dishonour of cheques with value less than Rs 1 crore shall be applicable for the NACH returns too where in NACH issued to other Banks and Financial institutions by our customers
- vii. Bank maintains MIS on the dishonoured cheques/ NACH/ ECS for value less than Rs 1 crore including the data of cheques drawn in favour of stock exchanges and dishonoured

D. Operational Guidelines :

Process guidelines for operationalizing the Policy to be issued separately by Operations Department

E. Reporting Requirements and Record Keeping:

As stated in the Cheque Collection Policy

F. Periodicity of Review:

The policy for “Frequent Dishonour of Cheques”

will be effective from the date of its approval by the Board and will be renewed annually.

Annexure I– RBI Circulars Referenced for this Policy

Sr. No.	Circular Reference Number	Description
1	DBOD.BC.Leg. No.113 / 09.12.001/ 2002-03, dated 26 th June 2003	Dishonour of cheques – Procedure thereof
2	RBI/2016-17/33 DBR.No.Leg.BC.3/09.07.005/2016-17 , dated 04 th Aug 2016	Dishonour of cheques – Modification in procedure
3	DBOD.NO.Leg.BC.59/09.07.005/2009-10 dated 9 th November 2009	Dealing with incidents of frequent dishonour of cheques for value less than ₹ 1 Crore
4	Master Circular on Customer Service in Banks dated 01 st July 2015	Dealing with incidents of frequent dishonour of cheques of value ₹ 1 crore and above Dealing with frequent dishonour of cheques of value of less than ₹ 1 crore

Annexure II

Ref: FCR_ <CIF>

Date:

To,

<Name of the customer>

<Address line 1>

<Address line 2>

<Address line 3>

<Address line 4>

Dear Sir/Madam,

Sub: Frequent dishonour of cheques in your savings bank account number<<XXXXXXXXXXXXXXXXXX>>

We wish to bring to your notice that _____ cheques issued by you have been returned unpaid in the financial year YYYY - YY for want of sufficient funds in your account.

As you are aware, you are expected to maintain sufficient balance in your account before issuing the cheques. We would also invite your attention to the fact that returning of cheques for insufficient funds is a criminal offence under Section 138 of Negotiable Instruments Act. We request you to desist from issuing cheques without maintaining sufficient balance in your account.

Please be informed that if further cheques are received in your account without sufficient balance, the Bank reserves the right to withdraw the cheque book facility and also take steps to close your account.

We further request you to use electronic channels for transfer of funds through other modes such as RTGS, NEFT, IMPS and UPI etc. to avoid such incidents.

In case you need any guidance/ advice in this regard, kindly contact us in person within 30 days from receipt of this letter.

Thanking you,

Yours faithfully,

Authorized Signatory

Annexure III (On bank's letter head)

Ref: FCR_ <CIF>

Date:

To,

<Name of the customer>

<Address line 1>

<Address line 2>

<Address line 3>

<Address line 4>

Dear Sir/Madam,

Sub: Frequent dishonour of cheques in your savings bank account number<<XXXXXXXXXXXXXXXXXX>>

We wish to bring to your notice that ____ cheques each of value Rs.1 crore and above issued by you have been returned unpaid in the financial year YYYY - YY for want of sufficient funds in your account.

As you are aware, you are expected to maintain sufficient balance in your account before issuing the cheques. We would also invite your attention to the fact that returning of cheques for insufficient funds is a criminal offence under Section 138 of Negotiable Instruments Act. We request you to desist from issuing cheques without maintaining sufficient balance in your account.

Please be informed that if further cheques are received in your account without sufficient balance, the Bank reserves the right to withdraw the cheque book facility and also take steps to close your account.

We further request you to use electronic channels for transfer of funds through other modes such as RTGS, NEFT, IMPS and UPI etc. to avoid such incidents.

In case you need any guidance/ advice in this regard, kindly contact us in person within 30 days from receipt of this letter.

Thanking you,

Yours faithfully,

Authorized Signatory

Annexure IV (On Bank letterhead) – By Registered Post A.D

Ref : FCR <CIF ID> - Closure

Date:

<Name of the customer>
<Address line 1>
<Address line 2>
<Address line 3>
<Address line 4>

Dear Sir or Madam,

Subject: Closure of your current / savings bank account bearing number XXXXXXXXXXXXXXXXX

Vide our letter dated _____, you were advised of the unsatisfactory conduct of your above account with us and the right that Ujjivan Small Finance Bank reserves to close your account. Since the conduct of the account has been unsatisfactory, we will be closing your above account at the end of thirty (30) days from the date of this notice for frequent instances of dishonour of cheques issued by you for want of sufficient funds.

We request you to return the unused cheques held by you immediately for cancellation or destroy the same at your end.

Please also note that the bank is not obliged to honour any cheque presented on your account thereafter and the same will be returned, entirely at your risk and responsibility.

The balance in credit in your account, if any, after recovery of charges, interest and other amounts due to the Bank shall be remitted to you vide a demand draft. The demand draft shall be sent to your latest address that is recorded with us.

In case you need any guidance/ advice in this regard, kindly contact us in person on receipt of this letter.

Yours faithfully,

(Authorized Signatory)

Annexure V

Ref :

Date:

<Name of the customer>

<Address line 1>

<Address line 2>

<Address line 3>

<Address line 4>

Dear Sir or Madam,

Subject: Closure of your current / savings bank account bearing number XXXXXXXXXXXXXXXXX

Vide our letter dated _____ you were advised of the closure of your account mentioned above due to unsatisfactory conduct, viz., frequent dishonour of cheques issued by you due to want of sufficient funds in your account.

We have closed the aforementioned account. We enclose our demand draft bearing number _____, dated _____ for Rs. _____ (amount in words _____) for the amount standing in credit in your account at the time of closure.

Please acknowledge receipt.

Yours truly,

Authorized Signatory
Ujjivan Small Finance Bank

Encl: As stated above