20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **The paying banker is the bank on which a cheque is drawn.**
   It is the drawer's bank, holding the account from which the cheque amount must be paid.

2. **Protection to the paying banker under the NI Act is granted only when payment is made in due course and good faith.**
   Payment in due course requires paying the holder in good faith, without negligence, per the cheque's apparent tenor.

3. **Section 85 of the NI Act protects the paying banker on order and bearer cheques against forged endorsements.**
   If payment is made in due course on an apparently regular endorsement, the banker is discharged even if it was forged.

4. **Section 89 of the NI Act protects the paying banker on materially altered cheques that are not apparent to the eye.**
   The banker must still exercise reasonable care and pay in due course to retain this protection.

5 **Section 128 of the NI Act protects the paying banker who correctly honours a crossed cheque.**
Paying as per the crossing and in due course places the bank in the same position as if paid to the true owner.

6 **For a bearer cheque, the rule 'once a bearer, always a bearer' discharges the banker on payment in due course.**
This means even a forged endorsement on a bearer cheque does not remove the banker's protection under Section 85.

7 **The banker checks the regularity of endorsements on an order cheque, not their genuineness.**
A broken or missing link in the endorsement chain removes protection, regardless of whether signatures are genuine.

8 **A crossed cheque cannot be paid over the counter; it must be paid through a bank account.**
Paying a crossed cheque across the counter removes the bank's protection under Section 128.

9 **Wrongful dishonour of a valid cheque is a breach of the bank's statutory duty under Section 31 of the NI Act.**
Section 31 obliges the banker to honour a properly drawn cheque when funds and conditions permit.

10 **In wrongful dishonour, the bank must compensate the drawer, not the payee.**
The drawer suffers the reputational and legal harm, so damages are payable to the drawer.

11 **A stop-payment instruction from the drawer requires the banker to refuse payment on that cheque.**
Honouring a stopped cheque removes the banker's protection and creates liability.

12 **The paying banker's authority to pay ends upon receiving notice of the customer's death, insolvency or insanity.**
Any payment made after such notice loses statutory protection.

13 **The collecting banker is protected under Section 131 of the NI Act, distinct from Sections 85, 89 and 128 for the paying banker.**
These are separate statutory shields covering different roles in the cheque-clearing process.

14 **The collecting banker's main risk is conversion, while the paying banker's main risk is wrongful dishonour.**
Each role carries a distinct legal exposure recognised under the NI Act framework.

15 **A forged drawer's signature makes a cheque void from the start, and the paying banker gets no protection.**
Unlike a forged endorsement, a forged drawer signature means there was never a valid mandate to pay.

16 **Types of crossing a paying banker must respect include General, Special, Account Payee and Not Negotiable.**
Each crossing type carries different rules on how and to whom the cheque amount may be paid.

17 **Honouring legal orders such as a garnishee or attachment order is one of the paying banker's essential duties.**
Failing to respect such an order can make the bank liable despite an otherwise valid cheque.

18 **The paying banker must verify the drawer's signature against the specimen on record before payment.**
A signature mismatch is grounds for the banker to refuse payment on the cheque.

19 **The paying banker must reject stale, undated or post-dated cheques presented for payment.**
Paying such cheques falls outside the banker's duty and can remove statutory protection.

20 **Section 31 of the NI Act requires sufficient funds and no legal bar before the banker is obliged to pay a cheque.**
Without these conditions being met, the banker is not bound to honour the instrument.