20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The paying banker is the bank on which a cheque is drawn.

TRUE

Correct, it is the drawer's bank that must decide whether to honour the cheque.

Question 2

Protection to the paying banker under the NI Act is automatic and does not depend on payment in due course.

FALSE

False; protection is conditional and requires payment in due course, in good faith and without negligence.

Question 3

Section 85 protects the paying banker against a forged endorsement on an order cheque paid in due course.

TRUE

Correct, if the endorsement appeared regular and payment was in due course, the banker is protected.

Question 4

Section 89 protects the paying banker even when a material alteration on the cheque is clearly visible.

FALSE

False; Section 89 protection applies only when the alteration is not apparent and reasonable care was taken.

Question 5

Section 128 protects the paying banker who honours a crossed cheque correctly according to its crossing.

TRUE

Correct, paying per the crossing and in due course gives the bank protection under Section 128.

Question 6

A crossed cheque can legally be paid over the counter without affecting the bank's protection.

FALSE

False; paying a crossed cheque over the counter removes the bank's protection under Section 128.

Question 7

The rule 'once a bearer, always a bearer' applies to bearer cheques under Section 85.

TRUE

Correct, this principle discharges the banker on payment in due course even with a forged endorsement.

Question 8

The paying banker must verify the genuineness of endorsements, not merely their regularity.

FALSE

False; the banker is responsible for checking the regularity of endorsements, not their genuineness.

Question 9

Wrongful dishonour of a valid cheque breaches the bank's statutory duty under Section 31.

TRUE

Correct, Section 31 obliges the bank to honour a properly drawn cheque when conditions are met.

Question 10

In cases of wrongful dishonour, the bank must compensate the payee rather than the drawer.

FALSE

False; compensation for wrongful dishonour is payable to the drawer, not the payee.

Question 11

A stop-payment instruction in force requires the banker to refuse payment on that cheque.

TRUE

Correct, honouring a stopped cheque removes the banker's protection.

Question 12

The paying banker's authority to pay continues even after receiving notice of the customer's death.

FALSE

False; the banker's authority to pay ends immediately on notice of the customer's death, insolvency or insanity.

Question 13

The collecting banker is protected under Section 131 of the NI Act.

TRUE

Correct, Section 131 provides statutory protection to the collecting banker acting in good faith.

Question 14

The paying banker and the collecting banker rely on the exact same statutory sections for protection.

FALSE

False; the paying banker relies on Sections 85, 89 and 128, while the collecting banker relies on Section 131.

Question 15

A forged drawer's signature makes a cheque void, leaving the paying banker without protection.

TRUE

Correct, a forged drawer signature means there was no valid mandate, so no statutory protection applies.

Question 16

Account Payee crossing is one of the crossing types a paying banker must respect.

TRUE

Correct, Account Payee is listed among the crossing types that restrict how a cheque may be paid.

Question 17

The paying banker's main statutory risk is conversion, while the collecting banker's main risk is wrongful dishonour.

FALSE

False; it is the reverse — the paying banker's main risk is wrongful dishonour and the collecting banker's is conversion.

Question 18

Honouring a garnishee or attachment order is one of the paying banker's essential duties.

TRUE

Correct, ignoring such a legal order can make the bank liable despite an otherwise valid cheque.

Question 19

A post-dated cheque presented early should be paid immediately without any restriction.

FALSE

False; the paying banker must reject a post-dated cheque presented before its date.

Question 20

Section 31 requires sufficient funds and no legal bar before the banker is obliged to pay a cheque.

TRUE

Correct, these conditions must hold for the statutory duty to pay under Section 31 to apply.