20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **A cheque is dishonoured when the drawee bank refuses payment and returns it with a cheque return memo stating the reason.**
   The return memo issued by the paying bank records the specific reason the cheque could not be honoured.

2. **Cheque dishonour can be technical, such as a signature mismatch or alteration, or financial, such as insufficient funds.**
   Only some of these reasons carry legal consequences under the Negotiable Instruments Act.

3. **A signature mismatch with the specimen held by the bank is a common technical reason for cheque dishonour.**
   Technical dishonour reasons like this do not by themselves attract criminal liability under Section 138.

4. **A post-dated cheque presented before the date written on it will be dishonoured by the bank.**
   Banks pay a cheque only on or after the date mentioned on its face.

5 **Section 138 of the Negotiable Instruments Act, 1881 makes dishonour of a cheque for a genuine debt a criminal-cum-civil offence.**
It converts what would otherwise be a private money dispute into a punishable offence.

6 **Section 138 applies only when the cheque was issued to discharge a legally enforceable debt or liability.**
A cheque with no real debt behind it, such as one given as a gift, falls outside Section 138.

7 **Section 138 is triggered when a cheque bounces for insufficient funds or because the amount exceeds the arranged limit, including stop-payment.**
Purely technical dishonour reasons, like a signature mismatch, generally do not attract Section 138.

8 **Under Section 138, the payee must send a written demand notice to the drawer within 30 days of receiving the cheque return memo.**
Missing this 30-day window can be fatal to a Section 138 complaint.

9 **After receiving the demand notice, the drawer gets 15 days to pay before further legal action can proceed.**
This 15-day window gives the drawer a final chance to clear the dues.

10 **If the drawer does not pay within 15 days of the notice, the cause of action arises on the very next day.**
The cause of action date is what starts the clock for filing a court complaint.

11 **The payee must file the Section 138 complaint in court within 30 days of the cause of action arising.**
This second 30-day limit is separate from the initial 30 days allowed for sending the notice.

12 **The Section 138 process is commonly remembered by bankers as the 30-15-30 timeline.**
It stands for notice within 30 days, 15 days for the drawer to pay, and complaint within 30 days of the cause of action.

13 **Punishment under Section 138 can include imprisonment up to two years, a fine up to twice the cheque amount, or both.**
The court decides the exact penalty once the offence is proved.

14 **Courts trying a Section 138 case presume the cheque was issued for a genuine debt, shifting the burden of proof to the drawer.**
This statutory presumption makes Section 138 a strong recovery tool for payees.

15 **Section 138 does not apply to a cheque issued as a gift, for an illegal purpose, or as security for a debt not yet due.**
Without a legally enforceable debt at the time of dishonour, Section 138 cannot be invoked.

16 **In a savings, current or fixed deposit account, the bank is the debtor and the customer is the creditor.**
The bank owes the deposited money back to the customer on demand or maturity.

17 **In a loan or advance account, the bank is the creditor and the customer is the debtor.**
The customer owes the borrowed money back to the bank.

18 **For a safe deposit locker, the bank's role is that of lessor and the customer's role is that of lessee.**
A locker arrangement is treated as a lease of space, not as a deposit of the customer's articles with the bank.

19 **A banker's general lien lets the bank retain customer securities from ordinary banking dealings as cover for the customer's overall outstanding balance.**
Because the bank can also sell such retained securities after giving notice, this right is often called an implied pledge.

20 **The right of set-off lets a bank combine a customer's accounts, adjusting a credit balance against a due debit balance.**
This right is also known as the right of combination of accounts and applies only within the same customer capacity.