20 True or False

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

Question 1

A cheque is dishonoured when the drawee bank refuses to pay it and returns it with a memo stating the reason.

TRUE

The paying bank returns a dishonoured cheque with a cheque return memo giving the reason for refusal.

Question 2

A cheque can only be dishonoured because of insufficient funds in the drawer's account.

FALSE

Cheques also bounce for technical reasons like signature mismatch, alteration, post-dating, or a frozen account.

Question 3

A signature mismatch with the specimen held by the bank is a recognised technical reason a cheque can be dishonoured.

TRUE

Banks compare the signature on a cheque against the specimen signature on record before paying it.

Question 4

Section 138 of the Negotiable Instruments Act applies to every dishonoured cheque, regardless of the reason.

FALSE

Section 138 applies only to dishonour for insufficient funds or stop-payment on a legally enforceable debt, not to every technical reason.

Question 5

Section 138 applies only when the cheque was issued to discharge a legally enforceable debt or liability.

TRUE

A cheque with no genuine debt behind it, such as a gift cheque, does not attract Section 138.

Question 6

Under Section 138, the payee must send the demand notice within 15 days of receiving the cheque return memo.

FALSE

The demand notice must be sent within 30 days of receiving the return memo, not 15 days.

Question 7

After receiving the demand notice, the drawer has 15 days to make payment before a cause of action arises.

TRUE

This 15-day window is the drawer's final chance to pay before the payee can proceed legally.

Question 8

The payee must file the Section 138 complaint in court within 15 days of the cause of action arising.

FALSE

The complaint must be filed within 30 days of the cause of action arising, not 15 days.

Question 9

The Section 138 process is popularly remembered by the sequence 30-15-30.

TRUE

It refers to the 30-day notice period, the drawer's 15-day payment window, and the 30-day complaint filing period.

Question 10

Punishment under Section 138 can include imprisonment up to two years, a fine up to twice the cheque amount, or both.

TRUE

Courts may impose imprisonment, a fine, or both once a Section 138 offence is proved.

Question 11

In a Section 138 case, courts presume the cheque was issued for a genuine debt, and the burden shifts to the drawer to prove otherwise.

TRUE

This statutory presumption favours the payee and makes Section 138 a strong recovery tool.

Question 12

A cheque given purely as security for a debt that is not yet due can be prosecuted under Section 138 if it bounces.

FALSE

Section 138 does not apply because there is no legally enforceable debt due at the time the cheque was issued as security.

Question 13

In a savings or current deposit account, the bank is the debtor and the customer is the creditor.

TRUE

The bank owes the deposited funds back to the customer, making the bank the debtor in this relationship.

Question 14

In a loan or advance account, the bank is the debtor and the customer is the creditor.

FALSE

It is the reverse: the customer owes the bank the borrowed amount, so the bank is the creditor and the customer the debtor.

Question 15

For a safe deposit locker, the bank's role is that of lessor and the customer's role is that of lessee.

TRUE

A locker arrangement is treated as a lease of space rather than a deposit of securities with the bank.

Question 16

When a bank holds a customer's articles in safe custody, the bank becomes the owner of those articles.

FALSE

The bank holds such articles only as a bailee for safekeeping; ownership remains with the customer as bailor.

Question 17

A banker's general lien allows the bank to retain customer securities received in the ordinary course of banking as security for the customer's overall outstanding balance.

TRUE

This general lien covers the total dues owed by the customer, not just one specific debt.

Question 18

A banker's lien applies to a customer's articles kept in a safe deposit locker.

FALSE

Locker contents are held under a lease arrangement, not as securities subject to a banker's lien.

Question 19

The right of set-off lets a bank combine a customer's accounts and adjust a credit balance against a due debit balance.

TRUE

This right, also called combination of accounts, requires the debt to be due, certain, and notified to the customer.

Question 20

A banker's lien and the right of set-off are the same right applied to different account types.

FALSE

A lien acts on securities and goods while set-off acts on money or account balances; they are distinct rights.