



***PAYING BANKER AND
COLLECTING
BANKER***

PAYING BANKER

Meaning

The banker on whom a cheque is drawn or the banker who is required to pay the cheque drawn on him by a customer is called the paying banker.

PRECAUTION OF A PAYING BANKER OR MANDATORY FUNCTIONS OF BANKER

- **Cheque should be in proper form:** the cheque presented for payment should be in proper form. The banker should see that the cheque satisfies all the requirements of a valid cheque. The cheque must be in printed form supplied by the banker.



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- **Physical conditions of the cheque:** the cheque should be in good physical condition. The instrument should not be torn, cancelled.
- **Crossing of cheque:** if the cheque is a crossed one, the payment cannot be made across the counter. It has to pass through the account holder.
- **Office of drawing:** the cheque should be presented for payment same bank where he has account. If the customer presents a cheque in a bank where he doesn't hold an account, the manager cannot make payment.



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- **Date of the cheque** : the cheque should possess a date for payment and only on that date or within three months from that date, the payment should be made.
- **Time of presentation:** the cheque should be presented for payment during the banking hours.
- **Amount:** the amount of the cheque presented for payment has to be recorded in both words and figures and they should tally with each other.



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- **Material alteration:** if material alteration is apparent the banker should get confirmation from the drawer by obtaining full signature at the place of material alteration.
- **Signature of the drawer:** the banker has to examine the signature of the drawer on the cheque before he makes payment with the specimen he has.
- **Endorsement**
- **Legal Restrictions: in case of death, insolvency lunacy**



STATUTORY PROTECTION TO PAYING BANKER

1. Bearer Cheques : the drawee is discharged by payment in due course to the bearer thereof, not with standing any endorsement whether in full or blank appearing there on.

The banker shall be free from any liability if the payment in respect of a bearer cheque is payment in due course.



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2. Order Draft with Forged Endorsement: this Provision gives protection to the paying banker regarding the draft having a forged endorsement. Again the conditions to be satisfied are:

- The endorsement should be regular
- The payment should be made in due course.

3. Protection in respect of a crossed cheque:

The paying banker has to make payment of the crossed cheque as per the instruction of the drawer refuted through the crossing



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4. Materially Altered Cheques if material alteration is apparent the banker should get confirmation from the drawer by obtaining full signature at the place of material alteration.



COLLECTING BANKER

The collecting banker is a banker who collects cheques drawn upon other bankers for and on behalf of his customer. He is called the collecting banker as he undertakes the work of collection of cheques.

Holder for value

A collecting banker becomes a holder for value if he has paid the value of the cheque to the customer before the cheque is already collected.



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As an agent

A collecting banker acts as an agent of the customer on crediting the account of the customer only after realising the payment from the paying banker(drawee bank)



DUTIES AND RESPONSIBILITIES OF A COLLECTING BANKER

- Banker must take at most care while presenting the cheque for collection.
- Collecting banker must present the cheque within reasonable time.
- Notice to customer in case of dishonour of cheque.
- The banker has to credit the proceeds of the cheque to the account of the customer
- Should undertake the collection of cheque only for customer and not for stranger.
- Must receive the payment as an agent of the customer.
- Cheque must be crossed

