

ANNEXURE-I

POLICY ON COLLECTION OF CHEQUES / INSTRUMENTS

1. Introduction

Consequent upon the directives of the National Consumer Disputes Redressal Commission in disposing of a case on delays in clearing of cheques (Case No.82/2006), Reserve Bank of India vide their Circular No. RBI/2008-09/377 RPCD.CO.RRB.BC.No.87/03.05.33/2008-09 dated 05-02-2009 has advised all Regional Rural Banks to frame/reframe suitable Cheque Collection Policies (CCPs) in conformity to the timeframe of collection of cheques prescribed by the Commission.

In view of the above directive, it has been felt necessary to frame a Cheque Collection Policy of the bank covering the following areas :

- i) Collection of cheques and other instruments drawn locally as well as at centers within India.
- ii) Time norms for collection of Cheques
- iii) Payment of interest for delays in collection of cheques
- iv) Cheques/instruments lost in transit

2.0 Arrangements for Collection :

2.1. Local Cheques

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the same day. Cheques deposited at the counter and in collection boxes within the branch premises after the cut-off time, will be presented in the next clearing cycle. However, at centers, wherein clearing house function (presentation of cheques) starts in the early hours of the forenoon, cheque received by the branches for collection, will be presented in the clearing on the next working day, irrespective of any cut-off time. As a policy, bank would give credit to the customer account on the day of clearing settlement. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house, subject to usual safeguards. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavour to credit the proceeds at the earliest.

2.2 Outstation Cheques

Cheques drawn on other banks at outstation centres will normally be collected through bank's branches at those centres. Where the bank does not have a branch of its own, the instrument would be directly sent for collection to the drawee bank or collected through a correspondent bank. The bank would also use the National Clearing services offered by the Reserve Bank of India at centres where such collection services exist.

Cheques drawn on Bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue.

2.3 Cheque payable in Foreign Countries

Cheques payable at foreign centres will be collected through Sponsor Bank or other Indian banks having operation in the respective countries. The collecting bank will be advised to credit the proceeds to our account after realization of commission and other expenses. Payment will be released to the customer after 30 working days from Value Date and the rate of exchange will be the rate as applicable on the date of credit to customers account.

2.4 Immediate Credit of Local / Outstation Cheques / Instruments

Branches of the Bank will provide immediate credit for Local/Outstation Cheques/Instruments upto an aggregate value of Rs.5,000/- and in case of Prepaid Instruments like DD/PO/Bankers' Cheque/Dividend Warrants/etc. and also Cheques issued by Govt. Depts. / Undertakings, PSU, etc. upto an aggregate value of Rs.10,000/- tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period not less than 6 months.

The facility of immediate credit will be offered on Savings Bank/Current/Cash Credit Accounts of the customers.

In the event of dishonor of cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period, the Bank remained out of funds at the rate fixed for clean advance by the bank from time to time.

For the purpose of this Policy, a satisfactorily conducted account shall be the one :

- a) Opened at least six months earlier and complying with KYC norms
- b) Conduct of which has been satisfactory and bank has not noticed any irregular dealings.
- c) Where no cheques/instruments for which immediate credit was afforded earlier, returned unpaid for financial reasons.
- d) Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.
- e) Subsequent immediate credit will not be allowed in the event amount of immediate credit accorded in earlier occasion is pending for adjustment/recovery.

Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection.



3. Time Frame for Collection of Local / Outstation Cheques / Instruments

For local cheques credit and debit shall be given on the same day or at the most the next day of their presentation in clearing and the account holder will be allowed to withdraw funds immediately after closure of the relative return clearing and in any case withdrawal will be allowed within an hour of commencement of branch business on the next working day, subject to usual safeguards.

Cheques / Instruments presented in high value clearing (with the minimum value of Rs.1 lakh) shall be credited on the same day (applicable only in areas covered by high value/same day clearing).

For cheques and other instrument sent for collection to centres within the country, the following time norms shall be applied :

- a) Metro Centers and other State Capitals : Maximum period of 10 days.
- b) In all other Centres : Maximum period of 18 days.
- c) The above time norms are applicable irrespective of whether cheques/instruments are drawn on the Bank's own branches or branches of other banks.

4. **Payment of Interest for delayed Collection of Outstation Cheques**

As part of the compensation policy, the Bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the timeframe mentioned above, under normal circumstances. There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

Interest for delayed collection shall be paid at the following rates

- a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable to term deposits for the corresponding maturity.
- c) In the event, the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account

5. **Cheques / Instruments lost in transit / in clearing process or at paying bank's branch**

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the branch shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy of the bank the bank will compensate the account holder in respect of instruments lost in transit in the following way :

- a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified in Para 4 above.
- b) In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque / instrument and collection thereof.
- c) The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/institution that would charge a fee for issue of duplicate instrument.

6. **Force Majeure**

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc beyond the control of the bank, prevents it from performing its obligations within the specified service delivery parameters.

7. **Charging of Interest on cheques returned unpaid where Instant Credit was given :**

If a cheque sent for collection for which the Bank provided immediate credit is returned unpaid, the value of the cheque will be immediately debited to the account. The customer will be charged interest for the period the bank had remained out of funds on account of withdrawal of funds. Interest where applicable would be charged on the notional overdrawn balances in the account had credit not been given initially.

If the proceeds of the cheque were credited to the Savings Bank Account and were not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. If proceeds were credited to an overdraft/loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/instrument was returned unpaid to the extent the bank was out of funds.


