

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES**

LOK SABHA

**UNSTARRED QUESTION NO. 1622
TO BE ANSWERED ON FRIDAY, MARCH 10, 2017/PHALGUNA 19, 1938 (SAKA)
CHEQUE DISHONOUR CASES**

1622. ADV. M. UDHAYAKUMAR:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) eases norms in cheque dishonour cases of Rs.1 crore and above and if so, the details thereof;
- (b) whether the banks are not allowed to issue fresh cheque books in the vent of cheque dishonour valuing Rs.1 crore and above on four occasions during a financial year for want of sufficient funds and if so, the details thereof;
- (c) whether the RBI has left it to the lenders discretion to issue fresh cheque books; and
- (d) if so, the details thereof?

ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SANTOSH KUMAR GANGWAR)**

(a) to (d): The Reserve Bank of India (RBI) vide circular dated 26.06.2003 entitled "Dishonour of Cheques – Procedure thereof" has issued instructions regarding dishonour of cheques valuing more than Rs. 1 Crore. As regards dealing with incidence of frequent dishonour of cheques the circular states that:

- (i) With a view to enforce financial discipline among the customers, banks should introduce a condition for operation of accounts with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Also, the bank may consider closing current account at its discretion. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts should be reviewed by appropriate authority higher than the sanctioning authority.
- (ii) For the purposes of introduction of the condition mentioned at (i) above in relation to operation of the existing accounts, banks may, at the time of issuing new cheque book, issue a letter advising the constituents of the new condition.
- (iii) If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, banks should issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year. Similar cautionary advice may be issued if a bank intends to close the account.

Subsequently, the instructions were reviewed and revised instructions were issued vide RBI's circular dated 04.08.2016 entitled "Dishonour of cheques – Modification in procedure" wherein it has been decided to leave it to the discretion of the banks to determine their response to dishonour of cheques of the account holders. Banks have been advised to put in place an appropriate policy approved by the Board or its Committee taking into consideration the need to prevent misuse of the cheque drawing facility and avoid penalising customers for unintended dishonour of cheques.