



# बड़ौदा यू.पी. बैंक Baroda U.P. Bank

HO/04/OPR/2023-24/166

Date: 16-09-2023

**CIRCULAR LETTER TO ALL BRANCHES AND OFFICES  
ISSUED BY OPERATIONS DEPARTMENT**

Dear Sir,

**Re: Policy on collection of Cheques/Instruments of the Bank.**

Branches/Offices are hereby informed that the Policy on collection of Cheques/Instruments of the bank has been approved by the Hon'ble Board of Directors through its meeting number 26(05/2023) dated 08-09-2023. The policy will come into force with immediate effect. The Policy on collection of Cheques/Instruments after approvals is attached with this circular.

Kindly bring the contents of this Policy in the notice of all staff members of the bank.

Yours faithfully;

(Krishna Kumar Kashyap)

General Manager

Enclosure: As above



**POLICY  
ON  
COLLECTION OF  
CHEQUES / INSTRUMENTS  
(2023-26)**





### 1. Preamble

Policy on Collection of Cheques and Instruments is prepared on Model Policy given by IBA as per the guidelines issued by RBI/IBA/BCSBI from time to time. The Policy on Collection of Cheques/Instruments of our Bank is a reflection of our on-going efforts to provide better service to our customers and set higher standards for performance.

### 2. Purpose / Objective

The main objective of the policy is to provide framework for collection of cheque and other instruments for Bank's customers taking into account our technological capabilities, systems and processes for adherence to such norms and compensation to customer in case of delay in collection of cheques/Instruments.

The policy is based on principles of transparency and fairness in the treatment of customers. The bank is committed to increase use of technology to provide quick collection services to its customers.

### 3. Scope / Coverage

This policy document covers the following aspects:

- Arrangements for Collection of domestic cheques and other instruments payable locally including coverage Under CTS clearing at centers within India.
- Immediate credit of cheques payable in India.
- Commitment regarding time norms for collection of instruments.
- Policy on payment of interest in cases where the bank fails to meet standard time norms for realization of proceeds of outstation instruments.
- Policy on dealing with collection instruments lost in transit/in clearing process or at paying bank's branch.
- Reasons for return.

Guidelines/ detailed procedure for collection of Domestic cheques/instruments, covering time frame for collection, immediate credit, interest payment for delayed collection etc., are given as under:

**Procedure for collection of cheques payable locally and outstation including CTS clearing which covers details as under.**

1. Local cheques at MICR/NON-MICR centres
  - 1.1 Local cheques through CTS clearing
2. Outstation Cheques
  - 2.1 Drawn on our Bank's own branches.
  - 2.2 Outstation cheques drawn on other bank's network
3. Immediate Credit of Local / Outstation Cheques / Instruments
  - 3.1 Interest on cheques returned unpaid under Immediate Credit.
4. Purchase of Local / Outstation Cheques.



5. Time frame for collection of local / outstation cheques / instruments
6. Payment of interest for delayed collection
  - 6.1 Local Cheques.
  - 6.2 Outstation Cheques sent for collection within India
7. Service Charges.
8. Cheque return on account of technical reason along with list of reasons.
9. Collection of third party cheque.
10. Collection of cheques in the name of Deceased person.
11. Validity of Cheques / Drafts / Banker's cheques etc .
12. Cheques / Instruments lost in transit / in clearing process or at paying branch.

#### 4. 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.

#### 5. Periodicity of Review of the Policy

Policy on collection of cheques and instrument will be valid up to 31<sup>st</sup> March, 2026.

**"Post the approval of the Policy, any changes made by the RBI on the rules and regulations in respect of Collection of cheques/instrument shall form an integral part of the Policy, pending their formal inclusion at the time of the next renewal of the Policy".**

#### 6. Arrangements for Collection:

Customer can deposit cheques for collection/clearing during the business hours at counter at branch or through Drop Box (where ever available).

Both the drop box facility and the facility for acknowledgment of the cheques at regular collection counters should be available to the customers and no branch should refuse to give an acknowledgment if the customer tenders the cheques at the counters.

Bank should ensure that customers are not compelled to drop the cheques in the drop-box. Further, in the context of customer awareness in this regard, bank should invariably display on the cheque drop box itself that **"Customers can also tender the cheques at the counter and obtain acknowledgment on the pay-in-slips"**. The above message is required to be displayed in English, Hindi.

Banks are also advised to make absolutely foolproof arrangements accounting for the number of instruments each time the box is opened so that there are no disputes and the customer's interests are not compromised.

#### 1.1 (a) Local Cheques





All **CTS compliant** cheques and other Negotiable Instruments payable under the **grid system** would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in cheque drop boxes before the specified cut-off time will be presented for clearing during immediate cycle of clearing. Cheques deposited after the cut-off time in cheque drop boxes within and outside the branch premises including off-site ATMs will be presented in the next clearing cycle. As a policy, bank would give credit to the customer account on the day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house at the centre.

The branches will display the cut-off time for receipt of cheques to be sent in clearing during the next clearing cycle. The cut-off time for collection of cheque from drop boxes installed at off-site ATM will be displayed on the face of the drop boxes.

Local cheques drawn on our branches will be credited in the customer's account on the same day subject to confirming the guidelines on Inter-SOL transactions.

There are no charges for collection of local cheques.

**1.1 (b) Non-CTS Cheques will be presented in the clearing house at the prescribed intervals which is presently once a week on each Monday or as decided by RBI from time to time. In certain categories of cheques, ( subject to amendments in guidelines) or instruments demanded by the correspondent Bank or Image quality Assessment (IQA) failure will be presented in physical form to the drawee bank.**

1.1 (c) The Bank branches, situated at centers where there are no arrangements of clearing house, would present local cheques on drawee banks across the counter and it would be the bank's endeavor to credit the proceeds at the earliest, but not later than 3rd working day from the date of deposit by customer.

## **1.2. Outstation Cheques:**

**1.2 (a) Cheques drawn on other banks at outstation centers other than those covered under para-1 above, 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.**

**1.2 (b) Cheques drawn on bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue. Branches which are connected through a centralized processing arrangement and are offering anywhere banking services to its customers will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches in the CBS network if received in the branch up to specified time and latest by next working day if deposited / dropped in collection box outside the branch premises including the offsite ATMs.**

## **2. Immediate Credit of Local / Outstation Cheques / Instruments:**





Bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.20,000/- tendered for collection by individual account holders subject to **satisfactory conduct** of KYC Compliant accounts for a period not less than 6 months. Immediate credit will be provided against collection of instruments at the specific request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearing house exists.

The facility of immediate credit will be offered on Savings Bank / Current / OD/ Cash Credit Accounts to the customers. For extending this facility there will not be any separate stipulation of minimum balance requirement in the account.

Under this policy, instruments like Demand Draft / Bankers Cheque, Interest / Dividend warrant etc., shall be treated at par with cheques.

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

- Opened at least six months earlier.
- Bank has not noticed any irregular dealings.
- Where no cheque / instrument for which immediate credit was afforded, was returned unpaid for financial reasons.
- Where the bank has not experienced any difficulty in recovery of any amount advanced in past including cheques returned after giving immediate credit.
- The account is complied with KYC AML Policy of the Bank on the date of credit provided.

The Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will not, however be charged. The facility of immediate credit would not be applicable to cheques collected under Speed clearing arrangements.

The Branches will display the scheme of immediate credit of outstation cheques on their notice board for knowledge of the customers. This will also be displayed on Bank's web-site.

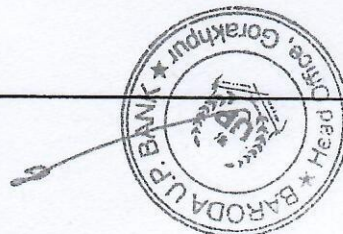
### 2.1 Interest on cheques returned unpaid under Immediate Credit:

If a cheque sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque will be immediately debited to the account. The customer will not be charged any interest from the date immediate credit to the date of return of the instrument unless Bank had remained out of funds on account of withdrawal of funds. Interest wherever applicable would be charged on the notional overdrawn balances in the account where credit had 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 were returned unpaid to the extent the bank was out of funds.

### 3. Purchase of local / outstation cheques

The Bank may, at its discretion, purchase local / outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement. Besides satisfactory conduct



of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

Charges as applicable from time to time will be levied.

### **3.1 Immediate credit of Banker's Cheque, Drafts etc. during suspension of clearing**

In case of temporary suspension of Clearing House operations for reasons beyond the control of authorities /bank, and it is apprehended that suspension may prolonged, in order to curtail hardship of the constituents, bank may try to accommodate both borrowers and depositors to the extent possible by purchasing Banker's cheques, demand draft etc and cheques deposited in their account drawn by Government Departments and Demand Draft drawn on local banks. This facility will be extended on the basis of creditworthiness, integrity, past dealings and occupation of the constituents to safe guard the interest of the bank against possibility of such instruments being dishonoured subsequently.

### **4. Time Frame for Collection of Local / Outstation Cheques / Instruments:**

**4.1. For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied:**

- (a) Cheques payable at CTS centre : Maximum period of 7 days,
- (b) Non CTS centres: Maximum period of 10 days.

### **5. Payment of Interest for delayed Collection:**

a. As per the compensation policy of the bank, the Bank will pay interest to its customer on the amount of instrument for collection in case there is delay in giving credit beyond the prescribed time period. Such interest shall be paid without any demand from customers in all types of accounts. 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 3 working days in case of local cheques .
- b) Savings Bank rate for the period of delay beyond 7 days in collection of outstations cheques payable at CTS centres and 10 days in non CTS centres.
- c) Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the corresponding/respective period or Savings Bank rate, whichever is higher.
- d) In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- e) 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. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

At certain locations where bank has no branches, the instrument would be directly sent for collection to the drawee bank or collected through a correspondent bank. On account of any



unjustified delays on part of the drawee bank in sending the proceeds to the collecting bank i.e. Baroda U.P. bank, Bank would not be liable to pay any compensation to the customer, beyond 14 working days.

#### **6. Service Charges:**

For all collection services the bank will recover appropriate service charges as decided by the bank from time to time and communicated to customer by displaying the same on Bank's website.

#### **7. Cheque return on account of technical reason along with list of reasons and Representation of returned cheque**

Cheques returned on account of technical reason will be represented (wherever required and possible) in the immediate next clearing.

Cheque will be returned if any alteration is made in cheque. No changes / corrections should be carried out on the cheques in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc. excepting change in the date for validation period, fresh cheque forms should be used by customers. It is also applicable for the instruments presented in clearing at CTS-2010 grid based clearing centres. Collecting banks have to ensure that such cheques are not accepted for presentation in CTS. It is not applicable to cheques cleared under other clearing arrangements such as MICR clearing, Non-MICR clearing, over the counter collection (for cash payment) or direct collection of cheques outside the Clearing House Arrangement.

Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. List of reason for returns where the customers are not at fault are indicated in Annexure –I.a.

#### **8. Collection of third party cheque:**

**"In consonance with the legal requirements and in particular, the intent of the Negotiable Instruments Act, 1881 and with a view to protect the banks being burdened with liabilities arising out of unauthorized collections, and in the interest of the integrity and soundness of the payment and banking systems, and in order to prevent recurrence of deviations observed in the recent past, the Reserve Bank has considered it necessary to prohibit the banks from crediting 'account payee' cheque to the account of any person other than the payee named therein. Accordingly, branch will not collect account payee cheques for any person other than the payee constituent".**

However, under following circumstances bank will collect account payee cheques for third parties.

a) Where the drawer / payee instructs the bank to credit the proceeds of collection to any account other than that of the payee, the instruction being contrary to the intended inherent character of the 'account payee' cheque, bank will ask the drawer / payee to have the cheque or the account payee mandate thereon withdrawn by the drawer. This instruction would also apply with respect to the cheque drawn by a bank payable to another bank.

b) In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the Clearing House.







Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realization.

c) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, bank may consider collecting account payee cheques drawn for an amount not exceeding Rs. 50,000/- to the account of their customers and the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, bank will obtain a clear representation in writing from the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque. This shall, however, be subject to the fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

This is applicable to Drafts, Pay Orders and Banker's Cheque also.

#### **9. Collection of cheques in the name of Deceased Person :**

For collection of cheque in the name of deceased person, bank will obtain authorization from the Survivor(s)/nominee of a deceased account holder to open an account styled as "Estate of Shri \_\_\_\_\_ Deceased". Where all pipeline flows in the name of deceased account holder could be allowed to be credited, provided no withdrawals are made.

Or

The Bank would be authorized by the survivor(s) / nominee to return the pipeline flows to the remitter with the remark "Account holder deceased" and will intimate the survivor(s) / nominee accordingly. The survivor(s) / nominee / legal heir(s) could then approach the remitter to effect payment through a negotiable instrument or through ECS transfer in the name of the appropriate beneficiary.

#### **10. Validity of Cheques / Drafts / Pay orders / Banker's Cheques :**

With effect from April 1, 2012, the validity of Cheques / Drafts / Banker's Cheques is three months only from the date of issue. The validity period is mentioned on the face of Cheque leaves, Drafts / Banker's Cheques printed after 01.04.2012. Instruments should be presented within the validity period of three months from the date of issue.

#### **11. 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 bank shall immediately 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 dishonoured 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.

The onus of such loss lies with the collecting banker and not the account holder. If the cheque / instrument have been lost at the paying bank's branch, the collecting banker will have a right to recover the amount reimbursed to the customer for the loss of the cheque / instrument from the paying banker.



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 under point No.5.
- 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 who would charge a fee for issue of duplicate instrument. The charges incurred for making stop payment of the lost cheque by the customer with the Paying Bank will be compensated by the Bank.
- d) In the cases where cheque is lost after it has been discounted, Bank will not recover the interest for a period of 15 days when it comes to know about the loss of the instrument. This will give ample time to the borrower to obtain duplicate instrument from the drawer. In case borrowers fail to liquidate the account after lapse of 15 days, the interest at contractual rate will be recovered from them till the amount advanced is fully paid.

#### 12. Miscellaneous:

- a. Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the customers on the address mentioned within 24 working hours However in cases with incomplete address, incomplete phone no., no phone number mentioned on the Pay-in slip, the bank will be responsible to keep these instruments for a maximum period of 3 months.
- b. Cheques received back unpaid will be returned by post/ courier etc. to the customer within 48 working hours on the address recorded in Bank's database. However, these will be kept in the Bank for returning to the customer over the counter if he/she makes a request for the same. If not collected by the customer within 15 days bank will send them back at the recorded address by post or courier.

**Annexure: I**

**Illustrative but not exhaustive list of objections / reasons where customers are not at fault.**

(Applicable for Instrument and Image-based Cheque Clearing as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing Houses)

Code No	Reasons for Return
33	Instrument mutilated; requires bank's guarantee
35	Clearing House stamp / date required
36	Wrongly delivered / not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark / thumb impression requires attestation by
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient (applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order requires counter signature
76	Required information not legible / correct
80	Bank's certificate ambiguous / incomplete / required
81	Draft lost by issuing office; confirmation required from issuing office
82	Bank / Branch blocked
83	Digital Certificate validation failure
84	Other reasons-connectivity failure
87	'Payee's a/c Credited' - Stamp required
92	Bank excluded

