

Policy on Collection of Cheques/Instruments

Preamble:

The cheque/Instruments collection policy of BUPGBANK is based on principles of transparency and fairness in the treatment of customers.

Keeping in view the technological process in payment and settlement system, prevalent in banking system, it has become imperative to frame cheque/Instruments collection policy to provide better service to our customers and to set higher standards for performance.

Definition:

Collection can be defined as the process of clearing instruments on behalf of customers. Instrument covers cheque/demand draft/payorder drawn on us or other banks.

Policy Objectives:

The policy aims to meet out the obligations of the Bank to the customers and the rights of the customers on collection of local/outstation cheques/instruments and related issues.

The policy document covers the following aspects :-

1. Collection of cheques and other instruments payable

- Our commitment regarding time norms for collection of instruments.
- Policy on payment of interest in cases, where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- Policy on dealing with collection instruments lost in transit.

2. Arrangements for Collection

Branches will receive the Cheque for Collection/Clearing throughout the business hours.

2.1 Local Cheques

- All Cheque and other negotiable instruments payable locally would be presented through the Clearing system prevailing at the centre.
- Cheques deposited at Branch counter before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after cut-off time will be presented in next Clearing cycle/next day as the case may be.
- In case of local cheque, bank shall permit usage of shadow credit afforded to the customers account immediately after closure of relative return clearing and in any case withdrawal shall be allowed on the same day or maximum within a hour of commencement of business on next working day, subject to usual safeguard.

- The respective Branch will display the cut-off time for receipt of cheques to be sent clearing on the same day in their premises.
- The Bank Branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counters and it would be the Bank's endeavour to credit the proceeds at the earliest.

2.2 Speed Clearing

Outstation Cheques drawn on banks participating in speed clearing at specified locations will be collected and treated at par with as if they were local cheques.

All terms and conditions applicable for local clearing instruments will also apply to speed clearing.

2.3 Outstation Cheques

- Cheques drawn on other Bank at outstation centers will normally be collected through Bank's branches at those centers.
- 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.
- Our Branches are connected through CBS platform, hence Bank will provide same day credit to its customers in respect of outstation instruments drawn on any of our branches in the CBS network.

2.4 Immediate Credit of Local/Outstation Cheques/Instruments:

The Branches/Extension Counters of the bank will consider providing immediate credit of outstation cheques/instruments upto the aggregate value of Rs. 20000/- (Rs. Twenty Thousand Only) tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period not less than 6 months. Immediate credit will be provided against such collection instruments at the specific request of 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/Cash credit accounts of the customers. For extending this facility there will not be any separate stipulation of minimum balance in the account.

The Bank would devise special pay- in- slip in which customers desiring to avail the facility shall be required to tender the cheque alongwith said pay-in –slip duly filled up and signed.

Under the policy instrument like Interest/Dividend warrants shall be treated on par with cheques.

In the event of dishonour 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 applicable for overdraft limits to individual customers.

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

1. Opened at least six month earlier and complying with KYC norms.
2. Conduct of which has been satisfactory and Bank has not noticed any irregular dealing/feature.
3. Where no cheques/instruments for which immediate credit was afforded returned unpaid for financial reasons.
4. Where has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

The bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation cheques/instruments tendered for collection. Exchange charges applicable for cheque purchased will not, however be charged.

The facility of immediate credit would not be applicable to cheques collected under speed clearing arrangements.

2.5 Charging of Interest on cheques returned unpaid where Instant/Immediate Credit was given:

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 was given to the date of return of the instrument unless 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 not credit been given initially.

If the proceeds of the cheque were credited to the Savings Bank Account and was not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. If the 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 cheques /instruments were returned unpaid to the extent the Bank was out of funds.

The Branches shall display the gist of 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.

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

In case of local cheque, bank shall permit usage of shadow credit afforded to the customers account immediately after closure of relative return clearing and in any case withdrawal shall be allowed on the same day or maximum within a hour of commencement of business on next working day, subject to usual safeguard.

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

Drawn on Centres	Maximum Period
Cheques payable at any of the four major metro centre i.e. New Delhi, Mumbai, Kolkata and Chennai.	07 days
Cheques drawn on other metro centre and state capitals (other than those of North Eastern States and Sikkim)	10 days
All other Centres	14 days

4. Payment for interest for delayed collection of Local /Outstation cheques
Outstation cheques

The Bank will pay interest to its customer on the amount of collected instruments in case there is delay in giving credit beyond the time period mentioned above. There shall be no distinction between instruments drawn on the bank as 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) Saving Bank rate for the period of delay beyond 7/10 days as the case may be up to 14 days in collection of outstation cheques.
- b) Where the delay is beyond 14 days but up to 90 days interest will be paid at the rate applicable to term deposits for the respective period.
- c) In case of extra ordinary delay i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding Term Deposits rate.
- d) In the event the proceeds of cheque under collection are to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extra ordinary delays interest will be paid at the rate of 2% above the rate applicable to the loan account.

Local cheques

In case of delay in realisation of local cheques, compensation at saving bank interest rate shall be paid for corresponding period of delay.

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 bank shall immediately on coming to know 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 dishonoured due to non credit of the amount of lost cheque/instrument.

The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. 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 above.

- b) In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Saving 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 reissue charges he/she incurred in getting duplicate cheque/instrument upon production of 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 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 borrower 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.

6. Force Majeure

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