

# Westpac India - Frequent Cheque Return Policy

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## CHEQUE RETURN DOCUMENT HIERARCHY

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## 1. Introduction

It is expected from all the customers of Westpac that the available banking services will be used by them for mutual benefit of all the concerned parties. Any deviation from this may put the other parties/Bank into inconvenience. Misuse of any banking facility is not beneficial to either parties but on the contrary it tarnishes the image of the customers/Bank.

## 2. Scope

Westpac Banking Corporation Mumbai (herein under called the 'Bank') is a sub-member of Standard Chartered Bank (SCB) in the Mumbai Clearing House. All local clearing of the Bank is therefore routed through SCB. All inward clearing cheques and ECS mandates issued by the Bank's customers are routed through SCB to Westpac. All outward returns on clearing cheques and ECS mandates are advised by the Bank to SCB and the dishonour counts for the same are maintained by the Bank.

Dishonour of cheques is governed by the provisions of the Negotiable Instruments Act, 1881 whereas the dishonour of Electronic fund transfer for insufficiency of funds in the account is governed by Section 25 of the Payment and Settlement System Act, 2007.

## 3. Objective

This policy for dealing with incidents of frequent dishonour of cheques and matters relating to frequent dishonour of ECS mandates has been framed by the Bank so as to ensure that cheque/ECS returns are minimised and efficiency and customer service enhanced.

## 4. Coverage

Westpac has framed this policy for frequent return of cheques and ECS mandates with the approval of its India Country Leadership Team (ICLT).

For compliance with this policy Westpac will follow the under-noted procedure.

### (i) **Returning time for dishonoured cheques**

Westpac will ensure returning/dispatching dishonoured instruments to the customer promptly/without delay but in any case within 24 hours of the instrument reaching the Bank.



**(ii) Procedure for return/dispatch of dishonoured cheques**

- a) Westpac will return dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for clearing house in terms of Uniform Regulations and Rules for Bankers' Clearing Houses. The Bank on receipt of such dishonoured cheques would dispatch it to the payees / holders immediately /within 24 hours of receipt of the instruments.
- b) In relation to cheques presented directly to the Bank across the counter for settlement of transaction by way of transfer between two accounts, the Bank would return such dishonoured cheques to the payees/ holders on the same day or next day, in case of dishonour due to insufficiency of fund.
- c) Cheques dishonoured for want of funds in respect of all accounts would be returned along with a memo, duly signed by a Bank official, indicating therein the reason for dishonour. E.g.: "insufficient funds", "Signature Mismatch" etc

**(iii) Procedure for Dealing with Dishonoured Cheques**

- I. Westpac has put in place appropriate procedure for dealing with dishonoured cheques with inherent preventive measures and checks to prevent any scope for collusion of the staff of the Bank or any other person, with the drawer of the cheque for causing delay in or withholding the communication of the fact of dishonour of the cheque to the payee/ holder or the return of such dishonoured cheque to him.
- II. For the purpose of recording dishonour status of the cheque, every cheque received at the Bank would be recorded in the system, whether balance is available in the account or not.
- III. The Bank, in no case, would withhold the cheques to ensure deposit of sufficient balance in the account by the account holder /party concerned to meet the fund requirement of the cheque.
- IV. The Bank would ensure compliance of the above procedure so that no laxity is adopted / no internal collusion of staff in concealing the dishonour of the cheque or delayed reporting/returning of the cheque. In the event of finding of any such above circumstance, the internal guidelines for dealing with staff accountability for dereliction in duty by the staff would be dealt accordingly. Officers and staff have been cautioned to adhere to



these guidelines and ensure strict compliance thereof to achieve aforesaid object of effective communication and delivery of dishonoured cheque to the payee on time.

**(iv) Dealing with incidents of frequent dishonour**

**A) Dealing with incidents of frequent dishonour of cheques of value of INR 1.0 crore and above**

- Westpac will not issue incremental cheque books to customers in the event of dishonour of a cheque valuing INR 1.0 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 savings bank/current account. In severe cases the Bank, may at its sole discretion, close the account with adequate notice to the customer. In case of advances accounts such as cash credit accounts, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts would be reviewed by an appropriate authority. The Bank would, advise the customer about this condition via the Account Terms and Conditions.
- Westpac may at its discretion, consider reinstating the cheque book facility in all accounts after a period of six months of satisfactory operations in the account or such time as decided by the bank on such terms and conditions prescribed from time to time.
- In cases where the cheque is dishonoured on a particular account of the drawer for the third time in a financial year, the Bank would issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and about the consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year.
- Further, the Bank would not issue cheque book to such accounts where violation as regards the maintenance of the prescribed minimum balance is observed during two consecutive quarters in a financial year.

**B) Dealing with incidents of frequent dishonour of cheques of value of less than INR 1.0 crore**

- a) With a view to enforce financial discipline among the customers, Westpac will introduce



a condition for operation of (Saving Bank Account/Current Account) account with cheque facility that in the event of dishonour of a cheque drawn on a particular account of the drawer **on 6 occasions** during the financial year for want of sufficient funds in the account, the Bank may suspend the cheque book facility or may not issue fresh cheque book or the Bank might close the account after issuing 30 day's notice to the customer on subsequent dishonour.

- b) Westpac will be free to consider closing savings/current account, with the prior approval of the Chief Operating Officer, at its discretion, and proper notice to the customer recording the reason of closure of account. 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 would be reviewed by appropriate authority.
- c) In this connection, with a view to enforce financial discipline among the borrowers availing cash credit and overdraft facility, the Bank would incorporate, the under-noted clause as additional standard covenant as also it would form a part of the sanction letter/arrangement letter of the loan sanctioned:-

“During the currency of the Credit facility the Bank will have the option of calling up the advance and also withdraw cheque facility in terms of the Bank's policy on dishonour of cheque, in case incidence of frequent dishonour of cheque/failed ECS (debit) due to insufficient funds is observed in the account”.
- d) For the purposes of introduction of the account closure conditions mentioned in this section in relation to operation of the existing accounts, the Bank would advise the customer about this condition via the Account Terms and Conditions.
- e) If a cheque is dishonoured for a **5<sup>th</sup> time** during a financial year in respect of cheques mentioned in para (a) above on a particular account of the drawer during the financial year, the Bank would issue a cautionary advice to the concerned constituent drawing his/her attention to aforesaid conditions and consequential stoppage of cheque facility in the event of cheque being dishonoured on next occasion on the same account during the financial year.
- f) If an account is having cheque book facility and ECS mandate is also registered, then the incidents of dishonour would be taken into account both for dishonour of cheques and failed ECS for computing the number of dishonour of cheques/failed ECSs.
- g) The Bank would even consider for closing the account after serving 30 days notice to the customer in the event of subsequent dishonour of cheque/ ECS mandate in the



account.

## 5. Dishonour of ECS

ECS (Debit) is a scheme under which an account holder with a bank, by giving a suitable mandate, can authorize an ECS user to recover an amount at a prescribed frequency or otherwise by raising a debit in his account. It is therefore necessary to maintain sufficient balance in the account, so that the mandate could be honoured.

The practice of issuance of ECS mandate without maintaining adequate funds undermines the credibility of such mandates and is an unhealthy trend which, the Bank needs to curb. In view of this the Bank would expect its customers to maintain sufficient balance before giving ECS (debit) mandate. Whenever it is observed that the practice of dishonouring ECS mandate persist in case, any particular account, then, the Bank would deal with such cases in the following manner:

### Procedure for handling failed ECS

- a) If the Bank is not in a position to debit a particular ECS transaction for insufficiency of funds, it would immediately / in any case not later than 24 hours, flag off or mark off the relevant debit items in the ECS records as unpaid (wherever the Bank is acting as a Sponsor bank, it would advise the User regarding failed ECS-debit).
- b) If a User makes use of ECS mechanism for receiving payment to the same set of beneficiaries every quarter/month or at more frequent intervals, and there is frequent return of debit ECS, then in such case, after return of the ECS, the Bank, as Sponsor bank, would intimate the User, in addition to the destination account holders regarding termination of ECS mandate.
- c) In case of failed ECS due to insufficiency of funds, a communication from the Bank would be sent to the customer (Destination Account Holder) intimating him/her that in case of failed ECS for 6 times in a financial year or otherwise, the Bank at its sole discretion, may advise the Sponsor bank for cancellation of all mandates given for the particular account in case of Savings Bank Account /Current Account, whereas for Cash Credit Accounts, a review would be put up to the sanctioning authority in the matter. The Bank would also send the caution memo after 5<sup>th</sup> ECS failure in a financial year to the concerned User of ECS for whom the ECS was registered.



- d) Westpac will incorporate the above conditions in ECS mandate which would be signed by the Destination Account Holders.
- e) If an account is having cheque book facility in addition to ECS mandate, then the Bank would take into account incidents of dishonour, for both dishonour of cheques and failed ECS for computing the number of dishonour of cheques / ECS mandate.
- f) Westpac may consider for closing of account after serving 30 day's notice to the customer after subsequent ECS failure, even though the account is not having any cheque book facility and only ECS has been registered.
- i) Westpac will ensure compliance of above procedure so that no laxity is allowed in delayed reporting of such failed ECS and in case of any event of findings of such circumstances, it would apply the internal guidelines for dealing with staff accountability.
- j) Prior information / documentary proof of failed ECS would be provided, if requisitioned by any court/consumer forum

## **6. Information on Dishonoured Cheques/Failed ECS**

- (i) Data in respect of each dishonoured cheque for INR 1.0 crore and above, would be made part of the Bank's MIS on constituents. Further, data in respect of all cheques drawn in favour of stock exchanges and dishonoured, irrespective of the value of such cheques, would also be made part of bank's MIS relating to broker entities.
- (ii) Data in respect of all the failed ECS would also be made part of the Bank's MIS on constituents.
- (iii) The Bank would ensure generation of cautionary advice for dishonoured cheques/ failed ECS, by the system.
- (iv) The consolidated data on dishonoured cheques/failed ECS would be submitted to the India Country Leadership Team on a quarterly basis.



## 7. General

For the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant (i.e. payee / holder of a dishonoured cheque) in any proceeding relating to dishonoured cheque before a court, consumer forum or any other competent authority, the Bank would extend full co-operation, and arrange to furnish him/her documentary proof of fact of dishonour of cheque(s).

### Reference:

**Master circular on Customer Service in banks dated July 1, 2015**  
[https://rbi.org.in/scripts/BS\\_ViewMasCirculardetails.aspx?id=9862](https://rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9862)