

# **IndusInd Bank**

## ***POLICY ON COLLECTION OF CHEQUES / INSTRUMENTS***

*Version 5  
May 2023*

IndusInd Bank Ltd.  
Corporate Office  
Mumbai

### Version Control

Version	Date	Change Author	Change Reviewer
1	May 2018	Respective Product Units and BUs	GBO
2	May 2020	Respective Product Units and BUs	GBO
3	May 2021	Respective Product Units and BUs	GBO
4	June 2022	Respective Product Units and BUs	GBO
5	May 2023	Respective Product Units and BUs	GBO

## **1. Introduction**

This collection policy of the Bank is a reflection of our on-going efforts to provide better service to our Customers and set higher standards for performance. The policy is based on principles of transparency and fairness in the treatment of Customers. The bank is committed to increased use of technology to provide quick collection services to its Customers.

## **2. Scope**

This document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centers within India and abroad.
- Commitment regarding time norms for collection of instruments.
- Payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- Dealing with collection instruments lost in transit.
- Procedure for handling dishonour of cheques

## **3. Policy Objective**

The objective of this policy is to establish a system whereby the Bank shall pay interest that the Customer may lose due to delay in collection of cheques/instruments deposited by the Customer, without having been asked for the same.

The commitments under this policy are without prejudice to any right the bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

The delay in collection of cheques / instruments for the customers who have availed under the Day Arrangement or otherwise for credit of such cheques / instruments under the Cash Management Services will be governed by the mutually agreed terms as per the CMS agreement and/or any understanding and/or any agreement and/or any contract and / or any writing so executed and evidencing the said mutually agreed terms.

## **4. Policy**

### **4.1. Arrangements for collection:**

#### **4.1.1 Local Cheques**

All Cheque Truncation System (CTS) Compliant Cheques and other Negotiable Instruments which are payable under a grid system will be presented through the clearing system prevailing at the center. 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 after the cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented as per the clearing cycle. The bank would give credit to the Customer account on the day of RBI settlement. Withdrawal of amounts so credited would be permitted as per the cheque return policy of the Bank.

#### **4.1.2 Outstation Cheques**

Cheques drawn on other banks at outstation centers will normally be collected through bank's branches at those centers. Where the Bank does not have a branch, 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 centers where such collection services exist.

Cheques drawn on bank's own branches at outstation centers will be collected using the inter-branch arrangements in vogue. Branches will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches.

Bank will not decline to accept outstation cheques deposited by its customers for collection.

Under Cash Management Services (CMS), the following Products are additionally offered to CMS Clients at locations wherein IBL Branch is not present –

- a) Pick up of Cheques from the Client premises through authorized Vendors and depositing the Cheques for clearing in Correspondent Banks at those locations.
- b) Remote Cheque Scanning model – A vendor is appointed to pick up the Cheques from Client premises, scan the cheques and present it in clearing through CMS Hub mapped to respective CTS grid. Subsequently the physical cheques are dispatched by the Vendor to the CMS Hub.

#### **4.1.3 Speed Clearing**

Reserve Bank of India has introduced a new clearing mechanism called "SPEED clearing" with the objective to reduce the time for collection of outstation cheques by leveraging the technological advantage arising out of implementation of Core Banking Solution (CBS) in banks. The new clearing mechanism facilitates clearance of outstation cheques at the source /deposit location itself and there would be no movement of physical cheques to the destination / drawee location.

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.

Multi-city / payable at par CTS 2010 standardised cheques are issued by the Bank to all customers without any value cap.

#### **4.1.4 Cheques payable in Foreign Countries**

Foreign currency cheques will be sent to correspondent banks at the respective foreign centers or drawee bank where the Bank does not have correspondent(s), with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

#### **4.1.5 Collection of Account Payee Cheque – Prohibition on Crediting Proceeds to Third Party Account**

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.

#### **4.1.6 Timings for acceptance:**

##### **(i) Outstation Collection timings for cheques**

The cut-off time for sending cheques for outstation collection received across the counter or cheques dropped in cheque drop-box situated at branches would be indicated in our

branches. The cut-off-time will be worked out for each location based on cut off time afforded by clearing house and the distance of branch to the clearing centre.

Under Cash Management Services (CMS), Cheque pickup facility is offered to the Clients and the cut-off timing for pickup of cheque for presenting it in same day clearing depends on the distance of the Clients location from the Branch and it is communicated to the Client during feasibility of the logistics arrangement.

#### (ii) Local Cheques deposited in Branches and dropped in off-site & on-site ATM box

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 after the cut-off time and in collection boxes outside the branch premises including ATMs will be presented in the next clearing cycle. The cut-off time for sending cheques for collection would be worked out for each location/branch based on cut-off time afforded by clearing house at each location. The cut-off timings would be displayed at branches/ATM drop boxes for customers.

#### 4.1.7 Immediate Credit of Local / Outstation Cheques / Instruments

Branches will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of ₹ 15,000/- 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 the Customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centers 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.

Under this policy, prepaid instruments like Demand Drafts, Interest / Dividend warrants shall be treated on par with cheques.

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

- Opened at least 6 months earlier and complying with KYC norms.

- Conduct of which has been satisfactory and bank has not noticed any irregular dealings.
- Where no cheques / instruments for which immediate credit was afforded returned unpaid for financial reasons
- Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.
- Average Monthly Balance as applicable to be maintained for the last 2 quarters.  
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.

#### **4.1.8 Purchase of Local/ Outstation Cheques**

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. Interest for purchase of local/ outstation cheques will be as per the norms prescribed from time to time.

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

- 4.2.1 For local cheques presented in clearing credit will be afforded as on the date of settlement of funds in clearing and the account holder will be allowed to withdraw funds as per return clearing norms in vogue.
- 4.2.2 For cheques and other instruments sent for collection the following time norms shall be applied but the credit will be only afforded only after receipt of the proceeds of cheques/ instruments.

#### **4.2.3 Cheques/ Instruments payable at Centers within the Country**

##### **(I) Cheques drawn on our branches:**

- a. Branches will provide same day credit to its customers in respect of instruments drawn on any of its branches.

##### **(II) Cheques drawn on branches of other banks:**

- i. Where IndusInd Bank has a branch:

- a. Cheques presented at any State capital and payable at any of the other State capital other than the place where cheque is presented: Maximum period of 7 working days.
- b. Cheques drawn on major cities: Maximum period of 10 working days.
- c. Cheques drawn on other centers: Maximum period of 14 working days.

**ii. Where IndusInd Bank does not have a branch:**

- a. Cheque drawn on Metro and Urban centers (other than those of North Eastern States and Sikkim): Maximum period of 10 working days.
- b. Cheques drawn on all other centers: Maximum period of 14 working days.

**4.2.4 Cheques/ Instruments payable in Foreign Countries:**

Cheques drawn on foreign countries are accepted for collection on the 'best effort basis'. Bank would release funds to the party on credit of proceeds to the bank's Nostro Account with the correspondent bank after taking into account normal cooling period.

- Cooling period is 15 working days from the date of credit (value date) to our Nostro Account, in case of Cash Letter Credits.
- No cooling period in case of instruments handled on final credit basis.
- The exchange rate (Buying) prevailing as on the date of application of fund.
- Due date of credit to customer account will be reckoned considering the value date of credit to Nostro account plus normal cooling period as stipulated above.

**4.3. Payment of Interest for delayed Collection**

**4.3.1 Cheques/ Instruments payable at Centers within the Country**

The bank will pay interest on the amount of collection instruments in case there is delay in affording credit beyond the stipulated time period mentioned above 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 the stipulated time frame for collection of local cheques.

- b) Savings Bank rate for the period of delay beyond the stipulated Time Frame for collection of Outstation Cheques/ Instruments.
- c) Where the delay is beyond 14 days over and above stipulated Time Frame, interest will be paid at the rate applicable for term deposit for the respective period.
- d) In case of extraordinary delay, i.e. delay 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 i.e. delay exceeding 90 days, interest will be paid at the rate of 2% above the rate applicable to the loan account.

#### **4.3.2 Cheques drawn on Foreign Countries**

The time taken for realization of US Dollar instrument payable in USA ranges from 7-10 days to as high as 30-45 days depending up on the collection arrangement and place at which the instrument is payable. The diversity in Banking and payment system in USA and complexities in law governing the cheque transactions have significant bearing on collection time. As per the existing US regulations the return liability would last for 1 year for altered cheque and 3 years for forgeries. Cooling period is the time the bank wait for after obtaining the provisional credit for the amount of cheque for possible return of the cheque by the payee bank under the provision of US law before giving credit to the party.

Hence, Bank will not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries. Similar is the situation for other than US dollar instruments and countries other than USA also. The time norms for return of instruments cleared provisionally also vary from country to country. However, the bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the bank with its correspondent as per the FEDAI guidelines. Such compensation will be given for delays beyond the day when the amount is due for credit after taking into account normal cooling period stipulated.

The compensation in such cases will be worked out as follows:

- a) For cheques/instruments upto an amount equivalent to ₹ 1 lac: If the proceeds are not paid within 10 days from the due date (value date of credit to Nostro account plus normal cooling period), Interest will be paid for the delayed period @ 2% over the applicable Savings bank rate of interest.

- b) For cheque/ instruments exceeding an amount equivalent to ₹1 lakh: Over and above Point (a), if intimation is not sent to the customer within 3 working days (reckoning Saturday as a working day) from the due date (value date of credit to Nostro account plus normal cooling period), Interest will be paid for the delayed period @ 2 % over the applicable Savings bank rate of interest.
- c) Compensation for any possible loss on account of adverse movement in foreign exchange rate, in case of (a) and (b) above.

#### **4.4 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 of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care of the 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 cheques.

In such cases the bank will compensate for any interest loss/ payment of charges by the Customer, due to deficiency in service on our part for any act of omission or commission directly attributable to the bank and the compensation in such cases would be as follows:

- a) In case intimation regarding loss of instrument is conveyed to the Customer beyond the time limit stipulated for collection interest will be paid for the period of delay 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 Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) The bank would also compensate, any reasonable charges the Customer 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.

#### **4.5. Charging of Interest on cheques returned unpaid:**

##### **4.5.1 Instant Credit and Purchase of Local / Outstation cheques:**

If a cheque/ instrument sent for collection for which the bank provided immediate credit or purchased 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/ purchase 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 as per banks guidelines 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 were returned unpaid to the extent the bank was out of funds.

#### **4.5.2 Credit given for cheques drawn on Foreign Countries:**

Foreign Correspondent Bank returning foreign currency cheque / instruments at any time by reason of the said foreign currency cheques / instruments being forged and not genuine or otherwise for any reason, the Customer has to reimburse at any time on demand the amount of the said cheque / instruments and also the amount or aggregate amounts of all claims including costs, legal or otherwise, paid by any person including our collecting bank, office, correspondent or agent may be called upon or compelled to pay including the difference in exchange due to the fluctuation of the exchange rates, together with commission and interest as applicable to Clean Overdraft prevailing on the date from the date of credit to the date of reversal of the entry and any expenses whatsoever incurred by us or any person including our collecting bank, office, correspondent and any other such concerned Party.

### **4.6. Procedure for handling dishonoured Cheques**

#### **4.6.1 Delay in re-presentation of technical returns and levy of charges for such returns:**

4.6.1.1 As per RBI guidelines, certain cheques returned are required to be re-presented by Bank without reference to the customers such as Effects not cleared – present again, encoding errors, Image not clear – present again with paper, listing error ( excess/ short claim), Advice not received, Other reasons – connectivity failure, etc.

1. All outward cheques that need to be represented without any recourse to the payee, shall be represented in the immediate next presentation clearing not later than 24 hours( excluding holidays)
  
2. An SMS alert for registered mobile customers will also be sent informing the customers about the representation.

- 3 Returned cheques which are not to be represented would be sent by courier to customers during the next 24 hours, unless the same are collected from the Branches.

#### **4.6.1.2 Charges on dishonoured Cheques:**

Cheque return charges shall not be levied in cases where the customer is not at fault and not responsible for such returns.

#### **4.6.2 Procedure for return/dispatch of dishonoured Cheques:**

- 4.6.2.1 The paying branch should return dishonoured Cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulation and Rules of Bankers' Clearing Houses.
- 4.6.2.2 Cheques dishonored for want of funds in respect of all accounts should be returned along with the memo indicating therein the reason for dishonour as "insufficient funds."

#### **4.7 Information on dishonoured Cheques/ National Automated Clearing House (NACH)**

- 4.7.1 Data in respect of each dishonoured cheque / NACH transaction for amount of ₹ 50 lacs and above and below ₹ 50 lacs over the specified threshold will be part of Bank's MIS on constituents. Reports will be available centrally and branches should download the report at the month end and should report the action taken for frequent returns and report the same to corporate office.
- 4.7.2 Data in respect of Cheques drawn in favour of stock exchanges and dishonoured should be consolidated separately by the Branches irrespective of the value and be reported to corporate office.

#### **4.8 Dealing with incidents of frequent dishonour**

##### **4.8.1 Dealing with frequent dishonour of cheques / NACH transactions of ₹ 50 lacs and above**

- (i) In the event of dishonour of cheque / NACH transactions valuing ₹ 50 lacs and above drawn on a particular account of the drawer on 4 occasions during the financial year for want of sufficient funds in the account, no fresh cheque book will be issued. For continuation or unblocking of cheque facility, as an exception, the approval from appropriate authority of respective business segment will be obtained. The Bank may also consider closing the current account at its discretion. However in respect of advances accounts such as Cash Credit account, overdraft account, the need for continuation or

otherwise of these credit facilities and the cheque facility relating to these accounts will 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, Bank will indicate the new condition in the cheque books issued to the customer and the new condition will be issued in the statement of accounts advising constituents.
- (iii) If a cheque / NACH transaction is dishonoured for a **3<sup>rd</sup>** time in case of value **₹ 50 lacs** and above on a particular account of the drawer during the financial year, Bank will issue 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 for value **₹ 50 lacs** and above on the same account during Financial Year. For non-issuance of cautionary advice, as an exception, the approval from appropriate authority of respective business segment will be obtained.
- (iv) If considered appropriate, Bank can give adequate notice of 15 days and close the account by recovering charges / dues if any and remitting the remaining balance by pay order / draft to the address on record of the Bank by Registered Post.

#### **4.8.2 Dealing with frequent dishonour of cheques / NACH transaction of value of less than ₹ 50 lacs**

- (i) In the event of dishonour of cheque / NACH transaction valuing of less than **₹ 50 lacs**, drawn on a particular account of the drawer on **6** occasions during a quarter for want of sufficient funds in the account, no fresh cheque book would be issued. . For continuation or unblocking of cheque facility, as an exception, the approval from appropriate authority of respective business segment will be obtained. The Bank may also consider closing the account at its discretion. However, in respect of advances accounts such as Cash Credit account, overdraft account, the need for continuation or otherwise of these credit facilities and the cheque facility related to these accounts will be reviewed by appropriate authority 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, Bank will indicate the new condition in the cheque books and while accepting issued to the customer and the new condition will be issued in the statement of accounts advising constituents.
- (iii) If a cheque / NACH transaction is dishonoured for a **5<sup>th</sup>** time in case of value less than **₹ 50 lacs** on a particular account of the drawer during the quarter, Bank will issue

cautionary advice stating that any more instances would disentitle the customer from availing facility of cheque-book / NACH mandate. For non-issuance of cautionary advice, as an exception, the approval from appropriate authority of respective business segment will be obtained.

- (iv) If considered appropriate, Bank can give adequate notice of 15 days and close the account by recovering charges / dues if any and remitting the remaining balance by pay order / draft to the address on record of the Bank by Registered Post.

#### **4.9 General**

- (i) 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, Bank will extend full co-operation, and should furnish him / her documentary proof of fact of dishonour of cheques / NACH mandate.
- (ii) Bank retains the right to amend / modify the policy and display of the same on notice board of branches / on the web site would be deemed to be adequate notice to customers of the said change.

#### **4.10 Bills for Collection**

In case of Delays in Collection of Bills, Bank will pay interest to the lodger for the delayed period in respect of collection of bills at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts. The delayed period will be reckoned after making allowance for normal transit period based upon a time frame of 2 days each for (i) Despatch of bills; (ii) Presentation of bills of drawees. (iii) Remittance of proceeds to the lodger's bank. (iv) Crediting the proceeds to drawer's account.

To the extent the delay is attributing to the drawee's bank, the lodger's bank may recover interest for such delay from drawee bank.

#### **4.11 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, prevent it from performing its obligations within the specified service delivery parameters.

#### **4.12 Arrangements for clearing of residual non-CTS-2010 standard cheques**

The separate clearing session for the three CTS Grids has been discontinued by RBI from December 2018 onwards. However, branches processing clearing at MICR / Non MICR locations may continue to present the Non CTS Cheques in normal operations.

The extant procedure for all operational aspects like (a) identified clearing day falls on a holiday (b) return of non-compliant cheques if presented in regular CTS clearing etc. will continue to be followed. The Non CTS session timings will remain the same.

Customers are advised to use **CTS instruments only** to avoid delay in collection of cheques.

#### **4.11 Customer Education**

- a) The Policy on Collection of Cheques/ Instruments will be displayed on Bank's website [www.indusind.com](http://www.indusind.com)
- b) A copy of the Policy can be obtained at the reception desk / Branch Manager of all Branches
- c) Salient features of the Policy will be displayed on our Notice Board.

#### **4.12 Service Charge**

For all collection services the bank will recover appropriate service charges as decided by the bank from time to time and communicated to customer as indicated in the code of banks commitment to customers adopted by the bank.

#### **4.13 Positive Pay System for Cheque Truncation System**

The Reserve Bank of India has issued circular RBI/2020-21/41 DPSS.CO.RPPD. No.309/04.07.005 /2020-21 dated 25th Sep 2020, for setting up the Positive Pay System for Cheque Truncation System (CTS) by NPCI.

This facility is enabled for all account holders issuing cheques for amounts of ₹50,000 and above. While availing this facility is at the discretion of the account holder, Banks have been advised of making it mandatory in case of cheques for amounts of ₹5,00,000 and above.

NPCI has developed the facility of Positive Pay in CTS which is available to participant Banks thereby allowing Banks to submit the issued cheque details collected from customer in central depository of NPCI.

While inward clearing process through CTS NPCI will validate this depository & provide the matching flag against each cheque, basis which drawee bank to refer the same to his customer for confirmation / authenticating the issuance of cheque & then honour/ return the cheque as per Bank's policy.

The above facility of Positive Pay System is available for the customer at Branches, IndusMobile and Indus Net.

##### **5. Linkage with other policy**

There is no linkage with other policy

##### **6. Policy Review Frequency**

The Policy will be reviewed once in two years or in case of any modifications arising due to legislative / regulatory changes, to the Policy from time to time till the next review.

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