

otherwise provides, interest runs from the date of the bill, and if the bill is undated, from the issue thereof.

(4) Where a bill is expressed to be payable with interest, unless the instrument otherwise provides, the interest shall be at the rate of *mneper centum* per annum :

Provided that the amount recoverable on account of interest or arrears of interest shall in no case exceed the principal.

Bill payable on demand.

10. (1) A bill is payable on demand—

- (a) which is expressed to be payable on demand, or at sight, or on presentation ; or
- (b) in which no time for payment is expressed.

(2) Where a bill is accepted or indorsed when it is overdue, it shall, as regards the acceptor who so accepts, or any indorser who so indorses it, be deemed a bill payable on demand.

Bill payable at a future time.

11. (1) A bill is payable at a determinable future time within the meaning of this Ordinance which is expressed to be payable—

- (a) at a fixed period after date or sight ;
- (b) on or at a fixed period after the occurrence of a specified event which is certain to happen, though the time of happening may be uncertain.

(2) An instrument expressed to be payable on a contingency is not a bill, and the happening of the event does not cure the defect.

Omission of date in bill payable after date, or acceptance after sight.

12. Where a bill expressed to be payable at a fixed period after date is issued undated, or where the acceptance of a bill payable at a fixed period after sight is undated, any holder may insert therein the true date of issue or acceptance, and the bill shall be payable accordingly :

Provided that—

(i) where the holder in good faith and by mistake inserts a wrong date, and

(ii) in every case where a wrong date is inserted, if the bill subsequently comes into the hands of a holder in due course the bill shall not be avoided thereby, but shall operate and be payable as if the date so inserted had been the true date.

13. (1) Where a bill or an acceptance or any indorsement on a bill is dated, the date shall, unless the contrary be proved, be deemed to be the true date of the drawing, acceptance, or indorsement, as the case may be. Presumption as to date being true date.

(2) A bill is not invalid by reason only that it is antedated or postdated, or that it bears date on a Sunday.

14. Where a bill is not payable on demand, the day on which it falls due is determined as follows :— Computation of time of payment.

- (1) Three days, called days of grace, are, in every case where the bill itself does not otherwise provide, added to the time of payment as fixed by the bill, and the bill is due and payable on the last day of grace :

* Provided that—

(a) when the last day of grace falls on a day appointed to be a public holiday by or under any law for the time being in force, the bill is, except in the case hereinafter provided for, due and payable on the preceding business day ;

(b) when the last day of grace is a bank holiday, or when the last day of grace is a Sunday and the second day of grace is a bank holiday, the bill is due and payable on the succeeding business day.

- (2) Where a bill is payable at a fixed period after date, after sight, or after the happening of a specified event, the time of payment is

* The changes made to the proviso to section 14 (1) have been necessitated by the provisions of section 3 of the Holidays Act (No. 29 of 1971) — reproduced in this Edition as Chapter 364 — which materially differs from the now repealed Holidays Ordinance. No. 1 of 1928, reproduced as Chapter 135 in Volume III of the 1938 Edition of the Legislative Enactments.

determined by excluding the day from which the time is to begin to run and by including the day of payment.

- (3) Where a bill is payable at a fixed period after sight, the time begins to run from the date of the acceptance if the bill be accepted, and from the date of noting or protest if the bill be noted or protested for non-acceptance, or for non-delivery.

[§ 2, 30 of 1961.]

- (4) The term "*Shoes*" or "u>rrfib" or "month" in a bill means calendar month.

Case of need.

15. The drawer of a bill and any indorser may insert therein the name of a person to whom the holder may resort in case of need, that is to say, in case the bill is dishonoured by non-acceptance or non-payment. Such person is called the referee in case of need. It is in the option of the holder to resort to the referee in case of need or not, as he may think fit.

Special stipulations by drawer or indorser restricting liability.

16. The drawer of a 'bill» and any indorser, may insert therein an express stipulation—

- (a) negating or limiting his own liability to the holder ;
(b) waiving as regards himself some or all of the holder's duties.

Definition and requisites of acceptance.

17. (1) The acceptance of a bill is the signification by the drawee of his assent to the order of the drawer.

(2) An acceptance is invalid unless it complies with the following conditions, namely :—

- (a) It must be written on the bill and be signed by the drawee. The mere signature of the drawee without additional words is sufficient.
(b) It must not express that the drawee will perform his promise by any other means than the payment of money.

Time for acceptance.

18. A bill may be accepted—

- (a) before it has been signed by the drawer, or while otherwise incomplete ;

(b) when it is overdue, or after it has been dishonoured by a previous refusal to accept, or by non-payment ;

(c) when a bill payable after sight is dishonoured by non-acceptance, and the drawee subsequently accepts it, the holder, in the absence of any different agreement, is entitled to have the bill accepted as of the date of first presentment to the drawee for acceptance.

19. (1) An acceptance is either—

- (a) general, or
(b) qualified.

(2) A general acceptance assents without qualification to the order of the drawer. A qualified acceptance in express terms varies the effect of the bill as drawn.

(3) In particular an acceptance is qualified which is—

- (a) conditional, that is to say, which makes payment by the acceptor dependent on the fulfilment of a condition therein stated ;
(b) partial, that is to say, an acceptance to pay part only of the amount for which the bill is drawn ;
(c) local, that is to say, an acceptance to pay only at a particular specified place ;
(d) qualified as to time ;
(e) the acceptance of some one or more of the drawees, but not of all.

(4) An acceptance to pay at a particular place is a general acceptance, unless it expressly states that the bill is to be paid there only, and not elsewhere.

20. (1) Where a simple signature on a inchoate blank stamped paper is delivered by the signer in order that it may be converted into instruments or blank signatures a bill, it operates as a prima facie authority to fill it up as a complete bill for any amount the stamp will cover, using the signature for that of the drawer, or the acceptor, or an indorser ; and, in like manner, when a bill is wanting in any material particular, the person in

General and qualified acceptances.

possession of it has a prima facie authority to fill up the omission in any way he thinks fit.

(2) In order that any such instrument when completed may be enforceable against any person who became a party thereto prior to its completion, it must be filled up within a reasonable time, and strictly in accordance with the authority given. Reasonable time for this purpose is a question of fact;

Provided that if any such instrument after completion is negotiated to a holder in due course, it shall be valid and effectual for all purposes in his hands, and he may enforce it as if it had been filled up within a reasonable time and strictly in accordance with the authority given.

Delivery to complete contract.

21. (1) Every contract on a bill, whether it be the drawer's, the acceptor's, or an indorser's, is incomplete and revocable until delivery of the instrument in order to give effect thereto ;

Provided that where an acceptance is written on a bill, and the drawee gives notice to or according to the directions of the person entitled to the bill that he has accepted it, the acceptance then becomes complete and irrevocable.

(2) As between immediate parties, and as regards a remote party other than a holder in due course, the delivery—

- (a) in order to be effectual must be made either by or under the authority of the party drawing, accepting, or indorsing, as the case may be ;
- (b) may be shown to have been conditional or for a special purpose only, and not for the purpose of transferring the property in the bill.

But if the bill be in the hands of a holder in due course a valid delivery of the bill by all parties prior to him so as to make them liable to him is conclusively presumed.

(3) Where a bill is no longer in the possession of a party who has signed it as drawer, acceptor, or indorser, a valid and unconditional delivery by him is presumed until the contrary is proved.

CAPACITY AND AUTHORITY OF PARTIES

22. (1) Capacity to incur liability as a Capacity of party to a bill is coextensive with capacity to Parties. contract.

(2) Where such capacity is to be determined by the law of Sri Lanka, it shall be determined by Roman-Dutch law as administered in Sri Lanka subject to the provisions of any enactment affecting that law.

(3) Provided that nothing in this section shall enable a corporation to make itself liable as drawer, acceptor, or indorser of a bill, unless it is competent to it so to do under the law for the time being in force relating to corporations.

(4) Where a bill is drawn or indorsed by a minor or corporation having no capacity or power to incur liability on a bill, the drawing or indorsement entitles the holder to receive payment of the bill, and to enforce it against any other party thereto.

23. No person is liable as drawer, indorser, or acceptor of a bill who has not signed it as such :

Signature essential to liability.

Provided that—

- (a) where a person signs a bill in a trade or assumed name, he is liable thereon as if he had signed it in his own name ;
- (b) the signature of the name of a firm is equivalent to the signature by the person so signing of the names of all persons liable as partners in that firm.

24. Subject to the provisions of this Forged or Ordinance, where a signature on a bill is "unauthorized" forged or placed thereon without the signature authority of the person whose signature it purports to be, the forged or unauthorized signature is wholly inoperative, and no right to retain the bill or to give a discharge therefor or to enforce payment thereof against any party thereto can be acquired through or under that signature, unless the party against whom it is sought to retain or enforce payment of the bill is precluded from setting up the forgery or want of authority :

Provided that nothing in this section shall affect the ratification of an unauthorized signature not amounting to a forgery.

receiving value therefor, and for the purpose of lending his name to some other person.

Procurator signatures.

25. A signature by procurator operates as notice that the agent has but a limited authority to sign, and the principal is only bound by such signature if the agent in so signing was acting within the actual limits of his authority.

(2) An accommodation party is liable on the bill to a holder for value; and it is immaterial whether, when such holder took the bill, he knew such party to be an accommodation party or not.

Persons signing as agent or in representative capacity.

26. (1) Where a person signs a bill as drawer, indorser, or acceptor, and adds words to his signature, indicating that he signs for or on behalf of a principal, or in a representative character, he is not personally liable thereon; but the mere addition to his signature of words describing him as an agent, or as filling a representative character, does not exempt him from personal liability.

29. (1) A holder in due course is a holder who has taken a bill, complete and regular on the face of it, under the following conditions, namely:—

- (a) that he became the holder of it before it was overdue, and without notice that it had been previously dishonoured, if such was the fact;
- (b) that he took the bill in good faith and for value, and that at the time the bill was negotiated to him he had no notice of any defect in the title of the person who negotiated it,

(2) In determining whether a signature on a bill is that of the principal or that of the agent by whose hand it is written, the construction most favourable to the validity of the instrument shall be adopted.

(2) In particular the title of a person who negotiates a bill is defective within the meaning of this Ordinance when he obtained the bill, or the acceptance thereof, by fraud, duress, or force and fear, or other unlawful means, or for an illegal consideration, or when he negotiates it in breach of faith, or under such circumstances as amount to a fraud.

THE CONSIDERATION FOR A BILL

Value defined.

27. (1) Valuable consideration for a bill may be constituted by—

- (a) any consideration which by the law of England is sufficient to support a simple contract;
- (b) an antecedent debt or liability. Such a debt or liability is deemed valuable consideration whether the bill is payable on demand or at a future time.

(3) A holder (whether for value or not) who derives his title to a bill through a holder in due course, and who is not himself a party to any fraud or illegality affecting it, has all the rights of that holder in due course as regards the acceptor and all parties to the bill prior to that holder.

(2) Where value has at any time been given for a bill, the holder is deemed to be a holder for value as regards the acceptor and all parties to the bill who became parties prior to such time.

30. (1) Every party whose signature appears on a bill is prima facie deemed to have become a party thereto for value. Presumption of value and good faith

(3) Where the holder of a bill has a lien on it, arising either from contract or by implication of law, he is deemed to be a holder for value to the extent of the sum for which he has a lien.

(2) Every holder of a bill is prima facie deemed to be a holder in due course; but if in an action on a bill it is admitted or proved that the acceptance, issue, or subsequent negotiation of the bill is affected with fraud, duress, or force and fear, or illegality, the burden of proof is shifted, unless and until the holder proves that, subsequent to the alleged fraud or illegality, value has in good faith been given for the bill.

Accommodation bill or party,

28. (1) An accommodation party to a bill is a person who has signed a bill as drawer, acceptor, or indorser, without

NEGOTIATION OF BILLS

Negotiation defined,

31. (1) A bill is negotiated when it is transferred from one person to another in such a manner as to constitute the transferee the holder of the bill.

(2) A bill payable to bearer is negotiated by delivery.

(3) A bill payable to order is negotiated by the indorsement of the holder completed by delivery.

(4) Where the holder of a bill payable to his order transfers it for value without indorsing it, the transfer gives the transferee such title as the transferor had in the bill and the transferee in addition acquires the right to have the indorsement of the transferor.

(5) Where any person is under obligation to indorse a bill in a representative capacity, he may indorse the bill in such terms as to negative personal liability.

Requisites of a valid indorsement,

32. An indorsement in order to operate as a negotiation must comply with the following conditions, namely :—

(1) It must be written on the bill itself and be signed by the indorser. The simple signature of the indorser on the bill, without additional words, is sufficient.

An indorsement written on an allonge, or on a " copy " of a bill issued or negotiated in a country where " copies " are recognized, is deemed to be written on the bill itself,

(2) It must be an indorsement of the entire bill. A partial indorsement, that is to say, an indorsement which purports to transfer to the indorsee a part only of the amount payable, or which purports to transfer the bill to two or more indorsees severally, does not operate as a negotiation of the bill.

(3) Where a bill is payable to the order of two or more payees or indorsees who are not partners all must indorse, unless the one indorsing has authority to indorse for the others.

(4) Where, in a bill payable to order, the payee or indorsee is wrongly designated, or his name is misspelt, he may indorse the bill as therein described, adding if he think fit, his proper signature.

(5) Where there are two or more indorsements on a bill, each indorsement is deemed to have been made in the order in which it appears on the bill until the contrary is proved.

(6) An indorsement may be made in blank or special. It may also contain terms making it restrictive.

33. Where a bill purports to be indorsed conditionally the condition may be indorsement disregarded by the payer, and payment to the indorsee is valid whether the condition has been fulfilled or not.

34. (1) An indorsement in blank indorsement in specifies no indorsee, and a bill so indorsed blank-becomes payable to bearer.

(2) A special indorsement specifies the person to whom, or to whose order, the bill is to be payable.

(3) The provisions of this Ordinance relating to a payee apply with the necessary modifications to an indorsee under a special indorsement.

(4) When a bill has been indorsed in blank, any holder may convert the blank indorsement into a special indorsement by writing above the indorsee's signature a direction to pay the bill to or to the order of himself or some other person.

35. (1) An indorsement is restrictive which prohibits the further negotiation of the bill, or which expresses that it is a mere authority to deal with the bill as thereby directed and not a transfer of the ownership thereof, as, for example, if a bill be indorsed— Restrictive indorsement, [§3,30 of 1961.]

" Pay D only " ;

or

" Pay D for the account of X " ;