

POLICY ON FREQUENT DISHONOUR OF INWARD CLEARING CHEQUES & NACH/ECS FOR FINANCIAL REASONS

1. Introduction:

- 1.1 RBI has advised on Dishonour of Cheques – Procedure thereof in Para number 15 of its Master Circular on Customer Service in Banks, vide Circular DBR NO.Leg.BC.21/09.07.006/2015-16 dated July 01, 2015, placed as **Annexure I**.
- 1.2 Further, RBI, vide its circular DBR.No.BC.3/09.07.005/2016-17 on “Dishonour of Cheques – Modification in procedure” dated August 04, 2016, placed as **Annexure II**, had reviewed the above instructions and left it to the discretion of the banks to determine their response to dishonour of cheques of the account holders and has also advised the Banks to put in place an appropriate and transparent policy, approved by the Board or its Committee, taking into consideration the need to prevent misuse of the cheque drawing facility and avoid penalising customers for unintended dishonour of cheques.
- 1.3 In light of the above instructions the policy on frequent dishonour of inward cheques & NACH/ECS due to financial reasons and actions to be undertaken thereon has been formulated by the Bank, which shall be duly approved by the Board of the Bank.
- 1.4 The Policy will be hosted on the Bank’s website (www.bandhanbank.com) and shall be referred to in the terms and conditions of the account opening form. SMS would be sent to customers advising them to refer to Policy on frequent dishonour of inward cheques & NACH/ECS for financial reasons hosted on our website.
- 1.5 Bank’s branches will give wide publicity to this Policy by prominently displaying salient features thereof in bold and visible letters on their notice boards.

2. Dealing with frequent Dishonour/Return of Inward Clearing Cheques & NACH/ECS:

- 2.1 A paying branch will return dishonored inward cheques presented through clearing houses strictly as per the return discipline prescribed for the respective clearing house in terms of Uniform Regulations and Rules for Banker’s Clearing Houses.
- 2.2 Inward cheques dishonored for want of funds in respect of all accounts will be returned along with a memo indicating therein the reason for dishonor as “Insufficient Funds”.

- 2.3 The Bank will not levy any penal charges for return of cheques for non-financial (technical) reasons. However, charges are levied in case of cheque returns for financial reasons as per the bank's standard Schedule of Charges.
- 2.4 These penalties are not only charges for handling the instrument but also act as deterrent for recurrence of such behaviour on part of the customer.
- 2.5 Corrective/punitive actions will be taken by the bank against the drawer including closure of accounts, in case inward cheques & NACH/ECS are returned as per frequency enumerated below. This measure would bring desired discipline in the conduct of liability accounts.
- 2.5.1 **Rs. 1 crore and above in Savings & Current account**
- 2.5.1 a) In the event of dishonour of an inward cheque valuing rupees one 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 account, no fresh cheque book would be issued to that account. The bank may consider closing the account at its discretion.
- 2.5.1 b) If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, the bank will issue a 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 on the same account during the financial year. Similar cautionary advice will be issued if the bank intends to close the account.
- 2.5.2 **Below Rs. 1 crore**
- 2.5.2 a) When inward cheques & NACH/ECS, dishonored due to financial reasons, reach the below mentioned threshold limit during a financial quarter, branches after conducting enquiries on the customer's transactions, should issue a cautionary advice to the concerned account holder drawing his/her attention to aforesaid irregularity and consequential stoppage of cheque facility and even closure of account. After issuing of letter if the customer is not forthcoming for closing the account voluntarily, the branch shall close the account after expiry of the notice period and the proceeds should be handed over to the customer.

Sl No	Type of Account	Number of Inward Cheques & NACH/ECS returned due to lack of funds/insufficient funds during a financial quarter
1	Savings	5
2	Current	5

* Cheque return cases above 1 crore in the quarter shall also be considered

2.5.2 b) The bank may consider closing Savings Bank account/Current account in all eligible cases. Such account closed should be checked by auditor and should form part of audit check list.

2.6 Accounts such as cash credit account, overdraft account with frequent dishonour/return of inward cheque & NACH/ECS may be treated as stressed accounts and dealt with accordingly.

2.7 For all cases of cheque return of higher values (10 lacs & above), for financial reasons, the respective Branch Head/Cluster Head will personally conduct an enhanced due diligence (EDD) in the account & necessary action will be taken, in consultation with the respective Regional Head, based on the outcome of the site visit/profile checks.

3. Exceptions to Cheque Returns in the accounts:

3.1 Any exemption for allowing the accounts to operate despite return of inward cheques & NACH/ECS beyond the threshold limits shall be approved by the Zonal Head after analyzing the reasons and relationship of the customer with the bank for which record should be maintained for verification in future. Monthly control return should be submitted to Head-Branch Banking for such exempted cases with rationale.

4. Enablers & MIS:

4.1 Monthly report of inward cheques & NACH/ECS returned for financial reasons shall be provided/made available to Branch officials.

Review of policy

The policy shall be reviewed annually. If any modifications are mandated because of changes in the regulatory directions or if any change /modification is felt necessary in between, the same will be incorporated after seeking approval of the MD & CEO.