

Finance Ministry mulling over steps to curb cheque bounce cases

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- **The finance ministry is mulling over several steps to reduce the cases of cheque bounce which may include prohibition of opening of new accounts**

The finance ministry is mulling several steps like dipping into other accounts of a cheque issuer and prohibition of opening of new accounts of offenders to effectively deal with cheque bounce cases which are clogging the legal system.

Many suggestions were made at a high-level meeting recently called by the ministry to deal with the high incidence of cheque bounce cases.

Some of the steps suggested before taking legal recourse included debiting another accounts of the cheque issuer if his or her account is short of funds to honour the instrument, sources said.

The other suggestions were treating cheque bounce as default of loan and thus reporting it to credit information companies for necessary downgrade of score, the sources said, adding a proper legal view would be taken before these suggestions are accepted.

If these suggestions are implemented, it would help enforce cheque honouring by the payer without the matter going to court and also compel him/her to make payment by creating a deterrent through technology.

These measures would help promote ease of doing business and dissuade people from willfully indulging in issuance of cheques even though their accounts have insufficient funds.

Proposed steps could be implemented through the integration of data across the banks, sources said.

Standard Operating Procedure (SOP) for auto debit and other suggestions would be required.

Section 138 of the Negotiable Instruments Act, 1881 deals with dishonour of cheque due to insufficiency of funds in the account.

A complaint for dishonour of cheque under Section 138 of the Act can be filed in the court situated at a place where the bank of the payee is located. It is a punishable offence with a fine which can extend to twice the amount of the cheque or imprisonment for a term not more than two years or both.

When an issuer presents a cheque to the bank for payment, and it is returned unpaid by the bank due to insufficient funds, the cheque is said to have bounced.

Peeved at the large number of pending cases of cheque bounce, the Supreme Court had constituted a committee with a mandate to suggest steps to be taken for early disposal of about 35 lakh pending cases across the country.

During the hearing, the Centre had "in principle accepted" the need for creating additional courts to deal with such cases.

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The SC-constituted committee had recommended procedural reforms, full use of technology and augmentation of infrastructure to ensure that disputes are resolved swiftly.

Besides, the panel had suggested some changes in the Negotiable Instruments Act, 1881.

Trade bodies have been pitching for changes in the cheque bounce law for the fast disposal of such cases.

Industry body PHDCCI recently urged the finance ministry to take measures like compulsory suspension of bank withdrawals for a few days to make the cheque issuers accountable for their action in cheque-bounce cases.

The government should enact a law that from the date of dishonoring of cheque, the dispute between the two parties must be settled within 90 days through mediation, the chamber has suggested.

This story has been published from a wire agency feed without modifications to the text. Only the headline has been changed.