NEGOTIABLE INSTRUMENTS ACT PROFESSIONAL CORPUS - BATCH 02

Chapter VII - Discharge from Liability on Notes, Bills and Cheques

Control cancellation, release, presentment delay, endorsement verification, alteration, acceptance and discharge evidence.

Source review: 2026-07-18 | Act 26 of 1881 | Authors: CA Nikhil Gupta - Kajri Singh

Source status: The complete section architecture is mapped to India Code and the operational layer includes identified RBI cheque/CTS directions. India Code does not list standalone central Rules or Act-specific circulars in its repository tables. The official Act/Gazette, binding judgments and current RBI directions prevail. Exact local line-by-line statutory text is not claimed until source-hash certification is complete.

Dedicated Finin2min Summary - Chapter in 2 Minutes

- Control cancellation, release, presentment delay, endorsement verification, alteration, acceptance and discharge evidence.
- Primary control: alteration and discharge gate.
- Confirm cancellation/release, consent, alteration, presentment delay and payment in due course.
- Apply the exact current section text, amendment history and transaction evidence together.
- Do not confuse a negotiable instrument remedy with automatic proof of the underlying transaction.

Section-by-section provision map

Provision / control	Subject	Legal effect / rule	Implementation	Evidence
Section 82				

Provision / control	Subject	Legal effect / rule	Implementation	Evidence
	Discharge from liability.	Section 82 allocates or releases liability concerning discharge from liability.	Map every party, capacity, signature, notice, consent, payment and loss before concluding exposure.	Keep instrument, authority, consideration, notices, releases and payment records.
Section 83	Discharge by allowing drawee more than forty-eight hours to accept.	Section 83 allocates or releases liability concerning discharge by allowing drawee more than forty-eight hours to accept.	Map every party, capacity, signature, notice, consent, payment and loss before concluding exposure.	Keep instrument, authority, consideration, notices, releases and payment records.
Section 84	When cheque not duly presented and drawer damaged thereby.	Section 84 regulates cheque/banking treatment: When cheque not duly presented and drawer damaged thereby.	Match crossing, account, authority, due course, negligence and return reason.	Keep cheque image, KYC, mandate, clearing data and exception approvals.
Section 85	Cheque payable to order.	Section 85 regulates cheque/banking treatment: Cheque payable to order.	Match crossing, account, authority, due course, negligence and return reason.	Keep cheque image, KYC, mandate, clearing data and exception approvals.
Section 85A	Drafts drawn by one branch of a bank on another payable to order.	Section 85A addresses drafts drawn by one branch of a bank on another payable to order.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.
Section 86	Parties not consenting discharged by qualified or limited acceptance.	Section 86 allocates or releases liability concerning parties not consenting discharged by	Map every party, capacity, signature, notice, consent, payment and loss	Keep instrument, authority, consideration, notices, releases

Provision / control	Subject	Legal effect / rule	Implementation	Evidence
		qualified or limited acceptance.	before concluding exposure.	and payment records.
Section 87	Effect of material alteration.	Material alteration can render an instrument void against non-consenting parties unless made to carry out common intention or otherwise protected.	Treat changes to date, amount, payee, place, time, crossing or liability as high-risk; obtain fresh execution rather than overwriting.	Preserve scan/ image, forensic trail, consent and bank rejection reason.
Section 88	Acceptor or indorser bound notwithstanding previous alteration.	Section 88 addresses acceptor or indorser bound notwithstanding previous alteration.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.
Section 89	Payment of instrument on which alteration is not apparent.	Section 89 addresses payment of instrument on which alteration is not apparent.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.
Section 90	Extinguishment of rights of action on bill in acceptor hands.	Section 90 addresses extinguishment of rights of action on bill in acceptor hands.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.

Finin2min clause-by-clause decode

Section 82 - Discharge from liability.

Decode: Section 82 allocates or releases liability concerning discharge from liability.

Implementation: Map every party, capacity, signature, notice, consent, payment and loss before concluding exposure.

Evidence: Keep instrument, authority, consideration, notices, releases and payment records.

Section 83 - Discharge by allowing drawee more than forty-eight hours to accept.

Decode: Section 83 allocates or releases liability concerning discharge by allowing drawee more than forty-eight hours to accept.

Implementation: Map every party, capacity, signature, notice, consent, payment and loss before concluding exposure.

Evidence: Keep instrument, authority, consideration, notices, releases and payment records.

Section 84 - When cheque not duly presented and drawer damaged thereby.

Decode: Section 84 regulates cheque/banking treatment: When cheque not duly presented and drawer damaged thereby.

Implementation: Match crossing, account, authority, due course, negligence and return reason.

Evidence: Keep cheque image, KYC, mandate, clearing data and exception approvals.

Section 85 - Cheque payable to order.

Decode: Section 85 regulates cheque/banking treatment: Cheque payable to order.

Implementation: Match crossing, account, authority, due course, negligence and return reason.

Evidence: Keep cheque image, KYC, mandate, clearing data and exception approvals.

Section 85A - Drafts drawn by one branch of a bank on another payable to order.

Decode: Section 85A addresses drafts drawn by one branch of a bank on another payable to order.

Implementation: Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.

Evidence: Keep the current source, instrument, authority, commercial records, notices and outcome evidence.

Section 86 - Parties not consenting discharged by qualified or limited acceptance.

Decode: Section 86 allocates or releases liability concerning parties not consenting discharged by qualified or limited acceptance.

Implementation: Map every party, capacity, signature, notice, consent, payment and loss before concluding exposure.

Evidence: Keep instrument, authority, consideration, notices, releases and payment records.

Section 87 - Effect of material alteration.

Decode: Material alteration can render an instrument void against non-consenting parties unless made to carry out common intention or otherwise protected.

Implementation: Treat changes to date, amount, payee, place, time, crossing or liability as high-risk; obtain fresh execution rather than overwriting.

Evidence: Preserve scan/image, forensic trail, consent and bank rejection reason.

Section 88 - Acceptor or indorser bound notwithstanding previous alteration.

Decode: Section 88 addresses acceptor or indorser bound notwithstanding previous alteration.

Implementation: Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.

Evidence: Keep the current source, instrument, authority, commercial records, notices and outcome evidence.

Section 89 - Payment of instrument on which alteration is not apparent.

Decode: Section 89 addresses payment of instrument on which alteration is not apparent.

Implementation: Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.

Evidence: Keep the current source, instrument, authority, commercial records, notices and outcome evidence.

Section 90 - Extinguishment of rights of action on bill in acceptor hands.

Decode: Section 90 addresses extinguishment of rights of action on bill in acceptor hands.

Implementation: Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.

Evidence: Keep the current source, instrument, authority, commercial records, notices and outcome evidence.

Finin2min implementation explanation

Use a alteration and discharge gate. Confirm cancellation/release, consent, alteration, presentment delay and payment in due course. Assign an owner, due date, reviewer, source version and exception approver. No step is complete merely because a cheque exists.

Practical examples and calculations

Section 82 illustration

Example control: before relying on section 82, prepare a one-page fact matrix for discharge from liability, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 83 illustration

Example control: before relying on section 83, prepare a one-page fact matrix for discharge by allowing drawee more than forty-eight hours to accept, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 84 illustration

Example control: before relying on section 84, prepare a one-page fact matrix for when cheque not duly presented and drawer damaged thereby, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 85 illustration

Example control: before relying on section 85, prepare a one-page fact matrix for cheque payable to order, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 85A illustration

Example control: before relying on section 85A, prepare a one-page fact matrix for drafts drawn by one branch of a bank on another payable to order, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 86 illustration

Example control: before relying on section 86, prepare a one-page fact matrix for parties not consenting discharged by qualified or limited acceptance, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Practical transaction application

At transaction inception, document the underlying obligation, consideration, invoice/delivery/acceptance, payment terms, instrument purpose, signatory mandate, crossing, custody and alternative payment/return consequences. Reconcile books, GST/tax records and bank entries.

Authority, consent and execution controls

For a company/LLP/firm, verify board/partner authority, bank mandate, delegated limits, specimen signatures, signing capacity and complaint/settlement authority. Avoid ambiguous signatures and preserve appointment/resignation dates.

Stamp duty and registration alerts

Promissory notes and bills may attract the Indian Stamp Act and applicable State/territorial stamp framework. Cheque, agreement, guarantee, settlement and security documents can have distinct treatment. Verify current place of execution, instrument character, rate, timing and admissibility consequences before signing.

Evidence and document-retention checklist

- Current official Act and amendment source
- Original instrument / bank image and custody log
- Underlying contract, invoice, delivery and acceptance
- Authority, mandate and signatory records
- Consideration, ledger, bank and tax/GST reconciliation
- Presentation proof and bank return memo
- Notice, dispatch, tracking, service and response
- Interest, part-payment, credit-note and loss calculation
- Settlement, compounding and court orders
- Electronic record export, metadata and certification
- Case-law/limitation/jurisdiction research note
- Exception, mitigation and closure log

Use a legal-hold folder with immutable scans, originals register, metadata/export logs, bank-certified records, emails, delivery/acceptance, notices, service proofs, court filings and source-version records. Define retention beyond ordinary finance policy while litigation or limitation remains open.

Performance, delivery and payment controls

Link payment obligation to objective delivery/acceptance milestones. Record disputed quantity/quality, credit notes, set-off, part payment, interest and extension. Do not issue replacement cheques without cancelling and accounting for the earlier instrument.

Breach, loss, mitigation and remedy framework

Stop continuing loss, preserve evidence, verify the legally enforceable amount, issue contract/statutory notice, offer cure where appropriate, mitigate, quantify recoverable loss and select civil, criminal, insolvency or negotiated remedies without double recovery.

Limitation and forum controls

Maintain separate clocks for instrument maturity/presentation, notice, payment window, complaint, civil recovery, arbitration and appeal. Confirm territorial and subject-matter jurisdiction, filing authority, court holiday rules, service and condonation.

Arbitration and mediation interface

Arbitration/mediation can resolve the underlying commercial dispute and settlement terms, but cannot privately override mandatory criminal-court procedure. Coordinate compounding/withdrawal/disposal orders and default consequences.

Company, partnership, GST and tax overlays

Company/LLP law governs authority and officer responsibility; partnership law affects firm/partner exposure; GST and income-tax records help evidence supply, consideration and write-offs; IBC may alter recovery/ proceeding strategy; FEMA applies to cross-border instruments; accounting standards govern recognition and impairment.

Finin2min Q&A

Does possession of a cheque alone prove the entire claim?

No. Statutory presumptions may assist, but the transaction, authority, amount, presentation, notice and other conditions should be evidenced.

Can a contract arbitration clause eliminate section 138 procedure?

No. It may govern the underlying civil dispute, while statutory criminal-court and compounding procedure continues to require proper handling.

Should altered cheques be manually corrected?

Ordinarily use a fresh instrument and preserve the cancelled instrument; CTS and material-alteration controls make overwriting high risk.

What is the first control after a cheque is returned?

Obtain and verify the bank memo, freeze the timeline, preserve the underlying debt file and assign notice/settlement/litigation owners.

How should entity liability be assessed?

Identify the drawer entity, signatory and persons in charge/responsible at the relevant time, plus any consent, connivance or neglect route and statutory defence evidence.

Is the cheque amount always the recoverable commercial amount?

Not necessarily. Reconcile part payments, credit notes, set-off, interest, tax, settlement and the legally enforceable balance.

Can the case be settled?

Section 147 permits compounding, but payment terms, default, court disposal and parallel civil remedies must be documented.

What source prevails?

The current official Act/Gazette, binding court law, applicable RBI direction and fact-specific court order prevail over the educational explanation.

Chapter-specific decision flowchart