NEGOTIABLE INSTRUMENTS ACT PROFESSIONAL CORPUS - BATCH 02

Chapter VIII - Of Notice of Dishonour

Record the return reason and deliver timely, provable notice to every party whose liability is to be preserved.

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

- Record the return reason and deliver timely, provable notice to every party whose liability is to be preserved.
- Primary control: notice preservation gate.
- Capture the dishonour reason and serve all required parties with provable timing.
- 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 91		Section 91 controls the dishonour/ notice process:	Create a date-and-service matrix and	Keep return memo, notice, dispatch,

Provision / control	Subject	Legal effect / rule	Implementation	Evidence
	Dishonour by non-acceptance.	Dishonour by non-acceptance.	identify every liable party.	delivery, response and limitation worksheet.
Section 92	Dishonour by non-payment.	Section 92 controls the dishonour/ notice process: Dishonour by non-payment.	Create a date-and-service matrix and identify every liable party.	Keep return memo, notice, dispatch, delivery, response and limitation worksheet.
Section 93	By and to whom notice should be given.	Section 93 controls the dishonour/ notice process: By and to whom notice should be given.	Create a date-and-service matrix and identify every liable party.	Keep return memo, notice, dispatch, delivery, response and limitation worksheet.
Section 94	Mode in which notice may be given.	Section 94 controls the dishonour/ notice process: Mode in which notice may be given.	Create a date-and-service matrix and identify every liable party.	Keep return memo, notice, dispatch, delivery, response and limitation worksheet.
Section 95	Party receiving must transmit notice of dishonour.	Section 95 controls the dishonour/ notice process: Party receiving must transmit notice of dishonour.	Create a date-and-service matrix and identify every liable party.	Keep return memo, notice, dispatch, delivery, response and limitation worksheet.
Section 96	Agent for presentment.	Section 96 regulates agent for presentment.	Record person, place, time, mode, instrument condition and any statutory excuse.	Keep presentation acknowledgement, bank/notarial record and timeline.
Section 97	When party to whom notice given is dead.	Section 97 controls the dishonour/ notice process: When party to whom notice given is dead.	Create a date-and-service matrix and identify every liable party.	Keep return memo, notice, dispatch, delivery, response and limitation worksheet.

Provision / control	Subject	Legal effect / rule	Implementation	Evidence
Section 98	When notice of dishonour is unnecessary.	Section 98 controls the dishonour/ notice process: When notice of dishonour is unnecessary.	Create a date-and-service matrix and identify every liable party.	Keep return memo, notice, dispatch, delivery, response and limitation worksheet.

Finin2min clause-by-clause decode

Section 91 - Dishonour by non-acceptance.

Decode: Section 91 controls the dishonour/notice process: Dishonour by non-acceptance.

Implementation: Create a date-and-service matrix and identify every liable party.

Evidence: Keep return memo, notice, dispatch, delivery, response and limitation worksheet.

Section 92 - Dishonour by non-payment.

Decode: Section 92 controls the dishonour/notice process: Dishonour by non-payment.

Implementation: Create a date-and-service matrix and identify every liable party.

Evidence: Keep return memo, notice, dispatch, delivery, response and limitation worksheet.

Section 93 - By and to whom notice should be given.

Decode: Section 93 controls the dishonour/notice process: By and to whom notice should be given.

Implementation: Create a date-and-service matrix and identify every liable party.

Evidence: Keep return memo, notice, dispatch, delivery, response and limitation worksheet.

Section 94 - Mode in which notice may be given.

Decode: Section 94 controls the dishonour/notice process: Mode in which notice may be given.

Implementation: Create a date-and-service matrix and identify every liable party.

Evidence: Keep return memo, notice, dispatch, delivery, response and limitation worksheet.

Section 95 - Party receiving must transmit notice of dishonour.

Decode: Section 95 controls the dishonour/notice process: Party receiving must transmit notice of dishonour.

Implementation: Create a date-and-service matrix and identify every liable party.

Evidence: Keep return memo, notice, dispatch, delivery, response and limitation worksheet.

Section 96 - Agent for presentment.

Decode: Section 96 regulates agent for presentment.

Implementation: Record person, place, time, mode, instrument condition and any statutory excuse.

Evidence: Keep presentation acknowledgement, bank/notarial record and timeline.

Section 97 - When party to whom notice given is dead.

Decode: Section 97 controls the dishonour/notice process: When party to whom notice given is dead.

Implementation: Create a date-and-service matrix and identify every liable party.

Evidence: Keep return memo, notice, dispatch, delivery, response and limitation worksheet.

Section 98 - When notice of dishonour is unnecessary.

Decode: Section 98 controls the dishonour/notice process: When notice of dishonour is unnecessary.

Implementation: Create a date-and-service matrix and identify every liable party.

Evidence: Keep return memo, notice, dispatch, delivery, response and limitation worksheet.

Finin2min implementation explanation

Use a notice preservation gate. Capture the dishonour reason and serve all required parties with provable timing. 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 91 illustration

Example control: before relying on section 91, prepare a one-page fact matrix for dishonour by non-acceptance, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 92 illustration

Example control: before relying on section 92, prepare a one-page fact matrix for dishonour by non-payment, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 93 illustration

Example control: before relying on section 93, prepare a one-page fact matrix for by and to whom notice should be given, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 94 illustration

Example control: before relying on section 94, prepare a one-page fact matrix for mode in which notice may be given, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 95 illustration

Example control: before relying on section 95, prepare a one-page fact matrix for party receiving must transmit notice of dishonour, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 96 illustration

Example control: before relying on section 96, prepare a one-page fact matrix for agent for presentment, 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