

Chapter XI - Acceptance and Payment for Honour and Reference in Case of Need

Verify protest prerequisites, written acceptance/payment for honour, identity, recourse and rights acquired.

Source review: 2026-07-18

Act 26 of 1881

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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

- Verify protest prerequisites, written acceptance/payment for honour, identity, recourse and rights acquired.
- Primary control: honour intervention gate.
- Verify protest, written acceptance/payment and recourse rights before intervention.
- 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 108				

Provision / control	Subject	Legal effect / rule	Implementation	Evidence
	Acceptance for honour.	Section 108 addresses acceptance for honour.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.
Section 109	How acceptance for honour must be made.	Section 109 addresses how acceptance for honour must be made.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.
Section 110	Acceptance not specifying for whose honour it is made.	Section 110 addresses acceptance not specifying for whose honour it is made.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.
Section 111	Liability of acceptor for honour.	Section 111 allocates or releases liability concerning liability of acceptor for honour.	Map every party, capacity, signature, notice, consent, payment and loss before concluding exposure.	Keep instrument, authority, consideration, notices, releases and payment records.
Section 112	When acceptor for honour may be charged.	Section 112 addresses when acceptor for honour may be charged.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.
Section 113	Payment for honour.	Section 113 addresses payment for honour.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.
Section 114	Right of payer for honour.	Section 114 addresses right of payer for honour.	Identify trigger, parties, conditions, exceptions, consequence and linked	Keep the current source, instrument, authority, commercial

Provision / control	Subject	Legal effect / rule	Implementation	Evidence
			sections before execution.	records, notices and outcome evidence.
Section 115	Drawee in case of need.	Section 115 addresses drawee in case of need.	Identify trigger, parties, conditions, exceptions, consequence and linked sections before execution.	Keep the current source, instrument, authority, commercial records, notices and outcome evidence.
Section 116	Acceptance and payment without protest.	Section 116 addresses acceptance and payment without protest.	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 108 - Acceptance for honour.

Decode: Section 108 addresses acceptance for honour.

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 109 - How acceptance for honour must be made.

Decode: Section 109 addresses how acceptance for honour must be made.

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 110 - Acceptance not specifying for whose honour it is made.

Decode: Section 110 addresses acceptance not specifying for whose honour it is made.

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 111 - Liability of acceptor for honour.

Decode: Section 111 allocates or releases liability concerning liability of acceptor for honour.

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 112 - When acceptor for honour may be charged.

Decode: Section 112 addresses when acceptor for honour may be charged.

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 113 - Payment for honour.

Decode: Section 113 addresses payment for honour.

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 114 - Right of payer for honour.

Decode: Section 114 addresses right of payer for honour.

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 115 - Drawee in case of need.

Decode: Section 115 addresses drawee in case of need.

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 116 - Acceptance and payment without protest.

Decode: Section 116 addresses acceptance and payment without protest.

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 honour intervention gate. Verify protest, written acceptance/payment and recourse rights before intervention. 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 108 illustration

Example control: before relying on section 108, prepare a one-page fact matrix for acceptance for honour, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 109 illustration

Example control: before relying on section 109, prepare a one-page fact matrix for how acceptance for honour must be made, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 110 illustration

Example control: before relying on section 110, prepare a one-page fact matrix for acceptance not specifying for whose honour it is made, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 111 illustration

Example control: before relying on section 111, prepare a one-page fact matrix for liability of acceptor for honour, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 112 illustration

Example control: before relying on section 112, prepare a one-page fact matrix for when acceptor for honour may be charged, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 113 illustration

Example control: before relying on section 113, prepare a one-page fact matrix for payment for honour, 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

