

Chapter XIV - Of Crossed Cheque

Read the crossing and account-payee controls, trace collecting/drawee bank conduct and preserve due-care 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

- Read the crossing and account-payee controls, trace collecting/drawee bank conduct and preserve due-care evidence.
- Primary control: bank duty gate.
- Match crossing, payee account, collection and good-faith/negligence controls.
- 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 123		Section 123 regulates cheque/banking	Match crossing, account, authority, due	Keep cheque image, KYC, mandate, clearing

Provision / control	Subject	Legal effect / rule	Implementation	Evidence
	Cheque crossed generally.	treatment: Cheque crossed generally.	course, negligence and return reason.	data and exception approvals.
Section 124	Cheque crossed specially.	Section 124 regulates cheque/banking treatment: Cheque crossed specially.	Match crossing, account, authority, due course, negligence and return reason.	Keep cheque image, KYC, mandate, clearing data and exception approvals.
Section 125	Crossing after issue.	Section 125 regulates cheque/banking treatment: Crossing after issue.	Match crossing, account, authority, due course, negligence and return reason.	Keep cheque image, KYC, mandate, clearing data and exception approvals.
Section 126	Payment of cheque crossed generally.	Section 126 regulates cheque/banking treatment: Payment of cheque crossed generally.	Match crossing, account, authority, due course, negligence and return reason.	Keep cheque image, KYC, mandate, clearing data and exception approvals.
Section 127	Payment of cheque crossed specially more than once.	Section 127 regulates cheque/banking treatment: Payment of cheque crossed specially more than once.	Match crossing, account, authority, due course, negligence and return reason.	Keep cheque image, KYC, mandate, clearing data and exception approvals.
Section 128	Payment in due course of crossed cheque.	Section 128 regulates cheque/banking treatment: Payment in due course of crossed cheque.	Match crossing, account, authority, due course, negligence and return reason.	Keep cheque image, KYC, mandate, clearing data and exception approvals.
Section 129	Payment of crossed cheque out of due course.	Section 129 regulates cheque/banking treatment: Payment of crossed cheque out of due course.	Match crossing, account, authority, due course, negligence and return reason.	Keep cheque image, KYC, mandate, clearing data and exception approvals.
Section 130		Section 130 controls transfer/title through	Trace physical/ electronic custody,	Keep original/ image, transfer

Provision / control	Subject	Legal effect / rule	Implementation	Evidence
	Cheque bearing not negotiable.	cheque bearing not negotiable.	endorsement wording, value, date and title defects.	agreement, payment proof and custody log.
Section 131	Non-liability of banker receiving payment of cheque.	A collecting banker may receive statutory protection only when acting in good faith and without negligence within the conditions of the section.	Run KYC, payee-account match, crossing, endorsement, unusual transaction and fraud-alert checks.	Keep account opening/KYC, image, clearing data, exception approvals and investigation logs.
Section 131A	Application of Chapter to drafts.	Section 131A addresses application of chapter to drafts.	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 123 - Cheque crossed generally.

Decode: Section 123 regulates cheque/banking treatment: Cheque crossed generally.

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

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

Section 124 - Cheque crossed specially.

Decode: Section 124 regulates cheque/banking treatment: Cheque crossed specially.

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

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

Section 125 - Crossing after issue.

Decode: Section 125 regulates cheque/banking treatment: Crossing after issue.

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

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

Section 126 - Payment of cheque crossed generally.

Decode: Section 126 regulates cheque/banking treatment: Payment of cheque crossed generally.

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

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

Section 127 - Payment of cheque crossed specially more than once.

Decode: Section 127 regulates cheque/banking treatment: Payment of cheque crossed specially more than once.

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

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

Section 128 - Payment in due course of crossed cheque.

Decode: Section 128 regulates cheque/banking treatment: Payment in due course of crossed cheque.

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

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

Section 129 - Payment of crossed cheque out of due course.

Decode: Section 129 regulates cheque/banking treatment: Payment of crossed cheque out of due course.

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

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

Section 130 - Cheque bearing not negotiable.

Decode: Section 130 controls transfer/title through cheque bearing not negotiable.

Implementation: Trace physical/electronic custody, endorsement wording, value, date and title defects.

Evidence: Keep original/image, transfer agreement, payment proof and custody log.

Section 131 - Non-liability of banker receiving payment of cheque.

Decode: A collecting banker may receive statutory protection only when acting in good faith and without negligence within the conditions of the section.

Implementation: Run KYC, payee-account match, crossing, endorsement, unusual transaction and fraud-alert checks.

Evidence: Keep account opening/KYC, image, clearing data, exception approvals and investigation logs.

Section 131A - Application of Chapter to drafts.

Decode: Section 131A addresses application of chapter to drafts.

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 bank duty gate. Match crossing, payee account, collection and good-faith/negligence controls. 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 123 illustration

Example control: before relying on section 123, prepare a one-page fact matrix for cheque crossed generally, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 124 illustration

Example control: before relying on section 124, prepare a one-page fact matrix for cheque crossed specially, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 125 illustration

Example control: before relying on section 125, prepare a one-page fact matrix for crossing after issue, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 126 illustration

Example control: before relying on section 126, prepare a one-page fact matrix for payment of cheque crossed generally, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 127 illustration

Example control: before relying on section 127, prepare a one-page fact matrix for payment of cheque crossed specially more than once, identify the document and date that proves each condition, and quantify principal, interest, fees or loss only from source records.

Section 128 illustration

Example control: before relying on section 128, prepare a one-page fact matrix for payment in due course of crossed cheque, 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

