

TOPIC: CROSSING OF CHEQUE AND ENDORSEMENT

C.P.A College

Dr.S.NAGALINGAM,
M.Com., M.Phil., P.G.D.C.A., Ph.D.,

Assistant Professor,
PG & Research Department of Commerce,
Cardamom Planters' Association College,
Bodinayakanur.

Crossing of Cheque

A crossed check is any check that is crossed with two parallel lines, either across the whole check or through the top left-hand corner of the check. This double-line notation signifies that the check may only be deposited directly into a bank account.

Cross Cheque

The process referred to as Crossing of Cheques specifies a general instruction to a cheque which is about to be deposited to a bank account.

According to Section 123 of the Negotiable Instruments Act, 1881 about Crossing of Cheques, the instruction stated above defines that the amount specified in the cheque will be deposited directly unto the account of the Cheque holder and will not be immediately delivered as cash to the holder over the bank counter.

Reasons to Cross Cheque

- Crossing a Cheque provides precise instructions to a financial organization regarding the handling of funds.
- Crossed cheques are usually identified by drawing either two parallel transverse lines either vertically across the cheque or on the top left-hand corner of the cheque.
- Two or more words like 'and company' or 'not negotiable' may be placed between the lines. While just drawing the lines with no words also would not alter the purpose of the crossed cheque.
- With Crossed cheques, the cheque writers may protect the amount transferred from being cashed by the unauthorized person or from being stolen.
- This format for Crossed cheques may differ between various countries in the nature of its format or statements.
- Since the Crossed Cheques can only be paid through a bank account, the beneficiaries transaction record may be traced later for further queries and clarifications.

Rules of crossing of cheque:

In general crossing, the cheque bears across its face an addition of two parallel transverse lines and/or the addition of words 'and Co.' or 'not negotiable' between them. In the case of general crossing on the cheque, the paying banker will pay money to any banker.

Crossing of Cheque Important:

The usefulness or significance of this crossing is that the cheque should essentially be paid only to the banker. Special Crossing cheque does require the name of the banker. The effect of this type of crossing is that the cheque should be funded only to the banker to whom it is crossed.

Types of Cross Cheque

- 1. General Crossing
- 2. Special Crossing
- 3. Non- Negotiable Crossing
- 4. Account Payee Crossing

1. General Crossing (Section 123)

As mentioned earlier, the general crossing of cheques means including some words in between the two lines drawn which symbolizes a crossed cheque. This depicts that the bank on which it is drawn shall not permit the amount of payment in any other banks. Hence, the payment can be made only in the collecting bank.

2. Special or Restricted Crossing (Section 124)

In the case of special crossing, the cheque bears the name of the bank, either with or without the words 'not negotiable'. This means that the payment can be made only to that specific bank.

3. Not negotiable crossing (Section 130)

This type of cheque crossing means that the cheque can be transferred but cannot be negotiated. In such cases, the 'cheque holder' will bear the title of a transferor only.

4. Amount Payee Crossing

The above term depicts that the amount cannot be paid in any other bank account apart from the one mentioned in the cheque. Practicing Account payee crossing also ensures that, the money is transferred to the bank account only and is not given in the form of liquid cash.

Cheque Validity

The validity of a cheque is estimated to be within a period of three months from the date on which it is drawn. After this period, it becomes stale, and it may result in the drawee bank refusing to pay the amount. However, if the cheque has become obsolete due to the expiry of the period of validity, then it can be re-validated by the drawer.

Benefit of Cross Check

The goal of crossing is to **prevent the payment of a cheque from being made to an incorrect party** by instructing the drawee banker to pay the check amount only to a banker. Cancel the crossing on a cheque. Crossing on a cheque can be cancelled by **the drawer or issuer of the cheque**, writing that "Crossing is cancelled" and putting full signature verifying the crossing cancellation.

3 months

Accordingly, cheques, Drafts, Pay Orders and Banker's Cheques are "valid for **3 months from the date of instrument**", with effect from 01.04.

Double Crossing of a Cheque

In cases where a cheque bears two special crossings, it is called Double Crossing. In such a situation, the second bank act as the agent of the first collecting banker. It functions in situations when the banker in whose favor the cheque is crossed does not have the branch where the cheque is to be paid.

Endorsement

A negotiable instrument is a written document that is transferred by delivery or by endorsement. Such instruments are transferred from one person to another and entitle him to the sum of money and also the right to transfer it. It helps to avoid carrying a large amount of money to reduce the risk of robbery, theft, etc. Negotiable Instrument includes documents like a cheque, a promissory note, or a bill of exchange. The Negotiable Instrument Act, 1881 deals and gives legal effect to such instruments.

Meaning

When someone pays you with a check, typically you have to **sign the back of it before you can deposit it in your account**. Signing the back of it is called “endorsing the check.” We have tips on how you can safely endorse a check.

Types of Endorsement

1. Blank or General Endorsement

It is a type of endorsement when the **endorser just signs on the instrument without mentioning the name** of the person in whose favour the endorsement is made. Endorsement in blank specifies no endorsee. It simply consists of the signature of the endorser on the endorsement.

2. Special or full endorsement [Sec. 16]

In this type of endorsement contains **not only the signature** of the endorser **but also the name of the person** in whose favour the endorsement is made, then it is an endorsement in full. In Special or Full Endorsement an endorsement, it is only the endorsee who can transfer the instrument.

3. Partial endorsement [Sec. 56]

A partial endorsement is a type of endorsement in which purports to transfer to the endorsee a part only of the amount payable on the instrument. Such an endorsement does not operate as a negotiation of the instrument.

4. Restrictive endorsement [Sec. 50]

A restrictive endorsement is one which either by express words restricts or prohibits the further negotiation of a bill or which expresses that it is not a complete and unconditional transfer of the instrument but is a mere authority to the endorsee to deal with bill as directed by such endorsement.

5. Conditional or Qualified Endorsement

A type of endorsement where the endorsee limits or negatives his liability by putting some condition in the instrument is called a **conditional endorsement**. A conditional endorsement, unlike the restrictive endorsement, does not affect the negotiability of the instrument. It is also sometimes called a **qualified endorsement**.

Sans recourse: Endorser relieves himself from the liability to all subsequent endorsee.

Facultative: The endorser waives any of his rights

Contingent: The endorser makes his liability dependent upon happening of some event.