



**ALLAHABAD BANK**  
HEAD OFFICE, KOLKATA

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**Policy on Collection of Cheques/Instruments for Individual Customers (Revised)**

**PREAMBLE**

Keeping in view the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of Banks, Reserve Bank of India had, with effect from 1<sup>st</sup> November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local /outstation cheques, (ii) Time Frame for collection of Local/Outstation Instruments and (iii) Interest Payment for delayed collection. The withdrawal of these mandatory guidelines was expected to enable market forces of competition to come into play to improve efficiencies in collection of cheques and other instruments. This collection policy of the Bank is a reflection of our on-going efforts to provide better service to our customers and set higher standards for performance. The policy is based on principles of transparency and fairness in the treatment of customers. The bank is committed to increase use of technology to provide quick collection services to its customers. This policy document covers the following aspects:

- ❖ Collection of cheques and other instruments payable locally, at centres within India and abroad;
- ❖ Our commitment regarding time norms for collection of instruments;
- ❖ Policy on payment of interest in cases where the bank fails to meet time norms for realisation of proceeds of **Local**/outstation instruments;
- ❖ Our policy on dealing with collection instruments lost in transit;

**1. Arrangements for Collection:**

**1.1 Local Cheques**

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented in the next clearing cycle. Bank will give credit to the customer account on the same day the clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. Branches situated at centres where no clearing house exists, will present local cheques on drawee banks across the counter and will endeavour to credit the proceeds in the payee's account at the earliest.

**1.2 Speed Clearing**

Outstation cheques drawn on banks participating in speed clearing at specified locations will be collected and treated at par with local cheques. All terms and conditions applicable for local clearing instruments will also apply to speed clearing.

**1.3 Outstation Cheques**

Cheques drawn on other banks at outstation centres other than covered under speed clearing will normally be collected through Bank's own branches at those centres. Where the Bank does not

have a branch of its own, the instrument will be directly sent for collection to the drawee bank or collected through a correspondent bank.

Cheques drawn on Bank's own branches at outstation centres will be collected by using the existing inter-branch arrangements. Branches, which are connected through a centralized processing arrangement and are offering any where banking services to its customers, will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches in the CBS network.

#### **1.4 Cheques payable in Foreign Countries:**

Cheques payable at foreign centres where the Bank has branch operations (or banking operations through a subsidiary, etc.) will be collected through that office. The services of correspondent banks will be utilized in country/centres where the correspondent has presence. Cheques drawn on foreign banks at centres where the bank or its correspondents do not have direct presence will be sent directly to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

#### **1.5 Immediate Credit of Local / Outstation Cheques / Instruments:**

Branches / Extension Counters of the Bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.15,000.00 (Rupees Fifteen thousand only) tendered for collection by individual account holders, subject to satisfactory conduct of such accounts for a period not less than 6 months. Branches / Extension Counters of the Bank will consider providing immediate credit facility to the individual account holders upto the aggregate value of Rs.25000/- (Rupees twenty five thousand only) in respect of prepaid instruments like Demand Draft, Interest/Dividend Warrant etc. as also instruments drawn by government departments and undertakings. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearing house exists. The facility of immediate credit will be offered on Savings Bank / Current / Cash Credit Accounts of the customers. For extending this facility, there will not be any separate stipulation of minimum balance in the account. In the event of dishonour of a cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period the Bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers.

For the purpose of this Policy,

a satisfactorily conducted account shall be the one:

- a) Opened at least six months earlier and complying with KYC norms.
- b) Conduct of which has been satisfactory and Bank has not noticed any irregular dealings.
- c) Where no cheques / instruments for which immediate credit was afforded returned unpaid for financial reasons.
- d) Where the Bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit. Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will not, however be charged.

However, this facility of immediate credit would not be applicable to cheques collected under speed clearing arrangement.

### **1.6 Purchase of local/outstation cheques:**

Bank may, at its discretion, purchase local/outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement. Beside satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

### **2. Time Frame for Collection of Local / Outstation Cheques / Instruments:**

The cheques deposited by customers upto three hours before the respective clearing schedules will be sent to the clearing house on the same day. However, branches are authorized to fine-tune the time frame by reducing the time limit for deposit of cheques for sending the same for clearing on the same day in the greater interest of the individual customers depending upon the prevailing local clearing schedule. The time norms for deposit of cheques for sending the same to the clearing house on the same day will be displayed in the branch premises as well as on the cheque drop boxes for information of the customers. Cheques / Instruments presented in high value clearing (with the minimum value of Rs.1 lac) shall be credited on the same day, excepting Saturday (applicable only in areas covered by high value /same day clearing). For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied:

- a) Cheques presented at any of the four major Metro Centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centres: Maximum period of 7 days.
- b) Metro Centres and State Capitals (other than those of North Eastern States and Sikkim): Maximum period of 10 days.
- c) In all other Centres: Maximum period of 14 days.
- d) Cheques drawn on foreign countries:

For cheques payable at foreign centres, the services of correspondent Banks will be utilized in country/centres where the correspondent bank has it's presence. Cheques drawn on foreign banks at centres where correspondent bank do not have direct presence will be sent directly to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the Bank maintained with the correspondent banks. Bank will give credit to the party on credit of proceeds to the Bank's Nostro Account with the correspondent bank after taking into account cooling periods, as applicable to the countries concerned. The above time norms are applicable irrespective of whether cheques/instruments are drawn on the Bank's own branches or branches of other banks.

### **3. Payment of Interest for delayed Collection of Local/Outstation Cheques:**

Bank will pay interest to the customer on the amount of collection instruments incase there is delay in giving credit beyond the time period mentioned under (2) above. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the Bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

**Interest for delayed collection shall be paid at the following rates:**

#### ***Local Cheques:***

***Interest for delayed collection of local cheques shall be paid at savings bank rate for the corresponding period of delay.***

#### ***Outstation Cheques:***

- a) At Savings Bank rate for the period of delay beyond 7/10/14 days , as the case may be, in collection of outstation cheques.
- b) Where the delay is beyond 14 days, interest will be paid at the rate applicable to the term deposit for the respective period.

- c) In case of extraordinary delay, i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the rate applicable to the loan account. Payment of Interest as mentioned above will be applicable only for instruments sent for collection within India.

#### **4. Cheques/Instruments lost in transit/in clearing process or at paying bank's branch:**

In the event of a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the Bank shall immediately on coming to know about the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The Bank will provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. Bank will compensate the account holder in respect of instruments lost in transit in the following way:

- a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days, as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- b) In addition, Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/ institution who would charge a fee for issue of duplicate instrument.

#### **5. Force Majeure**

The Bank shall not be liable to compensate the customers for delayed credit if some unforeseen event, including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the Bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc beyond the control of the Bank which prevents it from performing its obligations within the specified service delivery parameters.

#### **6. Charging of Interest on cheques returned unpaid where Instant Credit was given:**

If a cheque sent for collection, for which immediate credit was afforded by the Bank, is returned unpaid, the value of the cheque will be immediately debited to the account. The customer will not be charged any interest from the date of immediate credit to the date of return of the instrument unless the Bank had remained out of funds on account of withdrawal of funds. Interest, where applicable, will be charged on the notional overdrawn balances in the account, had credit not been given initially. If the proceeds of the cheque credited to the Savings Bank Account was not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. If proceeds were credited to an overdraft/ loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the overdraft / loan account from the date of credit to the date of reversal of the entry if the cheque/ instrument was returned unpaid to the extent the Bank was out of funds.

**7. Procedure to be followed in case of cheques dishonoured:**

A return advice will be prepared wherein the reason for return of cheque will be indicated. The advice along with the cheque will be sent to the customer by registered post/local delivery without delay.

**8. Service Charges:**

For all collection services the bank will recover appropriate service charges as decided by the bank from time to time and communicated to customer as indicated in the code of banks commitment to customers adopted by the bank.

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