

The Chairman & Managing Director / Chief Executive Officer
All Scheduled Commercial Banks

Madam / Dear Sir,

**Delays in Cheque Clearing - Case No. 82 of 2006 before
National Consumer Disputes Redressal Commission**

As you may be aware, during August 2006, a case was filed before National Consumer Disputes Redressal Commission, New Delhi (the Commission) under the Consumer Protection Act, 1986, inviting attention to the delays in cheque clearing and, specifically, to the issue of float in local and inter-city clearing. Admitted in public interest as Case No. 82 of 2006, the complaint had named Reserve Bank of India (the Bank) and all Scheduled Commercial Banks (the banks) as respondents and sought adequate compensation by way of interest for delay in collection.

A number of affidavits were filed by the Bank and by the banks at various points of time and the case was finally disposed off by the Commission on August 27, 2008, with the Commission observing that the Bank with its wide range of powers under the Payment & Settlement Systems Act, 2007 would try to control the float, if any, arising due to delay in collection of outstation cheques. During the course of hearings, orders were passed by the Commission culminating in the final order on 'timeframe for collection of outstation cheques' which is available @ <http://www.ncdrc.nic.in/CC820605.htm>. We are sure action as contemplated under the orders of the Commission has already been initiated by your bank (as earlier advised, vide, our letter DPSS.CO.No.517 / 03.01.02(P) / 2008-09 dated September 22, 2008).

Many circular instructions have also been issued by the Bank, during the interregnum, on the contents of Cheque Collection Policies (CCPs) framed by banks as also regarding publicity to be given thereto in the interest of better information dissemination and service to customers.

Notwithstanding the above, in the interest of better clarity as also to ensure compliance with the orders of the Commission, we reiterate the following: -

- (i) Banks shall reframe their CCPs covering local and outstation cheque collection as per the timeframe prescribed by the Commission.

- (ii) For local cheques credit and debit shall be given on the same day or at the most the next day of their presentation in clearing. Ideally, in respect of local clearing, banks shall permit usage of the shadow credit afforded to the customer accounts immediately after closure of relative return clearing and in any case withdrawal shall be allowed on the same day or maximum within an hour of commencement of business on the next working day, subject to usual safeguards.
- (iii) Timeframe for collection of cheques drawn on state capitals / major cities / other locations to be 7/10/14 days respectively. If there is any delay in collection beyond this period, interest at the rate specified in the CCP of the bank, shall be paid. In case the rate is not specified in the CCP, the applicable rate shall be the interest rate on Fixed Deposits for the corresponding maturity. The timeframe for collection specified by the Commission shall be treated as outer limit and credit shall be afforded if the process gets completed earlier. As advised, vide, directions issued by the Bank dated October 8, 2008 (DPSS.CO.No.611 / 03.01.03 (P) /2008-09) 'banks shall not decline to accept outstation cheques deposited by its customers for collection'.
- (iv) Banks shall give wide publicity to the CCP by prominently displaying salient features thereof in bold and visible letters on the notice board at its branches.
- (v) A copy of the complete CCP shall be made available by the branch manager, if the customers require so.
- (vi) The Bank has placed on its website the link to CCPs of banks on their respective websites. Please ensure that no change in the location thereof is effected without prior intimation to this Department to enable updation of the links at our end.

The Bank shall be monitoring the directions issued by it as also those passed by the Commission for compliance. Please treat the matter as urgent and advise us the action taken within a month's time from the date of this letter.

Yours faithfully

(G Padmanabhan)
Chief General Manager