

Business law

Lecture-25

- Where a negotiable instrument is payable on a stated number of days after date or after sight or after happening of certain event then it shall become payable on –
 - ✓ The date on which the negotiable instrument is drawn + 3 days of grace.
 - ✓ The date on which negotiable instrument is presented for sight + 3 days of grace.
 - ✓ The date on which the event happens + 3 days of grace.
- Where a negotiable instrument is payable on a stated number of months after date or after sight or after happening of certain event then it shall become payable on –
 - ✓ The corresponding day of relevant month (The date on which the negotiable instrument is drawn) + 3 days of grace.
 - ✓ The corresponding day of relevant month (The date on which negotiable instrument is presented for sight) + 3 days of grace.
 - ✓ The corresponding day of relevant month (The date on which the event happens) + 3 days of grace.

Examples –

1. A negotiable instrument dated 31st January, 2020, is made payable at one months after date. The instrument is at maturity on the third day after the 28th February, 2020, i.e. on 3rd March, 2020.
2. A negotiable instrument dated 30th August, 2020, is made payable three months after date. The instrument is at maturity on 3rd December, 2020.
3. A negotiable instrument dated the 31st August, 2020, is made payable three months after date. The instrument is at maturity on 3rd December, 2020.

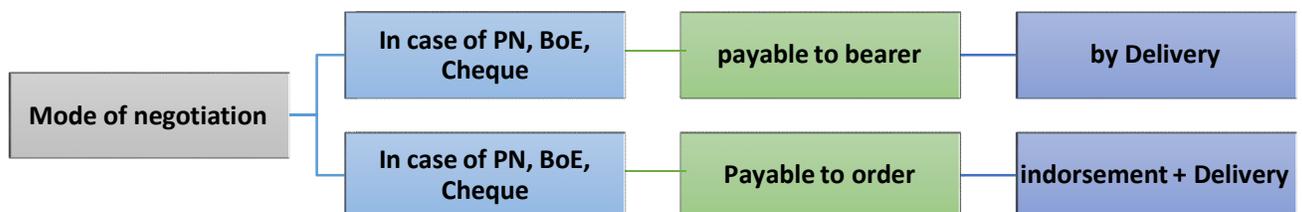
- If the last day of grace is a public holiday, then the instrument will be due on preceding business day – **Section 25**
- If the day of maturity is an emergency or unforeseen holiday, then the maturity day will be the following business day.

Negotiation (Transfer) of negotiable instruments –

A) Meaning of Negotiation –

When the instrument is transferred from one person to another with a view to make the other person as holder then the instrument is deemed to have been negotiated.

B) Modes of Negotiation –



C) Negotiation Back –

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- 1) Where an endorser negotiates an instrument and again becomes its holder, the instrument is said to be negotiated back to that endorser and none of the intermediary endorsees are then liable to him.

Example –

Raju, the holder of a bill endorses it to Shyam, Shyam endorses to Babu Bhai, and Babu Bhai to Anuradha, and endorses it again to Raju. Raju, being a holder in due course of the bill by second endorsement by Anuradha, can recover the amount thereof from Shyam, Babu Bhai, or Anuradha and himself being a prior party is liable to all of them. Therefore, Raju having been relegated by the second endorsement to his original position, cannot sue Shyam, Babu Bhai and Anuradha.

- 2) Where an endorser so excludes his liability and afterwards becomes the holder of the instrument, all the intermediate endorsers are liable to him.

Example –

An illustration will make the point clear. Raju is the payee of a negotiable instrument. He endorses the instrument 'sans recourse' to Shyam, Shyam endorses to Babu Bhai, Babu Bhai to Anuradha, and Anuradha again endorses it to Raju. In this case, Raju is not only reinstated in his former rights but has the right of an endorsee against Shyam, Babu Bhai and Anuradha.

Delivery – Section 46

The making, acceptance or indorsement of a promissory note, bill of exchange or cheque is completed by delivery which may be actual or constructive.

What is Endorsement –

A) Meaning of Endorsement –

- a) Endorsement means signing at the back of the instrument for the purpose of negotiation.
- b) The act of the signing a cheque, for the purpose of transferring to the someone else, is called the endorsement of Cheque.
- c) If no space is left on the instrument then the Endorsement may be made on a separate slip to be attached to the instrument.

B) Definition of Endorsement –

When the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation on the back or face thereof or on a slip of paper annexed (attached) thereto, or so signs for the same purpose a stamped paper intended to be completed as a negotiable instrument, he is said to endorse the same, and is called the "endorser".

C) Kinds of Endorsement –

(a) Endorsement in Blank / General –

An endorsement is said to be blank or general when the endorser puts his signature only on the instrument and does not write the name of anyone to whom or to whose order the payment is to be made.

(b) Endorsement in Full / Special –

- An endorsement is 'special' or in 'full' if the endorser, in addition to his signature also mention the name of the person to whom or to whose order the payment is to be made.

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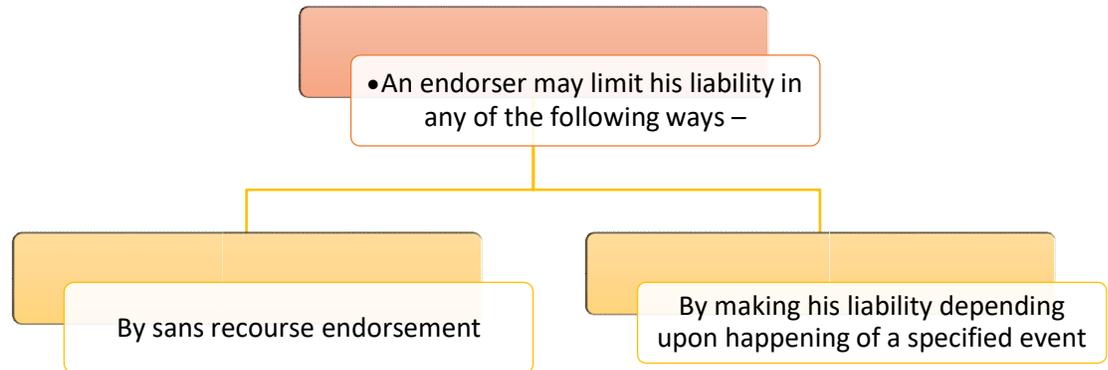
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- There is direction added by endorser to the person specified called the endorsee, of the instrument who now becomes its payee entitled to sue for the money due on the instrument.

- **Partial Endorsement** – Instrument which transfers the amount mentioned in the instrument partially and not fully is called as partial endorsement.
- As per **section 56 is invalid under law.**

(c) Conditional Endorsement –

- An endorsement is conditional or qualified which limits or negatives the liability of the endorser.



(d) Restrictive Endorsement –

- Restrictive endorsement seeks to put an end the principal characteristics of a Negotiable Instrument and seals its further negotiability.
- This may sound a little unusual, but the endorsee is very much within his rights if he so signs that its subsequent transfer is restricted.
- This prevents the risk of unauthorized person obtaining payment through fraud or **forgery** and the drawer losing his money.

(e) Endorsement Sans Recourse –

- Sans Recourse which means without recourse or reference.
- As such a when the property in a negotiable instrument is transferred sans recourse, the endorser, negatives his liability and excludes himself from responsibility to all subsequent endorsees.
- It is one of the commonest forms of qualified endorsement and virtually prohibits negotiation since the endorser says in effect.