

# Business law

## Lecture-28

### A) Crossing a cheque – **Meaning of crossing a cheque –**

- ✚ **Crossing** a cheque refers to drawing **two parallel transverse lines** on the cheque on the corner of the cheque.
- ✚ by crossing the cheque the drawer instruct the banker to not to pay it over the counter but only credit to the account of the person named therein.
- ✚ It means the banker should pay the money only through banker.
- ✚ It adds to the security and thus ensures payment to the payee or to his order



- ✚ The crossing of cheque had developed gradually as a means of protection against misusing of cheques.
- ✚ **Payment is made to payee's banker** only, and not directly to the person presenting it at the counter. This ensures that payment is made to the actual payee.

#### General Crossing



### B) Who can cross a cheque?

- ✚ The drawer of a cheque
- ✚ The holder of a cheque –
  - Where a cheque is issued uncrossed it may be crossed by the holder generally or specially
- ✚ The banker in whose favour the cheque has been crossed specially may again cross it specially in favour of another banker. The later bank in such a case acts as the agent of the former.

### C) Object of Crossing –

○	to give protection and safeguard to the owner of the cheque	
○	to prevent fraud	
○	to prevent misutiisation of cheque and detect the fraud	

### D) Kinds of crossing –

#### 1) General crossing – Section 123

##### ▪ **Meaning –**

- ✚ Two parallel transverse lines are drawn on the face of the cheque, generally, on the top left corner of the cheque
- ✚ Holder or payee cannot get the payment at the counter but through the bank only
- ✚ Including the name of the banker is not essential, hence, the amount can be **encashed by any banker**
- ✚ The words, “& Company”, “Not Negotiable”, “A/C. Payee” may or may not be written
- ✚ It can be converted into Special Crossing.

##### ▪ **Effect of General Crossing –**

- ✚ the banker on whom it is drawn shall only pay to a banker.
- ✚ this type of cheque cannot be paid at counter.
- ✚ The payment should be made through an account only
- ✚ General crossing gives protection and avoids fraudulent withdrawals.
- ✚ It is the liability of the paying banker to verify proper payment in proper account.
- ✚ The banker is answerable to his customer, if he pays the money to a third person without the direction of his customer