

January 20, 2009

The Chief Executive Officers of
All Primary (Urban) Co-operative banks

Madam/ Dear Sir,

**Delays in Cheque Clearing – Case No. 82 of 2006 before
National Consumer Dispute Redressal commission (NCDRC)**

As you may be aware, during August 2006, a case was filed before National Consumer Dispute Redressal commission, New Delhi (the Commission) under the Consumer Protection Act, 1986, inviting attention to the delay 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 complainant had sought adequate compensation by way of interest for delay in collection.

2. The case was disposed of by the Commission on August 27, 2008, with the observation that the Reserve Bank with its wide range of powers under the Payment and Settlement Act, 2007 would try to control the float, if any, arising due to delay in collection of cheques. During the course of hearings, orders were passed by the Commission culminating in the final order which is available @ <http://www.ncdrc.nic.in/CC820605.htm>.

3. In compliance with the orders of the Commission, all UCBs are advised to conform to timeframe prescribed by the Commission, namely,

(a) For local cheques, credit and debit shall be given on the same day or at the most, on the next day.

(b) Timeframe for collection of outstation cheques drawn on state capitals / major cities / other locations shall be 7/10/14 days respectively. If there is any delay in collection of the said cheques beyond this period, interest at the fixed deposit rate, or at a specified rate as per the respective policy of the banks, is to be paid to the payee of the cheques. In case the rate is not specified in the Cheque Collection Policy (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. The UCBs shall not decline to accept outstation cheques deposited by their customers for collection.

(c) The collection period of outstation cheques and interest payable thereon in case of delay shall be published on the notice board in a precise manner in bold/visible letters at conspicuous place in every branch.

4. In this context, a reference is invited to circular UBD (PCB) BPD Cir No 40/ 09.39.000/ 2007-08 April 15, 2008 wherein the scheduled UCBs were advised to formulate a comprehensive and transparent policy covering issues relating to (i) Immediate credit of local / outstation cheques (ii) Timeframe for collection of local / outstation cheques and (iii) Interest payment for delayed collection. The scheduled UCBs may formulate/revise their Cheque Collection Policy accordingly and forward a copy of the same to this Department and endorse a copy to Chief General Manager, Reserve Bank of India, Department of Payment and Settlement Systems, Central Office, Mumbai for perusal and confirmation before it is implemented by the banks.

5. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(A.K.Khound)
Chief General Manager in Charge