

* Ch. 18. Law relating to Negotiable Instruments *

- We make some transaction of money for every kind of business activity in form of cash, instruments & online payment transfer.
- We all do money transactions even on daily basis with different modes of payment.
- When we do cash transactions we use currency of country for deferred payment, we use negotiable instruments like promissory notes, bills of exchange, cheque, Demand draft.
- The Negotiable Instruments Act was passed in 1881 to issue legal recognition to negotiable instruments.

* Negotiable Instruments Act, 1881

- Negotiable instrument means transferable, open for discussion & modification & passable.
- Instrument means a written document accepted by two parties.
- Negotiable instrument is document accepted by two parties to making outstanding payments of business activity.
- The three most common types of negotiable instrument are Promissory notes, Bills of exchange & cheque.
- This Act applies to all over India.
- Treasury bills, bearer debentures are also considered as negotiable instruments.

* Conditions of Negotiability :-

- 1) Freely Transferable :- The instrument should be freely transferable.
- 2) No defects in title :- There should not be any defect in title.
- 3) Right to sue :- The holder of negotiable instrument can sue upon the instrument in his own name.

Note :- A negotiable instrument can be freely transferred till its maturity, & shall not be transferred off after its maturity.

* Characteristics / Features of Negotiable Instrument

- 1) Written document - Negotiable instrument is treated complete & effective when it is in written form, & signed by its maker.
- 2) Holder / ownership - The holder of the instrument is presumed to be the owner of the property.
- 3) Freely Transferable - A negotiable instrument is freely & easily transferable for delivering and endorsement of certificate from one person to another.

4) Absolute & Good title :- The transferee of a negotiable instrument who receives it in good faith & for value gets the instrument free from all defects.

5) Presumption - Some equal presumption including consideration, date, time of acceptance & transfer, endorsement are applicable to all negotiable instruments.

6) Right to recover / sue - The transferee has a right to recovery and he can also sue on the instrument in his own name to enforce his rights.

* Capacity of a person to be party to a Negotiable instrument (Section 26) - A person shall be liable on a negotiable instrument only if he is capable of contracting.

- A minor may draw, endorse, deliver and negotiate a negotiable instrument to bind all parties except himself.

* Classification of Negotiable Instruments

▶ Bearer & Order Instrument -

- A negotiable instrument is payable to bearer or a specified person or to his order.
- Negotiable instrument which can be paid to a person who holds such instrument at the time of maturity.

- A bearer instrument does not contain the name of a person in whose favour, payment to be made for purpose of easy endorsement.
- Order instrument is negotiable instrument which is payable to a specific person or to his order.
- It carries the name of person in whose favour money is payable.
- It is not a blank instrument.

2) Demand and time instruments -

- An instrument which is payable on demand is demand instrument.
- It means a promissory note or bill of exchange in which no time is specified are payable on demand.
- A negotiable instrument in which no time for payment is specified is instrument payable on demand.
- An negotiable instrument in which specified time is given is Time instrument.
- A instrument which is payable on completion of certain time period or happening of something.
- Hence, a instrument payable after fixed period or on specified day or happening of something is called as "Time instrument."

3) Inland & foreign Instruments -

- An instrument which is made payable subject to
 - drawn & payable in India or
 - drawn in India upon some resident therein, even though made payable in foreign country.

- An instrument which is not an inland instrument is deemed to be a foreign instrument
 - drawn outside India & payable outside or inside India.
 - drawn in India & payable outside India
 - drawn on person resident outside India.

4) Other -

i] Ambiguous Instrument.

An instrument which may either be treated as bill of exchange or as a promissory note is called as Ambiguous Instrument.

ii] Inchoate (Incomplete) Stamped Instruments.

When a person signs a negotiable instrument and delivers it to another paper stamped in accordance with law either wholly blank or having written thereon is incomplete negotiable instrument.

iii] Accommodation Bill.

When bills are drawn for accommodating a party, they are not genuine trade bills.

A bill in which a person lends or gives his name to oblige a friend or some person whom he knows is accommodation bill.

It is accepted & endorsed without consideration.

* Types of Negotiable Instruments.

• Promisory Note.

i] Section 4 : Promisory note is a instrument in writing which contains unconditional undertaking and signed by maker to pay certain sum of money, to person or only to bearer of instrument.

ii] Parties of Promisory Note.

Maker : Person who promise to pay amount stated in promissory note.

Payee : Person to whom money is payable.

Holder : Person who holds promissory note at the time of maturity & who is entitled to get payment.

Endorser : Person who transfer promissory note to any other person.

Endorsee : Person to whom bill is endorsed is called as endorsee. He can be also treated as holder.

iii] Essentials of promissory notes

Writing : A promissory note must be in writing form. An oral promise to pay will not be treated as promissory notes.

Promise to pay : It should contain an express promise or clear undertaking to pay.

Following instruments shall not be treated as promissory note -

- a) A promise to pay cannot be contingent.
- b) Mere acknowledgement of debt is not sufficient.

Unconditional promise & undertaking : A promise or undertaking to pay must be unconditional. It should not be depend on condition. A promissory note should not be subject to fulfilment of any condition.

Signed by the Maker : The promissory note must be signed by the maker of undertaking to pay to the payee or his order.

Maker & payee must be a certain person : It means the maker & payee must be a certain person, instrument shall have proper description about maker & payee like name, son or etc.

Note :- Promissory note cannot be made payable to maker himself.

iv] Other essentials of Promissory Notes

- a) Payment must be in legal money or currency of the country.
- b) Promissory note must be properly stamped.
- c) Promissory note must contain name or place, number & date on which it is made.

• Bill of Exchange (Sec. 5)

A bill of exchange is a written document which contains an order to pay a certain party specific amount of money.

i] Essentials of BOE

Writing : BOE must be in writing.

Unconditional order to pay : It should contain unconditional order to pay only money. It is not a request to pay.

Signed by drawer : A BOE must be signed by drawer otherwise it will be ineffective.

Certain parties : The parties of BOE must be certain, must be specified i.e. drawer, drawee & payee.

Certain sum : The sum payable / amount payable must be certain.

Other : It must comply other facilities like stamps, date, etc.

ii) Parties of BOE

Drawer : The person who writes / draws or makes BOE including amount, date & name.

Drawee : The person on whom the bill is drawn is a drawee.

Acceptor : A person who accepts the bill is acceptor. Normally, drawee is a acceptor. But in some cases a stranger can also accept BOE.

Payee : A person to whom bill is payable is the payee.

Endorser : When drawer transfers bill to other person then drawer becomes endorser.

Endorsee : A person to whom instrument is transferred is endorsee.

Holder : A person who holds the bill or who have possession of bill is holder. Holder can either be payee or endorsee.

Points	Bill of Exchange	Promissory note
Nature of payment	It involves order to pay.	It contains promise to pay.
Parties	3 parties are involved in BOE i.e. drawer, drawee & payee.	Two parties are involved i.e. maker & payee.
Liabilities	The liability of drawer is secondary and conditional.	The liability of maker is primary & absolute.
Drawn on self	The drawer can order the payment to be made himself. Normally drawer is payee.	Promissory note cannot be made payable to the maker himself.
Payment conditions	It is a unconditional order to pay to the drawee.	It is a unconditional promise to pay to payee by maker.
Acceptance	A bill payable must be accepted by drawee or a person on his behalf.	Note is presented for payment without an prior acceptance of maker.
Notice of dishonour	In case of dishonour of bill notice shall be given.	There is no need to give notice in case of dishonour of promissory note.

• Cheque (Sec. 6)

Cheque is a bill of exchange which is drawn on specified bank and always payable on demand. It includes electronic image & physical cheque.

i] Features of cheque

following are features of cheque.

- cheque is always drawn on banker and always payable on demand
- There is no need of acceptance in case of cheque.

Note :- cheque is kind of bill of exchange which should satisfy all essentials of BOE but except the acceptance.

ii] Mirror image of cheque

A cheque in electronic form means mirror picture of cheque. It is written & signed in secure system with the use of digital signature.

Mirror image of cheque used in online payment system or net banking system.

iii] Truncated cheque.

A cheque which is truncated at the time of course of clearing cycle, either by clearing house or by bank whether paying or receiving payment on generation of electronic form image for

* Noting and Protesting

1) Noting - When a promissory note or BOE is dishonoured then holder of instrument presented to ^{it} the notary public to make a note of it and it is called as 'noting'.

2) Protest - When promissory note or BOE is dishonoured then holder of instrument gets set it noted and certified by notary public a certificate issued by Notary public is called protest

3) Notary Public - Notary public is appointed by Central Govt. Persons appointed in Notary public are advocates. They attest deeds, contracts & other instruments to be use abroad and they give a certificate of due execution of such documents.

4) Notice of Protest - When a promissory note or BOE is to be protested by law then notice of such protest should be given in same manner as notice of dishonour. The notice of protest may be either given by maker or notary who makes such protest.

* Essentials of cheque

— Cheque is always drawn on banker, and payable on demand.

— Cheque does not require any acceptance & special kind of crossing over cheque.

— A person can only draw a cheque on a bank only if he has account in that particular bank.

— Cheque is payable to the drawer himself if it is bearer on demand.

• The banker's obligation to honour issued cheque.



The cheque is valid for 3 months, if it is post-dated or anti-dated.



No stamp is required to be affixed on cheque.

Parties of cheque.

Drawer : A person who draws the cheque.

Payee : A person to whom the cheque is payable.

Holder : holder of cheque is a person who is legally entitled to get possession of cheque.

vii) Types of cheque

Bearer cheque : A cheque which can be converted into cash from bank by the bearer of cheque.

Order cheque : A cheque which is payable to a particular person whose name is written / appear on cheque.

Crossed Cheque : A cheque which is always collected by bank on behalf of its customers.

viii) Liability on cheques

Banker's obligation -> The drawee of cheque is always a banker

1) It is duty of banker to make payment against a cheque and the funds should be properly applicable for such payment.

Banker's right - A banker can refuse payments against cheque in following cases.

- 1) If cheque is without date,
- 2) If cheque is outdated,
- 3) If cheque is issued prior to 3 months
- 4) When fund in account is insufficient.
- 5) When drawer has counter - manded.
- 6) When cheque has defect.

- 7) When cheque is doubtful validity.
- 8) When the drawer's signature does not match with records.
- 9) When drawer has died & notice has been received.
- 10) When drawer has become solvent.
- 11) When drawer has become person of unsound mind.
- 12) If cheque contains material alteration and irregular sign or endorsement.
- 13) When drawer's fund not applicable for payment.

viii] Dishonour of Cheque (Sec. 138)

a) Drawer's liability - If cheque is dishonoured due to insufficient fund then person issuing cheque i.e. drawer shall be punishable with imprisonment for 2 years or fine or twice amount of cheque or both.

- b) Conditions → It should not include gift cheque.
- cheque should be presented before banker within validity period or 3 months, whichever is higher.
 - The payee should give notice demanding payment within 30 days of receiving notice of intimation of dishonour.
 - If drawer fails to make payment within 15 days, a person should proceed for prosecution.
 - Prosecution can be made only by payee within 1 month.

c) Presumption in favour of holder. (Sec. 139)
It shall be presumed unless contrary proved that holder of cheque, the cheque for discharge in whole or part of any debt or other liability.

d) No defence allowed. (Sec. 140)

There shall not be any defence in prosecution that drawer had no to believe that he has issued cheque that cheque may be dishonoured for reason of insufficiency of funds.

* Offences by companies. (Sec. 141)

If a person committing an offence is an Company every person who is in charge of company is liable to company for conduct of business shall be deemed to be guilty of offence & shall be liable to be proceeds against & punish accordingly.

However, such person will not be liable :-

- If such person proves that offence that was committed without his knowledge.
- If person had exercised all due diligence to prevent offence.
- If a person is a Nominee Director holding office in Govt or financial institution owned by Govt.

* Cognizance of offences. (Sec. 142)

- No court shall take cognizance, except upon a complaint, in writing made by payee.
- Such complaint should be made within one month of date on which dishonor of cheque arises.
- Court of Metropolitan Magistrate or judicial magistrate of 1st class shall try the offence.

* Protection of collecting banker. (Sec. 131)

Bank which receives the payment of crossed cheque on behalf of its customer is known as collecting bank.

There are so many risks are involved in receiving payment of crossed cheques.

The person on whose behalf a cheque is collected may not be person entitled to get cheque.

Requirements are - Payment should be received for customer or on behalf of customer.

- The banker should receive payment of cross cheque as an agent.
- The cheque should be crossed when it is handed over to bank for collection.
- Payment without negligence & in good faith.

* Holder, Holder for value & holder in due course holder. (Sec. 8)

A person who is entitled

- to get the possession of negotiable instrument in his own name
- to receive the amount due mentioned in instrument from parties.

* Holder for value.

Regard to all parties prior to himself, a holder of an instrument for which value has at any time has been given.

* Holder in due course

i) Section: 9 - In case of instrument payable to bearer means any person for whom consideration becomes its possessor before amount mentioned in it becomes payable.

ii) Conditions - he shall be holder of instrument.

- he shall have obtain instrument for consideration.

- he must have received instrument before maturity.

- Instrument should be complete & regular.

- Holder should take instrument as good faith.

iii Rights -

- Inchoate (incomplete) instrument :- An incomplete instrument does not affect the right of holder in due course.
- Fictitious bill :- If BOE is drawn on fictitious name & endorsed by same hand as there is drawer's signature then it is valid for holder in due course & has all right to recover amount and acceptor shall not allege that name is fictitious.
- Conditional instrument or Escrow :- If a bill is negotiated to holder in due course then other parties to bill or note can't avoid liability, on ground that delivery of instrument was conditional.
- Instrument obtained by unlawful means or for unlawful consideration - The person who is liable in negotiable instrument can't hold payment on fraud / offence / for unlawful consideration.
- Denial of Original validity of instrument :- In case of holder in due course, maker of instrument shall not deny the validity of negotiable instrument which is originally made.
- Denial of payee's capacity to endorse :- Holder in due course shall get good title to bill. Maker & acceptor of bill shall not deny payee's capacity, at the date of bill to endorse same.

* Payment in due course. (sec. 10)

Payment in due course means payment made in good faith & without default / negligence accordance with tenor of a instrument to holder / holder in due course.

Payment is required to be made as per terms and conditions of instrument and shall obtain a valid discharge from holder or holder in due course.

• Conditions -

- Payment as per tenor: Payment should be made in accordance with apparent tenor of instrument.
- Possession of instrument: The person to whom payment is made should be in possession of negotiable instrument.
- Payment should be made in good faith without any negligence.
- Payment should be made in money or money term only.

* Negotiation.

Section 14 - When a promissory note, Bill of exchange or cheque is transferred to any person to constitute that person the holder of that, then instrument is said to be negotiable.

* Endorsement. (Section 15)

- Endorsement is the act of signing, usually on the back of a negotiable instrument, to legally transfer its ownership to another party.
- Person who endorses negotiable instrument such person is called as 'Endorser'. Person to whom endorsement is made is 'Endorsee.'
- After endorsement instrument should be followed by delivery, transfer of all rights in favour of endorsee.
- Endorser of instrument may exclude his own liability by express words in instrument.
- When endorser signs name by adding words 'without recourse' then he has no liability. The holder cannot claim compensation from him.

II Types of Endorsement

- Endorsement in blank (General endorsement)
Blank endorsement means endorsement without mentioning the name of endorsee. In this instrument no payee is specified then such endorsement essentially turns instrument into bearer security.
- Endorsement in full (Special endorsement)
Endorsement which is complete in all sense i.e. It contains the name of endorsee, signature of endorsee etc.

In other words, an endorsement which specifies the name of person to whom or to whose order the instrument is payable.

- Restrictive Endorsement.

Endorsement which restricts the further negotiation & transfer and adds some conditions for negotiation & transfer. It restricts the further negotiation & transfer by expressing words.

- Qualified Endorsement (Conditional endorsement)

Endorsement which is totally dependent on fulfillment of some conditions. It is combination of order to pay with condition.

ex. A negotiable instrument states pay to Mr. Ram on safe receipt of goods.

- Sans recourse endorsement.

Endorsement where endorser excludes his liability and makes it conditional. In case of dishonour of negotiable instrument when endorser does not want to incur any liability to endorsee then he may exclude his liability by using 'sans recourse' which means without recourse.

- Sans frais (without expense) endorsement

Endorsement which indicates that endorser is not liable for any expenses incurred on account of bill.
Ex. In this endorsement endorser disowns expenses on account of bill, i.e. dishonour of negotiable instrument.

- Facultative endorsement

Endorsement where some rights are waived. In other words, it is an endorsement where endorser gives up on his rights by expressing words under the Negotiable Instruments Act during endorsement.

- Partial Endorsement

Endorsement which presents to transfer only part amount of instrument is valid & endorsee cannot negotiate it. When part amount due has been paid and effect had made in a note on instrument, then instrument can be negotiated for p. balance.

- Negotiation Back

An instrument which is negotiated back when instrument comes back to again to the party, who is party to the negotiation.

EFFECT OF NEGOTIATION BACK

- Holder cannot enforce payment against all parties to whom he was previously liable.
- Holder can enforce payment against all parties to whom he was not previously liable.
- Holder can enforce payment against all parties if he has signed 'sans recourse' & can sue on any party.

* Negotiation of dishonoured or expired instrument

The holder of negotiable instrument after dishonour or maturity has only rights of transfer against all other parties. Holder in due course does not lose

rights in case of dishonoured instrument.

* Period of Negotiation.

A negotiable instrument can be negotiated / transferred until the final payment is made & after maturity after such payment or satisfaction. A negotiable instrument is negotiable even after its maturity, provided payment has not made.

* Effect of endorsement

The acceptor of BOE knew or had reason to believe that endorsement was forged and even then he accepts the bill, then he shall be liable otherwise not.

* Material Alterations

Section 87 :- Material alteration varies the rights liabilities & legal provisions of parties and varies legal effect of instrument as originally expressed or which may ~~prejudice~~ prejudice the party bound by deed as originally executed.

• Note - If any alteration of negotiable instrument has been made without consent of parties then it is void.

1] Conditions for valid material alteration.

- Alteration should be made with original intention of original parties.
- Alteration should be made before maturity of instrument.
- Alteration should be made with consent of parties.

ii] Permitted Alteration

Alteration which is not material does not make instrument void. Act permits following alteration in negotiable instrument. -

- Filling of blanks instrument.
- Conversion of instrument in endorsement in blank to endorsement in full.
- Crossing of cheque, subsequent to issue.
- Alteration made with consent of parties.
- Conversion of bearer instrument into an order instrument by deleting word 'bearer'.

iii] Exem Exemption -

Principals of material information does not apply in following cases -

- An acceptor or endorser cannot complain of any alteration made before his acceptance.
- Alteration which are made to carry out common intention of parties.
- When a party cannot complain of alteration to which he has assented.

iv] Effect of material alteration

Any material alteration of negotiable instrument provides void against anyone who is a party to it at the time of making such alteration does not consent to it unless made in order to carry out common intention of original parties.

* Dishonour of Negotiable Instrument

A negotiable instrument treated as dishonoured because of non-acceptance & non-payment, where as a promissory note and cheque can only be dishonoured due to non-payment.

• Dishonour due to Non-acceptance

Section 91 - When drawee either does not accepts or refuse to accept bill within 48 hours of presentment.

- When one or several drawee makes an default.
- When drawee makes qualified acceptance
- When presentment of bill for acceptance is excused & bill remains unaccepted
- When drawee is incompetent to contract

• Dishonour by Non-payment

Section 92 - The bill is dishonoured when The negotiable instrument is dishonoured when the acceptor of bill, maker of note or drawee of cheque makes any default in payment after maturity.

- Instrument is also dishonored for non-payment when presentment for it, is executed & instrument remains unpaid.

• Notice of Dishonour

i] Who will issue notice?

Holder of instrument can issue notice to parties liable for payment but fail to accept & payment.

ii] To whom notice of dishonour is to be issued?

Notice should be issued to drawer & endorsers.

In case of his death or insolvency, notice should be given to either himself or to his agent or to his legal representative.

• Mode of Notice

- Notice shall be in writing or oral.

- Notice should be ^{served} post by post or by hand at place of business or at residence of party.

- If holder of instrument & the party to whom notice should be given, carries on or lives, in another different place, then notice of dishonour must be dispatched by next post.

• Requirements of Valid Notice

- Notice shall contain exact description of dishonoured instrument.

- Notice shall contain the name of parties to whom notice is sent.

- Notice shall state that, the instrument has been dishonoured & he is liable on it.

- When no notice of dishonored is required?
 - When parties has been ~~are~~ waived off by parties.
 - When the drawer has stopped payment no notice is necessary to charge drawer.
 - When the party who charged could not suffered damage for want of notice.
 - When party who is entitled to notice is unable to find, without any fault of his own.
 - When the drawer himself is an acceptor.
 - When party promises to pay amount due on the instrument unconditionally?

* Discharge of Instrument

An instrument is discharged when party who is liable for payment, has made payment & discharged from liability.

* Modes of discharge of Notice.

1) Payment in due course : If maker or acceptor makes payment to holder or after maturity, in good faith & without notice of any defect in title of instrument, then instrument is discharged.

2) Cancellation : If holder of instrument ~~cancel~~ cancels acceptor's or maker's name with intention to discharge him, then instrument is discharged.

3) Release : If holder of instrument renounces his rights against all parties to instrument, then instrument is discharged.

4) Negotiation Back (Section 90) : If the acceptor of a bill of exchange becomes its holder at or after maturity, in his own right, then instrument is discharged.

5) By payment (sec. 82) : All parties to instrument are discharged from liability, when the amount due on instrument is paid by maker/acceptor/endorser.

6) Payment of cheques (sec. 85) : The section lays down two principles relating to payment of cheques.

⇒ When a cheque is payable to order & it appears to be endorsed by or on behalf of payee, the banker will be discharged from his liability if he pays liability, he pays such cheque in good faith.

8) Dissenting parties discharged by qualified acceptance (Sec. 86): The holder of a bill entitled to a absolute and unqualified acceptance. If holder approves qualified acceptance then all previous parties whose consent is not obtained to such acceptance are discharged from liability.

Points	Discharge of an instrument	Discharge of a party
1) When	When party who is ultimately liable, discharged from liability.	When any party or parties to instrument is or are discharged.
2) Negotiability	The instrument ceases to be negotiable.	The instrument continues to be negotiable.
3) Extinguishment of all rights or actions.	All rights or action under instrument are extinguished completely.	All rights or action under instrument are not completely extinguished
4) Basis	Discharge of an instrument	Discharge of a party
5) Discharge of parties	Discharge of instrument means discharge of all parties.	Discharge of a party does not mean discharge of all parties.

Points	Negotiation	Assignment
1) Notice	Notice is not necessary.	Notice is required to give by assignee to his debtor.
2) Consideration	It is presumed that consideration has been paid.	It is to be proved that whether the consideration has been paid or not.
3) Mode of transfer	Bearer instrument → delivery. Order instrument → endorsement & delivery.	A separate document is required in writing and signed by transferor.
4) Rights of transferee	Transferee acquires all rights of holder in due course.	Assignee has only right & interest of assignor.
5) Title	Title of transferee is better than transferor.	Title of assignee is subject to defects in title of assignor.
6) Stamp duty	Endorsement does not require payment of stamp duty.	Stamp duty is required in case of assignment.
7) Regulations	Regulated by Negotiable Instrument Act, 1881.	Regulated by Transfer of Property Act, 1882.

Points	Holder	Holder in due course
1) Basis of consideration	A holder may become payee of instrument even without consideration.	Holder in due course acquires possession only for consideration.
2) Basis of good faith	There is no need of good faith.	Holder in due course must become payee in good faith of instrument.
3) Basis of better title than transferor	A holder can never get better title than transferor.	Holder in due course acquires ^{better} title than transferor.
4) Defect in title	Holder cannot make prior parties liable.	Holder in due course can make prior parties liable.

Points	cheque	Bills or Exchange
1) Drawing	A cheque is always drawn on banker.	A bill may be drawn on any person including banker.
2) Payable	A cheque which is drawn only payable on demand.	A bill may be drawn payable on demand or expiry of certain period.
3) Acceptance	Cheque does not require any acceptance.	It is require to be accepted.
4) Grace or days	No grace is given for payment.	3 grace days are given for payment.
5) Discharge or liability	Drawer of cheque is discharged only when he suffer any damage in delay or payment.	Drawer of bill discharged is not presented for payment.
6) Revocation	cheque is mandatory being revocable, authority may revoked by Counter-manding payment.	In case of customer's death bill can be revoked.
7) Crossing	Cheque may be crossed.	There not crossing concept in bill.

* Who can be Acceptors ?

- 1) Drawee.
- 2) When bill is addressed to more than one, then all or some of drawees.
- 3) Acceptor for honour.
- 4) If no name of drawee is mentioned in bill, but still person accepts it, then he may stopped from denying his liability as acceptor.
- 5) Agent of any of person is mentioned above.

* Essentials of Valid acceptance.

- 1) To enter into contract acceptor must be a competent person.
- 2) Acceptance must be in writing.
- 3) The acceptor must sign instrument.
- 4) Acceptance must be on the bill.
- 5) Acceptance should be complete by delivery.
- 6) Acceptance can be general or qualified.

* Types of Acceptance.

- 1) General acceptance - When drawee given his assent without any condition / qualification is general acceptance.

2) Qualified acceptance - When drawee accepts the bill on some conditions & qualifications is qualified acceptance. Liability of drawee always subject to some conditions.

* Effect of Qualified Acceptance.

- May be refused by the holder :- Acceptance should be general acceptance hence, the holder is at liberty to refuse to take qualified acceptance.
- Acceptance by holder :- When holder accepts the qualified acceptance, even then it binds only him & acceptor & not other parties who don't consent to that.

* Effect of forged Endorsement.

Section 41 - Acceptor or BOE which is already endorsed is not relieved of his liability by reason that endorsement was forged if he knew the endorsement was forged.