

LAW 332 CHAPTER-28 “ Electronic fund transfer”

- **Check:** special type of draft that is drawn on a bank ordering the bank to pay a fixed amount of money on demand.
 - Drawer: a person who writes a check
 - Payee: person who is receiving the check
 - Drawee: bank or fin/inst which check is drawn.
- **Types of Checks:**

Cashier's check	The bank both serves as drawer and drawee to specific payee. More reliable, almost like a substitute for cash.
Certified check	Bank writes or stamps word certified on the face of check and bank officer's signature. Once check is certified, drawer or endorser is discharged from liability. Bank charges the drawer's account when it is certified, and will pay it when check is shown. If bank refuses to certify check, it is not dishonor of check
Traveler's check	Payable on demand Used during vacation
State Check	Over 6 months old check Bank has policy not to deal with stale check.

- **Bank-customer relationship.**
 - Creditor-debtor: customer makes deposits in account becomes creditor, bank is no debtor.
 - Agency: customer writes check or deposits check, bank becomes customer agent to honor the request.
 - Contractual : depends on the nature of transactions.

- **The bank's duty to honor the check : Rules**

Bank is not liable when the check is dishonors properly because of insufficient fund or other reasons.

Special situations:

1. **Overdrafts:** bank has 2 option when account has insufficient fund. One option is to overdraft. Overdraft protection is important ask from your bank to avoid any penalty or fee.
2. **Stale:** bank does not have right to pay stale check. If banks pays it with good faith, bank has right to charge customer's account.
3. **Stop-payment order:** customer orders bank not to pay a certain check before request. Customer cannot order to stop payment on check that already drawn or certified.
 - **Oral order over the phone: valid for 14days.**