

4.2.6 Describe termination of a crossed cheque;

A crossed cheque can be terminated (cancelled) by the drawer if they notify the bank before the cheque is processed or if they issue a stop-payment order.

4.2.7 Describe dishonour of a cheque and its causes;

Dishonour of a Cheque

The dishonour of a cheque occurs when the bank refuses to process the payment of the cheque.

Causes of Dishonour of a Cheque

1. Insufficient Funds:

The most common reason, where the account of the drawer lacks enough balance to cover the cheque amount.

2. Signature Mismatch:

If the signature on the cheque differs from the specimen signature on file with the bank, the cheque will be dishonoured.

3. Stale Cheque:

A cheque becomes stale if it is presented for payment after six months from the date of issue, and banks will not process such cheques.

4. Post-Dated Cheque:

If a cheque is presented before the date mentioned on it, the bank will dishonour it until the date has passed.

5. Alteration or Overwriting:

Any visible alteration or overwriting on the cheque, especially in key areas like the amount or date, will result in dishonour, unless the changes are authenticated by the drawer's signature.

6. Account Closure:

If the drawer's account has been closed before the cheque is presented, the cheque will be returned unpaid.

7. Frozen or Blocked Account:

In cases where a court order or bank instruction freezes the account, the cheque will be dishonoured.

8. Stop Payment Order:

If the drawer has issued a stop payment instruction to the bank before the cheque is presented, the cheque will be dishonoured.

9. Irregularities in the Cheque:

If there is a mismatch in details like payee name, amount in words and figures, or any incomplete fields, the bank may refuse to process the cheque.