

**BARE ACT**  
**THE NEGOTIABLE INSTRUMENTS ACT, 1881**  
**(XXVI OF 1881)**  
**(9th December, 1881)**

An Act to define and amend the law relating to Promissory Notes, Bills of Exchange and Cheques.

Preamble. Whereas it is expedient to define and amend the law relating to promissory notes, bills of exchange and cheques; It is hereby enacted as follows:-  
For Statement of Objects and Reasons, see Gaz. of India, 1876, p. 1886; for the Reports of the Select Committee, see Ibid 1877, Pt. V, p 1878., Pt. V, p. 145, 1879, Pt. V, p.75; 1881, Pt. V.p. 85.

**CHAPTER I**  
**PRELIMINARY**

1. Short title:- This Act may be called the Negotiable Instruments Act, 1881.  
Local extent. Saving of usages relating to hundis, etc.

Commencement:- It extends to the whole of Pakistan, but nothing herein contained affects [the provisions of Sections 24 and 35 of the State Bank of Pakistan Act, 1956]; and it shall come into force on the first day of March, 1882.

- 1A. Application of the Act:- Every negotiable instrument shall be governed by the provisions of this Act, and no usage or custom at variance with any such provision shall apply to any such instrument.
2. Repeal of enactments:- Rep by the Amending Act, 1891 (XII of 1891)
3. Interpretation clause:- In this Act, unless there is anything repugnant in the subject or context:-
  - (a) "accommodation party" means a person who has signed a negotiable instrument as a marker, drawer acceptor or endorser without receiving the value thereof and for the purpose of lending his name to some other person;
  - (b) "banker" means a person transacting the business of accepting, for the purpose of lending or investment, of or deposits of money from the public, repayable on demand otherwise withdrawable by cheque, draft, order, or otherwise, and includes any Post Office Savings Bank;

- (c) "bearer" means a person who by negotiable comes into possession of a negotiable instrument, which is payable to bearer,
- (d) "delivery" means transfer of possession actual or constructive, from one person to another;
- (e) "issue" means the first delivery of a promissory notice, bill of exchange or cheque complete in form to a person who takes it as holder .
- (f) "material alteration" in relation to a Promissory note, bill, of exchange or cheque includes an alteration of the date, the sum payable, the time of payment, the of payment, and, where any such instrument has been accepted generally, the addition of a place of payment without the acceptor's assent, and
- (g) "notary public" includes any person appointed by the Central Government to perform the functions of notary public under this Act and a notary appointed under the Notaries Ordinance, 1961.

## **CHAPTER II OF NOTES, BILLS AND CHEQUES**

- 4. "Promissory note." A "promissory note" is in an instrument in writing (not being a bank-note or a currency note) containing an unconditional undertaking signed by the maker, to pay on demand or at a fixed or determinable future time] a certain sum of money only to, or to the order of a certain person, or to the bearer of the instrument.

### **Illustrations**

A signs instruments in the following terms:

- (a) "I promise to pay B or order Rs. 500."
- (b) "I acknowledge myself to be indebted to B in Rs. 1,000 to be paid on demand, for value received.
- (c) "Mr B, I O U Rs. 1,000."
- (d) "I promise to pay B Rs. 500 and all other sums which shall be due to him"

- (e) "I promise to pay B Rs. 500, first deducting there out any money which he may owe me."
- (f) "I promise to pay B Rs. 500 seven days after my marriage with C."
- (g) "I promise to pay B Rs. 500 on D's death, provided D leaves me enough to pay that sum."
- (h) "I promise to pay B. Rs. 500 and to deliver to him my black horse on 1st January next."

The instruments respectively marked (a) and (b) are promissory notes. The instruments respectively marked (c), (d), (e), (f), (g) and (h) are not promissory notes.

5. A "bill of exchange" is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay on demand or at a fixed or determinable future time] a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

A promise or order to pay is not "conditional," within the meaning of this section and section 4, by reason of the time for payment of the amount or any installment thereof being expressed to be on the lapse of a certain period after the occurrence of a specified event according to the ordinary expectation of mankind, is certain to happen although the time of its happening may be uncertain.

The sum payable may be "certain" within the meaning of this section and section 4, although it includes further interest or is payable at an indicated rate of exchange, or is 5 at the current rate of exchange, and although it is to be paid in stated installments and contains a provision that on default of payment of one or more installments or interest, the whole or the unpaid balance shall become due.

Where the person intended can reasonably be ascertained from the promissory note or the bill of exchange, he is a "certain person" within the meaning of this section and section 4, although he is misnamed or designated by description only.

An order to pay out of a particular fund is not unconditional within the meaning of this section; but an unqualified order, to pay, coupled with:-

- (a) an indication of a particular fund out of which the drawee is to reimburse himself or a particular account to be debited to the amount, or
- (b) a statement of the transaction which gives rise to the note or bill, is unconditional.

Where the payee is a fictitious or non-existing person the bill of exchange may be treated as payable to bearer.

- 6. "Cheque". A "cheque" is a bill of exchange drawn on a specified banker and not expressed payable otherwise than on demand.

(\*) By one of his many customers.

- 7. "Drawer" "Drawee" The maker of a bill of exchange or cheque is called the "drawer;" the person thereby directed to pay is called the "drawee." "Drawee in case of need," When in the bill or in any endorsement thereon the name of any person is given in addition to the drawee to be resorted to in case of need such person is called a "drawee in case of need".

"Acceptor" After the drawee of a bill has signed his assent upon the bill, or, if there are more parts thereof than one, upon one of such parts, and delivered the same, or given notice of such signing to the holder or to some person on his behalf he is called the "acceptor."

"Acceptor for honour."--- When a bill of exchange has been noted or protested for non-acceptance or for better security, and any person accepts is supra protest for honour of the drawer or of any one of the endorsers, such person is called an "acceptor for honour."

"Payee."---The person named in the instrument, to whom or to whose order the money is by the instrument directed to be paid is called the "payee."

- 8. "Holder"--- The "holder" of a promissory note, bill of exchange or cheque means the payee or endorsee who is in possession of it or the bearer thereof but does not include a beneficial owner darning through a benamidar.

Explanation. Where the note, bill or cheque is lost and not found again, or is destroyed, the person in possession of it or the bearer thereof. at the

time of such loss or destruction shall be deemed to continue to be its holder.

9. "Holder in due course."--- "Holder in due course" means any person who for consideration becomes the possessor of a promissory note, bill of exchange or cheque if payable to bearer, or the payee or endorsee thereof, if payable to order, before it became overdue, without notice that the title of the person from whom he derived his own title was defective.

Explanation. ---For the purposes of this section the title of a person to a promissory note, bill of exchange or cheque is defective when he is not entitled to receive the amount due thereon by reason of the provisions of section 58.

10. "Payment in due course."--- "Payment in due course" means payment in accordance with the apparent tenor of the instrument in good faith and without negligence to any person in possession thereof under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount therein mentioned.
11. Inland instrument-- A promissory note, bill of exchange or cheque drawn or made in Pakistan and made payable in, or drawn upon any person resident in, Pakistan shall be deemed to be an inland instrument.
12. Foreign Instrument--- Any such instrument not so drawn, made or made payable shall be deemed to be foreign instrument.
13. "Negotiable instrument".(I) A negotiable instrument means a promissory note, bill of exchange or cheque payable either, to order or to bearer.

Explanation (I). --- A promissory note, bill of exchange or cheque is payable to order which is expressed to be so payable or which is expressed to be payable to a particular person, and does not contain words prohibiting, transfer or indicating an intention that it shall not be transferable.

Explanation (II). A promissory note, bill of exchange or cheque is payable to bearer which, is expressed to be so payable or on which the only or last endorsement is an endorsement in blank.

Explanation (III), A promissory note, bill of exchange or cheque, either originally or by endorsement, is expressed, to be payable to the order of a

specified person, and not to him or his order it is nevertheless payable to him or his order at his option.

- (2) A negotiable instrument may be made payable to two more payees jointly, or it may be made payable in the alternative to one of two, or one or some of several payees
- 14. Negotiation.--- When a promissory note, bill of exchange or cheque is transferred to any person, so as to constitute that person the holder thereof, the instrument is said to be negotiable.
- 15. Endorsement.--- When the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiable, on the back or face thereof or on a slip of paper annexed thereto, or so signs for the same purpose a stamped paper intended to be completed as a negotiable instrument, he is said to endorse the same, and is called the "endorser".
- 16. Endorsement "in blank" and "in full".---(1) If the endorser signs his name only, the endorsement is said to be "in blank", and if he adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person, the endorsement is said to be 'in full", and the person so specified is called the "endorsee" of the instrument.

"Endorsee".

- (2) The provisions of this Act relating to a payee shall apply with the necessary modifications to an endorsee.
- 17. Ambiguous instruments----- Where an instrument may be construed either as a promissory note or bill of exchange, the holder may at his election treat it as either and the instrument shall be then certificate reforward treated accordingly.
- 18. Where amount is stated differently in figures and words.---If the amount undertaken or ordered to be paid is stated differently in figures and in words, the amount stated in words shall be the amount undertaken or ordered to be paid.

Provided that if the words, are ambiguous or uncertain, the amount may be ascertained by referring to the figures.

19. Instruments payable on demand.--- A promissory note or bill of exchange is payable on demand,---

- (a) where it is expressed to be so, or to be payable at sight or on presentment; or
- (b) where no time for payment is specified in it; or
- (c) where the note or bill accepted or endorsed after it is overdue, as regards the person accepting or indorsing it

20. Inchoate stamped instruments.---(1) Where one person signs and delivers to another a paper stamped in accordance with the law relating to stamp duty chargeable on negotiable instruments, either wholly blank or having written thereon an incomplete negotiable instrument, in order that it may be made, or completed in to a negotiable instrument he thereby gives prima facie authority to the person who receives that paper to make or complete it, as the case may be, into a negotiable instrument for the amount, if any, specified therein, or, where no amount is specified, for any amount, not exceeding, in either case, the amount covered by the stamp.

(2) The person so signing shall, subject to the provisions of sub-section (3), be liable upon such instrument, in the capacity in which he signed the same, to any holder in due course, for the amount specified in the instrument or filled upon therein:

Provided that no person other than a holder in due course shall receive from the person so signing the paper anything in excess of the amount intended by him to be paid thereunder

(3) In order that any such instrument may on completion be enforceable against any person who became a party thereto before such completion, it must be filled up within a reasonable time and strictly in accordance with the authority given:

Provided that if any such instrument after completion is negotiable to a holder in due course, it shall be valid and effectual for all purposes in his hands, and he may enforce it as if it had been filled up within a reasonable time and strictly in accordance with the authority given.

21. "At sight," "On presentment". "After sight".--- The expressions "at sight" and "on presentment" means on demand. The expression "after sight" means, in a promissory note, after presentment for sight, and, in a bill of

exchange, after acceptance, or noting for non- acceptance, or protest for non acceptance.

21A. When note or bill payable on demand is overdue.-A promissory note or bill of exchange payable on demand shall be, deemed to be overdue when it appears on the face of it to have in circulation for an unreasonable length of time.

21B. A note or bill payable at a determinable future time:- A promissory note or bill of exchange is payable at a determinable future time within the meaning of this Act if it is expressed to be payable---

- (a) at a fixed time after date or sight ; or
- (b) on or at a fixed time after the occurrence of a specified event which is certain to happen, though the time of its happening may be uncertain.

21C. Anti-dating and post-dating.-- A promissory note, bill of exchange or cheque is not invalid by reason only that i; is anti-dated or post-dated;

Provided that the anti-dating or post-dating does not involve any illegal or fraudulent purpose or transaction.

22. "Maturity".---- The maturity of a promissory note or bill of exchange is the date at which it falls due.

Days of grace--- Every promissory note or bill of exchange which is not expressed to be payable on demand, at sight or on presentment is at maturity on the third day after the day on which it is expressed to be payable.

23. Calculating maturity of bill of note payable so many months after date or sight.--In calculating the date at which a promissory note or bill of exchange, made payable a stated number of months after date or after sight, or after a certain event, is at maturity, the period stated shall be held to terminate on the day of the month which corresponds with the day on which the instrument is dated, or presented for acceptance or sight, or noted for non-acceptance, or protested for non-acceptance or the event happens, or, where the instrument is a bill of exchange made payable a stated number of months after sight and has been accepted for honour, with the day on which it was so accepted. If the month in which the period would terminate has no corresponding day, the period shall be held to terminate on the last day of such month.



## Illustrations

- (a) A negotiable instrument, dated 29th January, 1878, is made payable at one month after date. The instrument is at maturity on the third day after the 28th February, 1878.
  - (b) A negotiable instrument, dated 30th August 1878, is made payable three months after date. That instrument is at maturity on the 3rd December, 1878.
  - (c) A promissory note or bill of exchange, dated 31st August 1878, is made payable three months after date. The instrument is at maturity on the 3rd December, 1878.
24. Calculating maturity of bill of note payable so many days after date or sight ---In calculating the date at which a promissory note or bill of exchange made payable a certain number of days after date or after sight or after certain event is at maturity, the day of the date, or of presentment for acceptance of sight, or of protest for non-acceptance, or on which the event happens, shall be excluded.
25. When day of maturity is a holiday.---When the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due on the next preceding business day.

Explanation:- The expression "public holiday" shall mean the day or days declared by the Federal Government, by notification in the official Gazette to be public holidays.

## CHAPTER III PARTIES TO NOTES BILLS AND CHEQUES

26. Capacity to make, etc. promissory notes, etc.-- Every person capable of contracting, according to the law to which he is subject, may bind himself and be bound by the making, drawing, acceptance, endorsement, delivery and negotiation of a promissory note, bill of exchange or cheque.

Minor. Where such an instrument is made, drawn or negotiated by a minor, the making, drawing or negotiating entitles the holder to receive payment of such instrument and to enforce it against any party thereto other than the minor.

27. Agency every person capable of binding himself or of being bound, [by the making, drawing, acceptance or negotiation of a negotiable instrument, may so bind himself or be bound by a duly authorized agent acting in his name.

A general authority to transact business and to receive and discharge debts does not confer upon an agent the power of accepting or indorsing bills of exchange so as to bind his principal.

An authority to draw bills of exchange does not of itself import an authority to endorse.

- 27A. Authority of partners.--- A partner acting in the firm name may bind the firm by the making, drawing, acceptance or negotiation of a negotiable instrument to the extent authorized by law relating to partnership for the time being in force.

28. Liability of agent signing.---(1) Where a person signs a promissory note, of exchange or cheque without adding to his signature words indicating that he signs it as an agent for and on behalf of a principal or in a representative character, he is personally liable thereon but the mere addition to his signature of words describing him as an agent or as filling a representative character does not exempt him from personal liability.

- (2) Notwithstanding anything contained in sub-section (1), any person signing a promissory note, bill of exchange or cheque for and on behalf of the principal is not liable to a person who induces him to sign upon the belief that the principal alone would be held liable.

- 28A. Transferor by delivery and transferee. (1) Where the holder of a negotiable instrument payable to bearer negotiates it by delivery without indorsing it, he is called a "transferor by delivery".

- (2) A transferor by delivery is not liable on the instrument.

- (3) A transferor by delivery who negotiates a negotiable instrument thereby warrants to the immediate transferee, being a holder for consideration, that the instrument is what it purports to be, that, he has a right to transfer it, and that at the time of transfer he is not aware of any defect which renders it valueless.

29. Liability of legal representative signing---A legal representative of a deceased person who signs his name to a promissory note, bill of

exchange or cheque is liable personally thereon Unless he expressly limits his liability to the extent of the assets received by him as such.

- 29A. Signature essential to liability.---No person is liable as maker, drawer, endorser or acceptor of a promissory note, bill of exchange or cheque who has not signed it as such:

Provided that where a person signs any such instrument in a trade or assumed name he is liable thereon as if he had signed it in his own name.

- 29B. Forged or unauthorized signature.--- Subject to the provisions of this Act, where a signature on a promissory note, bill of exchange or cheque is forged or placed thereon without the authority of the person whose signature it purports to be, the forged, or unauthorized signature is wholly inoperative, and no right to retain the instrument or to give a discharge therefor or to enforce payment thereof against any party thereto can be acquired through or under that signature, unless the party against whom it is sought to retain or enforce payment of the instrument is precluded from setting up the forgery or want of authority:

Provided that nothing in this section shall effect the ratification of an unauthorized signature not mounting to a forgery.

- 129C. Stranger signing instrument presumed to be endorser.---A person placing his signature upon a negotiable instrument otherwise than as maker, drawer or acceptor is presumed to be an endorser unless he clearly indicates by appropriate words his intention to be bound in some other capacity.

30. Liability of drawer. --- (1) (a) The drawer of a bill of exchange by drawing it, engages that on due presentment it shall be accepted and paid according to its tenor, and that it be dishonoured, he will compensate the holder or any endorser who is compelled to pay it, and
- (b) the drawer of a cheque by drawing it, engages that in the case of dishonour by the drawee he will compensate the holder;

Provided that due notice of dishonour of the bill or cheque has been given to or received by the drawer as hereinafter provided.

- (2) The drawee of a bill of exchange is not liable thereon until acceptance in the manner provided by this Act.

31. Liability of drawee of cheque.---The drawer of a cheque having sufficient funds of the drawer in his hands properly applicable to the payment of such cheque must pay the cheque when duly required so to do, and, in default of such payment, must compensate the drawer for any loss or damage caused by such default.
32. Liability of maker of note and acceptor of bill.---(1) In the absence of a contract to the contrary, the maker of a promissory note, by making it, the acceptor before maturity of a bill of exchange by accepting it, engages that he will pay it according to the tenor of the note or his acceptance respectively, and in default of such payment, such maker or acceptor is bound to compensate any party to the note or bill or any loss or damage sustained by him and caused by such default.  
  
(2) The acceptor of a bill of exchange at or after maturity, by accepting it, engages to pay the amount thereof to the holder on demand.
33. Only drawee can be acceptor except in need or for honour.---No person except the drawee of a bill of exchange, or all or some of several drawees, or a person named therein as a drawee in case of need, or an acceptor for honour, can bind himself by an acceptance.
34. Honour Acceptance by several drawees not partners.---Where there are several drawees of a bill of exchange who are not partners, each of them can accept it for himself, but none of them can accept it for another without his authority.
35. Liability of endorser.---In the absence of a contract to the contrary, the endorser of a negotiable instrument, by indorsing it, engages that on due presentment it shall be accepted and paid according to its tenor and that if it be dishonoured he will compensate the holder or subsequent endorser who is compelled to pay it for any loss or damage caused to him by such dishonour.  
  
Every endorser after dishonour is liable as upon an instrument payable on demand.
36. Liability of prior parties to holder in due course.--- Every prior party to a negotiable instrument is liable thereon to a holder in due course until the instrument is duly satisfied.
37. Maker, drawer and acceptor principals.---- The maker of a promissory note or cheque, the drawer of a bill of exchange until acceptance, and the

acceptor are, in the absence or a contract to the contrary, respectively liable thereon as principal debtors, and the other parties thereto re liable thereon as sureties for the maker, drawer or acceptor, as the case may be.

38. Prior party a principal in respect of each subsequent party.---As between the parties so liable as sureties, such prior party is, in the absence of a contract to the contrary, also liable thereon as a principal debtor in respect of each subsequent arty.

#### Illustration

A draws a bill payable to his own order of B who accepts, A afterwards endorses the bill to C, C to D and D to E. As between E and, B, B is the principal debtor, and A, C and D are his sureties. As between E and A, A is the principal debtor, and C and D are his sureties. As between E and C, C is the principal debtor and D is his surety.

- 38A. Liability of accommodation and position of accommodation party.---(1)  
An accommodation party is liable on a negotiable instrument to a holder in due course, notwithstanding that when such holder took the instrument he knew such party to be an accommodation party.
- (2) An accommodation party to a negotiable instrument, if he has paid the amount thereof, is entitled to recover such amount from the party accommodated.
39. Suretyship.---When the holder of an accepted bill of exchange enters into any contract with the acceptor which, under Section 134 or 135 of the Indian Contract Act, 1872, would discharge, the other parties, the holder may expressly reserve his right to charge in other parties, and in such case they are not discharged.
40. Discharge of endorser's liability.---Where the holder of a negotiable instrument, without the consent of the endorser, destroys or impairs the endorser's remedy against a prior party, the endorser is discharged from liability to the holder to the safe extent as if the instrument had been paid at maturity.

#### Illustration

A is the holder of a bill of exchange made payable to the order of B, which contains the following endorsements in blank--  
First endorsement, "B"

Second endorsement, "Peter Williams."

Third endorsement, "Wright & Co."

Fourth endorsement, "John Rozario."

This bill A puts in suit against John Rozario and strikes out, without John Rozario's consent, the endorsements by Peter Williams and Wright & Co. A is not entitled to recover anything from John Razario.

41. Acceptor bound, although, endorsement forged.---An acceptor of a bill of exchange already endorsed is not relieved from liability by reason that such endorsement is forged, if he knew or had reason to believe the endorsement to be forged when he accepted the bill.
42. Acceptance of bill drawn in fictitious name. An acceptor of a bill of exchange drawn in a fictitious name and payable to the drawer's order is not, by reason that such name is fictitious, relieved from liability to an holder in due course darning under an endorsement by the same hand as the, drawer's signature, and purporting to be made by the drawer.
43. Negotiable instrument made etc., without consideration.---- A negotiable instrument made, drawn, accepted, endorsed or transferred without consideration, or for a consideration which fails, creates no obligation of payment between the parties to the transaction. But if any such party has transferred the instrument with or without endorsement to a holder for consideration, such holder, and every subsequent holder deriving title from him, may recover the amount due on such instrument from the transferor for consideration or any prior party thereto.

Exception I. --- No party for whose accommodation negotiable instrument has been made, drawn accepted or endorsed can, if he has paid the amount thereof, recover thereon such amount from any person who became a party to such instrument for his accommodation.

Exception II.---No party to the instrument who has induced any other party to make, accept, endorse or transfer the same to him for a consideration which he has failed to pay or perform in full shall recover thereon an amount exceeding the value of the consideration (if any) which he has actually paid or performed.

44. Partial absence or failure of money consideration.-- When the consideration for which. a person signed a promissory note, bill of exchange or cheque consisted of money and was originally absent in part or has subsequently failed in part, the sum which a holder standing in

immediate relation with such signer is entitled to receive from him to proportionally reduced.

Explanation. ---The drawer of a bill of exchange stands in immediate relation with the acceptor. The maker of a promissory note, bill of exchange or cheque stands in immediate relation with the, payee, and the endorser with his endorsee. Other signers may, by agreement stand in immediate relation with a holder.

#### Illustration

A draws a bill on B for Rs. 500 payable to the order of A. B accepts the Bill, but subsequently dishonors it by non-payment. A Sues B on the bill. B proves that it was acc for value as to Rs. 400, and, as an accommodation to the plaintiff as to the residue. A can only recover Rs. 400.

45. Partial failure of consideration not consisting of money. --- Where a part of the consideration for which a person, signed a promissory note, bill of exchange or cheque, though not consisting of money, is ascertainable in money without collateral enquiry, and there has been a failure of that part, the sum which a holder standing in immediate relation with such signer is entitled to receive from him is proportionally reduced:

45A. Holder's right to duplicate of lost bill.---Where a bill of exchange has been lost before it is over-due, the person who was the holder of it may apply to the drawer to give him another bill of the same tenor, giving security to the drawer, if required, to indemnify him against all persons whatever in case the bill alleged to have been lost shall be found again.

If the drawer on request as aforesaid refuses to give such duplicate bill, he may be compelled to do so.

### CHAPTER IV OF NEGOTIATION

46. Delivery.---The making, acceptance or endorsement of promissory note, bill of exchange or cheque is completed by delivery, actual or constructive.

As between parties standing in immediate relation, delivery to be effectual must be made by the party making accepting or indorsing the instrument, or by a person authorized by him in that behalf.

As between such parties and any holder of the instrument other than a holder in due course, it may be shown that the instrument was delivered conditionally or

for a special purpose only, and not for the purpose of transferring absolutely the property therein.

A promissory note, bill of exchange or cheque payable to' bearer is negotiable by the delivery thereof

A promissory note, bill of exchange or cheque payable to order is negotiable by the holder by endorsement and delivery thereof.

47. Negotiation by delivery.---Subject to the provisions of section 58, a promissory note, bill of exchange or cheque payable to bearer is negotiable by delivery thereof.

Exception.---A promissory note bill of exchange or cheque delivered or condition that it is not to take effect except in a certain event is not negotiable (except in the hands of a holder for value without notice of the condition) unless such event happens.

#### Illustration

- (a) A, the holder of a negotiable instrument payable o bearer, delivers, it to B's agent to keep for B. The instrument ha been negotiated.
  - (b) A, the holder of a negotiable instrument payable to bearer, which is in the hands of A's banker, who is at the time the banker of B, directs the banker to transfer the instrument to B's credit in the banker's account with B. The banker does so, an accordingly now possesses the instrument as B's agent. The instrument has been negotiated, and B has become the holder of it.
48. Negotiation by endorsement..---- Subject to the provisions of section 58 a promissory note, bill of exchange or cheque payable to order in negotiable by the holder by endorsement and delivery thereof.
49. Conversion of endorsement in blank into endorsement in full---When a negotiable instrument has been endorsed in blank, any holder may without signing his own name, convert the blank endorsement in to an endorsement in full by writing above the endorser's signature a direction to pay the amount to or the order of himself or some other person; and the holder endorsement in full by writing above the endorser's signature a direction to pay the amount to or the order of himself or some other



person; and the holder ..may without signing hi own name, convert does not thereby incur the. responsibility of an. endorser.

50. Effect of endorsement.---(1) Subject to the provisions of this Act relating to restrictive, conditional and qualified endorsement, the endorsement of a negotiable in followed by delivery transfers to the endorsee the property therein' with the right of further negotiation.

(2) An endorsement is restrictive which either--

- (a) restricts or excludes the right to further negotiate the instrument, or
- (b) constitutes the endorsee an agent of the endorser to endorse the instrument or to receive its contents for the endorser or for some other specified person.

Provided that the mere absence of words implying, right to negotiate does not make the endorsement restrictive.

#### Illustrations

B signs the following endorsements on different negotiable instruments payable to bearer-----

- (a) "Pay the contents to C only."
  - (b) "Pay C for any use."
  - (c) "Pay C or order for the account of B."
  - (d) "The within just be credited to C."
- These endorsements exclude the right of further negotiation by C.
- (e) "Pay C."
  - (f) "Pay C value in account with the Oriental Bank."
  - (g) "Pay the contents to C, being part of the consideration in a certain deed of assignment executed by C to the endorser and others."

These endorsements do not exclude the right of further negotiation by C.

51. Who may negotiate.---Every sole-maker, drawer, payee or endorsee, or all of several joint makers, drawers, payees or endorsees, of a negotiable instrument may, if the negotiability of such instrument has not been restricted or excluded as mentioned in Section 50, endorse and negotiate the same.

Explanation. --- Nothing in this section enables a maker or drawer to endorse or negotiable an instrument, unless he is in lawful possession or is holder thereof or

enables a payee or endorsee to endorse or negotiate an instrument, unless he is holder thereof.

#### Illustration

A bill is drawn payable to A or order, A endorses it to B, the endorsement not containing the words "or order" or any equivalent words. B may negotiate the instrument.

52. Endorser who excludes his own liability or makes it conditional---The endorser of a negotiable instrument may, by express words in the endorsement, exclude his own liability thereon, or make such liability or the right of the endorsee to receive the amount due thereon depend upon the happening of a specified event, although such event may never happen.

When an endorser so excludes his liability and afterwards becomes the holder of the instrument, all intermediate endorsers are liable to him.

Where the right of an endorsee to receive the amount due on the negotiable instrument is made dependent in the aforesaid manner the condition is valid only as between the endorser and the endorsee.

Where the endorsement of a negotiable instrument purports to be conditional, the payer may disregard the condition and payment to the endorsee is valid whether the condition has been fulfilled or not.

#### Illustrations

- (a) The endorser of a negotiable instrument "signs his name adding the words "Without recourse".  
Upon this endorsement he incurs no liability.
- (b) A is the payee and holder of a negotiable instrument. Excluding personal liability by an endorsement "without recourse," he transfers the instrument to B, and B endorses it to C, who endorses it to A. A is not only reinstated in his former rights, but has the rights of an endorsee against B and C.
53. Holder claiming through holder in due course.---(1) A holder who derives his title through a holder in due course, and who, is not himself a party to any fraud or illegality affecting in the negotiable instrument, has all the

rights therein of that holder in due course as regards the acceptor and all parties to the instrument prior to that holder.

- (2) Where the title of the holder is defective.--
  - (a) if he negotiates the instrument to a holder in due course,, that holder obtains a good and complete title to the instrument; and
  - (b) if he obtains payment of the instrument, the person who says him in due course gets a valid discharge for the instrument.
- 53A. Rights of holder in due course.---A holder in due course holds the negotiable instrument free from any defect of title of prior parties, and free from defences available to prior parties among themselves, and may enforce, payment of the instrument for the full amount thereof against all parties liable thereon.
- 54. Instrument endorsed in blank.--Subject to the provisions hereinafter contained as to crossed cheques, a negotiable instrument endorsed in blank is payable to the bearer thereof even although originally payable to order.
- 55. Conversion of endorsement in blank into endorsement in full.---If a negotiable instrument, after having been endorsed in blank, if endorsed in full, the amount of it cannot be claimed from the endorser in full, except by the person to whom it has been endorsed in full,' or by one who derives title through such person.
- 56. Requisites of endorsement.--- (1) Negotiation by endorsement must be of the entire instrument.
- (2) An endorsement which purports to transfer to the endorsee only a part of the amount payable, or which purports to transfer the instrument to two or more endorsees severally, is not valid as a negotiable of the instrument; but where such amount has been paid in part, a note to that effect may be endorsed on the instrument, which may then be endorsed for the balance.
- 157. Legal representative cannot by delivery only negotiate instrument endorsed by deceased.---The legal representative of a deceased person cannot negotiate by delivery only a promissory note, bill of exchange or cheque payable to order and endorsed by the deceased but not delivered.

- 57A. Negotiation of instrument to party already liable thereon.--- Where a negotiable instrument is negotiated back before authority to the maker or drawer or a prior endorser or to the acceptor, such party may, subject to the provisions of this Act, re-issue and further negotiate the instrument, but he is not entitled to enforce payment of the instrument against any intervening party to whom he was previously liable.
- 57B. Rights of holder.---A holder may receive payment in due course under a negotiable instrument and further r in the manner provided by this Act; he may also sue on such instrument in his own name.
58. Defective title.---When a promissory note, bill of exchange or cheque has been lost or has been obtained from any maker, drawer, acceptor or holder thereof by means of an offence or fraud, or for an unlawful consideration, neither the person who finds or so obtains the instrument nor any possessor or endorsee who claims through such person is entitled to receive the amount due thereon from such maker, drawer, acceptor or holder, unless such possessor or endorsee is, or some person through whom he claims was, a holder thereof in due course.
59. Instrument acquired, after dishonour or when overdue.- The holder of negotiable in who has acquired it after dishonour, whether by non-acceptance or non-payment, with n thereof, or after maturity, has only as against the other parties, the rights thereon of his transferor and is subject to the equities to which the transferor was subject at the time of acquisition by such holder.

Accommodation note or bill --- Provided that any person who, in good faith and for consideration, becoming the holder, after maturity of a promissory note or bill of exchange made, drawn or accepted without consideration for the purpose of enabling some party thereto to raise money thereon, may recover the amount of the note or bill from any prior party.

#### Illustration

The acceptor of a bill of exchange, when he accepted it, deposited with the drawer certain goods as a collateral security for the payment of the bill, with power to the drawer to sell the goods and apply the proceeds in discharge of the bill if it were not paid at maturity. The bill not having been paid at maturity, the drawer sold the goods and retained the proceeds, but endorsed the bill to A.A's title is subject to the same objection as the drawer's title.

60. Instrument negotiable till payment or satisfaction.--- A negotiable instrument may be negotiated (except by the maker, drawer or acceptor after maturity) until payment or satisfaction thereof by the maker, drawer or accept at or after maturity, but not after such payment or satisfaction.

## **CHAPTER V OF PRESENTMENT**

61. Presentment for acceptance. ---- A bill of exchange payable after sight must, if no time or place is specified therein for presentment, be presented to the drawee thereof for acceptance, if he can, after reasonable search, be found, by a person entitled to demand at within a reasonable time after it is drawn and in business hours on a business day. In default of such presentment, no party thereto is liable thereon to the person making such default
62. Presentment of promissory note for sight. --- A promissory note payable at a certain period after sight, must be pre to the maker thereof for sight (if he can after reasonable search be found) by a person entitled to demand payment, within a reasonable time after it is made and in business hours on a business day. In default 'of such presentment, no party thereto is liable thereon to 'the person making such default.
63. Drawee's time for deliberation. --- The holder must, if so required by the drawee of a bill of exchange presented to for acceptance, allow the drawee forty eight hours (exclusive of public holidays) to consider whether he will accept it.
64. Presentment for payment. Subject to the provisions of section 76, promissory notes, bills of exchange and cheques must be presented for payment to the maker, acceptor or drawee thereof respectively, by or on behalf of the holder as hereinafter provided In default of such presentment, the other parties thereto are not liable thereon to such holder,

Exception. ---Where a promissory not is payable on demand and is not payable at a specified place, no presentment is necessary in order to charge the maker thereof [ is presentment necessary to charge the acceptor of a bill of exchange.

The provisions of this section are without prejudice to the provisions relating to presentment for acceptance in the case of a bill of exchange.

Explanation. --- Where there are several persons, not being partners liable on the negotiable instrument, as makers, acceptors or drawees, as the case may be, and no place of payment is specified, presentment must be made to them all.

65. Hours for presentment. --- Presentment for payment must be made during the usual hours of business, and, if at a banker's within banking hours.
66. Presentment for payment of instrument payable after date or sight.--- A promissory note or bill of exchange, made payable at a specified period after date or sight thereof, must be presented for payment at maturity.
67. Presentment for payment of promissory note payable by installments. --- A promissory note payable by installments must be presented for payment on the third day after the date fixed for payment of such installment; and non-payment on such presentment has the same effect as non-payment of a note at maturity.
68. Presentment for payment of instrument payable at specified place and not elsewhere --- A promissory note, bill of exchange or cheque made, drawn or accepted payable at a specified place and not elsewhere must, in order to charge any party thereto, be presented for payment at that place.
69. Instrument payable at specified place. - A promissory note or bill of exchange made, drawn or accepted payable at a specified place must, in order to charge the maker or drawer thereof, be presented for payment at that place.
70. Presentment where no exclusive place specified. --- A promissory note or bill of exchange, not made payable as mentioned in sections 68 and 69, must be presented for payment at the address of the maker, acceptor or drawee given in the instrument, and if no such address is given to the place of business [if known], or at the ordinary residence [if known], of the maker, drawer or acceptor thereof, as the case may be.
71. Presentment when maker etc., has no known place of business or residence.---If the maker, drawee or acceptor of a negotiable instrument has no known place of business or

residence, and no place is specified in the instrument for presentment for acceptance or payment, such presentment may be made to him in person wherever he can be found.

Explanation: In this section and sections 68 and 69, "specified place" means a place sufficiently described so as to enable the person presenting the instrument to locate it.

- 71A. What constitutes valid presentment and mode of presentment.---(1) To constitute a valid presentment it shall be sufficient if instead of the original negotiable instrument copy thereof certified to be true by the holder is delivered to the person liable thereon, either personally or by registered post or by other effective means.
- (2) If, after such delivery, the person liable to pay so demands, the holder shall allow him to inspect the original negotiable instrument during the hours of business of the holder, and if the holder fails to do so within a reasonable time, the presentment shall be deemed to be invalid.
72. Presentment of cheque to charge drawer. --- Subject to the provisions of section 84, a cheque must, in order to charge drawer, be presented at the bank upon which it is drawn before the relation between the drawer and his banker has been altered to the prejudice of the drawer.
73. Presentment of cheque to charge any other person. A cheque must, in order to charge any person except the drawer, be presented within reasonable time after delivery thereof by such person.
74. Presentment of instrument payable on demand. Subject to the provisions of section 31, a negotiable instrument payable on demand must be presented for payment within a reasonable time after it is received by the holder.
75. Presentment by or to agent, representative of deceased or assignee of insolvent.--Presentment for acceptance or payment may be made to the duly authorized agent of the drawee, maker or acceptor, as the case may be, or, where the drawee, maker or acceptor has died, to his legal representative, or where he has been declared a insolvent, to his assignee.
- 75A. Excuse for delay in presentment for acceptance or payment.---Delay in presentment for acceptance or payment is excused if the delay is caused by circumstances beyond the control of the holder, and not imputable to his default, misconduct or negligence. When the cause of delay ceases to operate, presentment must be made within a reasonable time.

76. When presentment unnecessary.---No presentment for payment is necessary, and the instrument shall be deemed to be dishonoured at the due date for presentment in any of the following cases:-

- (a) if the maker, drawee or acceptor intentionally prevents the presentment of the instrument, or,  
if the instrument being payable at his place of business, he closes such place on a business day during the usual business hours, or,  
if the instrument being payable at some other specified place, neither he nor any person authorized to pay it attends at such place during the usual business hours, or  
if the instrument not being payable at any specified place, he cannot after due search be found;
- (b) as against any party sought to be charged therewith, if he has engaged to pay notwithstanding non-presentment;
- (c) as against any party. if, after maturity, with knowledge that the instrument has not been presented--  
he makes a part payment on account of the amount due on the instrument, or promises to pay the amount due thereon in whole or in part,  
or otherwise waives his right to take advantage of any default in presentment for payment;
- (d) as against the drawer, if the drawer could not suffer damage from the want of such presentment;
- (e) where the drawee is a fictitious person;
- (f) as regards an endorser, where the negotiable instrument was made, drawn or accepted for the accommodation of that endorser and he had to expect, that the instrument would not be paid if presented;;  
and
- (g) where, after the exercise of reasonable diligence, presentment is required by this Act cannot be effected.

Explanation: The fact that the holder has reason to believe that the negotiable instrument will, on presentment, be dishonoured does not dispense with the necessity for presentment.



77. Liability of banker for negligently dealing with bill presented for payment.---When a bill of exchange accepted payable at a specified bank has been duly presented therefor payment and dishonoured, if the banker so negligently or improperly keeps, deals with or delivers back such bill as to cause loss to the holder, he must compensate the holder for such loss.

## CHAPTER VI OF PAYMENT AND INTEREST

78. To whom payment could be made.---Subject to the., provisions of section 82, clause (c), payment of the amount due on a promissory note, bill of exchange or cheque must, in order to discharge the maker or acceptor, be made to the holder of the instrument.
79. Interest when rate specified or not specified.-- Subject to the provision of any law for the time being in force relating to the relief of debtors, and without prejudice to the provisions of section 34 of the Code of Civil Procedure, 1908,---
- (a) when interest at a specified rate is expressly made payable on a promissory note or bill of exchange and no date is fixed from which interest is to be paid, interest shall be calculated at the rate specified, on the amount of the principal money due thereon, from the date of the note, or, in the case of a bill, from the date on which the amount becomes payable, until tender or realization of such amount, or until the date of the institution of a suit to recover such amount;
  - (b) where a promissory note or bill of exchange is silent as, regards interest or does not specify the rate of interest, interest on the amount of the principal money due, thereon shall, notwithstanding any collateral agreement relating to interest between any parties to the instrument, be allowed and calculated the rate of six per centum per annum from the date of the note, or, in the case of a bill, from the date on which the amount becomes payable, amount due thereon, or until the date of the institution of a suit to recover such amount.
80. Interest when no rate specified.---When no rate of interest is specified in the instrument, interest on the amount due thereon shall, notwithstanding any agreement relating to interest between any parties to the instrument, be calculated at the rate of six per centum per annum, from the date at which the same ought to. have been paid by the part charged, until tender

or realization of the amount due thereon, or until such date after the institution of a suit to recover such amount as the Court directs.

Explanation. --- When the party charged is the endorser of an instrument dishonoured by non-payment, he is liable to pay interest only from time that he receives notice of the dishonour.

81. Delivery of instrument on payment, or indemnity in case of loss. --- Any person liable to pay, and called upon by the holder thereof to pay, the amount due on a promissory note, bill of exchange or cheque is before payment entitled to have it shown, and is on payment entitled to have it delivered up, to him, or, further claim thereon against him.

## **CHAPTER VII OF DISCHARGE FROM LIABILITY ON NOTES, BILLS AND CHEQUES**

82. Discharge from liability.---The maker, acceptor or endorser respectively of a negotiable instrument is discharged from liability thereon----
- (a) by cancellation; to a holder thereof who cancels such acceptor's or endorser's name with intent to discharge him, and to all parties claiming under such holder;
  - (b) by release; to a holder thereof who otherwise discharges such maker, acceptor or endorser, and to all parties deriving title under such holder after notice of such discharge; and
  - (c) to all parties thereto, if the instrument is payable to bearer, or has been endorsed in blank, and such maker, acceptor or endorser makes payment in due course of the amount due thereon.
83. Discharge by allowing drawee more than forty-eight hours to accept. ---If the holder of a bill of exchange allows the drawee more than forty eight hours, exclusive of public holidays, to consider whether - he will accept the same, all previous parties not consenting to such allowance are thereby discharged from liability to such holder.
84. When cheque not duly presented and drawer damaged thereby.---(1) Where a cheque is not presented for payment within a reasonable time of its issue, and the drawer or person on whose account it is drawn had the right, at the time when presentment ought to have been made, as between

himself and the banker, to have the cheque paid and suffers actual damage through the delay, he is discharged to the extent of such damage, that is to say, to the extent to which such drawer or person is a creditor of the banker to a larger amount than he would have been if such cheque had been paid.

- (2) In determining what is a reasonable time, regard shall be had to the nature of the instrument, the usage of trade and of bankers, and the facts of the particular case.
- (3) The holder of the cheque as to which such drawer or person is so discharged shall be a creditor, in lieu of such drawer or person, of such banker to the extent of such discharge and entitled to recover the amount from him.

#### Illustrations

- (a) A draws a cheque for Rs. 1,000 and when the cheque ought to be presented, has funds at the bank to meet it. The bank fails before the cheque is presented. The drawer is discharged, but the holder can prove against the bank for the amount of the cheque.
- (b) A draws a cheque at Sialkot on a Bank in Karachi. The Bank fails before the cheque could be presented in ordinary course. A is not discharged, for he has not suffered actual damage through any delay in presenting the cheque.

Substituted for the original section by the Negotiable Instruments (Amendment) Act, 1897 (VI of 1897), S. 3.

- 85. Cheque payable to order. (1) Where a cheque payable to order purports to be endorsed by or on behalf of the payee, the drawee is discharged by payment in due course.
  - (2) Where a cheque is originally expressed to be payable to bearer, the drawee is discharged by payment in due to the bearer thereof, notwithstanding any endorsement whether in full or in blank appearing thereon, and notwithstanding that any such endorsement purports to restrict or exclude further negotiation.
- 85A. Drafts drawn by one branch of a bank on another payable to order.--- Where any draft, that is, an order to pay money, drawn by one office of a bank upon another office of the same bank for a sum, of money payable to

order on demand, purports to be endorsed by or on behalf of the payee, the bank is discharged by payment in due course.

86. Parties not consenting discharged by qualified or limited acceptance.---If the holder of a bill of exchange acquiesces in a qualified acceptance, or one limited to part of the sum mentioned in the bill or which substitutes a different place or time for payment, or which, where the drawees are not partners, is not signed by all the drawees, all previous parties whose consent is not obtained to such acceptance are discharged as against the holder and those claiming under him, unless on notice given by the holder they assent to such acceptance.

Explanation: An acceptance is qualified---

- (a) where it is conditional, declaring the payment to be dependent on the happening of an event therein stated;
  - (b) where it undertakes the payment of part only of the sum ordered to petitioner paid;
  - (c) where, no place of payment being specified on the order it undertakes the payment at a specified place, and not otherwise or elsewhere; or where, a place of payment being specified in the order, it undertakes the payment at some other place and not otherwise or elsewhere;
  - (d) where it undertakes the payment at a time other than that at which under is order it would be legally due.
87. Effect of material alteration.---Any material alteration of a negotiable instrument renders the same void as against any one who is a party thereto at the time of making such alteration and does not consent thereto, unless it was made in order to carry out the common intention of the original parties.

Alteration by endorsee and any such alteration, if made by an endorsee, discharges his endorser from all liability to him in respect of the consideration thereof.

The provisions of this section are subject to those of sections 20, 49, 86 and 125.

88. Acceptor or endorser bound notwithstanding previous alteration: -- An acceptor or endorser of a negotiable instrument is bound by his

acceptance or endorsement notwithstanding any previous alteration of the instrument

89. Payment of instrument on which alteration is not apparent.---Where a promissory note, bill of exchange or cheque has been materially altered but does not appear to have been so altered,

or where a cheque is presented for payment which does not at the time of presentation appear to be crossed or to have had a crossing which has been obliterated, payment thereof by a person or banker liable to pay, and paying the safe according to the apparent tenor thereof at the time of payment and otherwise in due course, shall discharge such person at banker from. all liability thereon; and such payment shall not be questioned b reason of the instrument having been altered or the cheque crossed.

90. Extinguish of rights of action on bill in acceptor's lands. The makes, drawer, acceptor or endorser of a negotiable instrument is discharged from liability thereon when the person liable thereon on principal debtor, becomes the holder thereof at or after its maturity.

- (2) When the holder of an accepted bill of exchange enter in to any contract with the acceptor of the nature referred to in Section 39 the other parties are discharged, unless the hold has expressly reserved his right to charge.

## CHAPTER VIII OF NOTICE OF DISHONOUR

91. Dishonour by non-acceptance.---A bill of exchange, is said to be dishonoured by non-acceptance when the drawee or one of several, drawees not being partners, makes default in acceptance upon being duly required to accept the bill, or where presentment is excused and the bill is not accepted.

Where the drawee is incompetent to contract, or the acceptance is qualified, the bill may be treated as dishonoured.

92. Dishonour by non-payment. --- A promissory note, bill of exchange or cheque is said to be dishonoured by non-payment when the maker of the note, acceptor of the bill or drawee of the cheque makes default in payment upon being duly required to pay the same.

93. By and to whom notice should be given.---When a promissory note, bill or exchange of cheque is dishonoured by non-acceptance or non-payment, the holder thereof; or some party thereto who remains liable thereon, must give notice that the instrument has been so dishonoured to all other parties to whom the holder seeks to make severally liable thereon, and to some one of several parties whom he seeks to make jointly. liable thereon.

When a bill of exchange is dishonoured by non-acceptance the drawer or any endorser to whom such notice is not given is discharged; but the rights of a holder in due course subsequent to the omission to give notice shall not be prejudiced by that omission.

When a bill of exchange is dishonoured by non-acceptance and due notice of dishonour is given, it shall not be necessary to give notice of a subsequent dishonour by non-payment, unless the bill shall, in the meantime, have been accepted.

Nothing in this section renders it necessary to give notice to the maker of the dishonoured promissory note or the drawee. or acceptor of the dishonoured bill exchange or cheque.

94. Mode in which notice may be given.---Notice of dishonour may be given to a duly authorized agent of the person to whom it is required to be given, or, where he has died, or his legal representative, or, where he had been declared an insolvent, to his assignee; may be oral or written; may if written, be sent by post; and may be in any form; but it must inform the party to whom it is given, either in express terms or by reasonable intendment, that the instrument has been dishonoured, and in what way, and that he will be held liable thereon, and it must be given within a reasonable time after dishonour, at the place of. business or (in case such, party has no place of business) at the residence of the party for whom it is intended.

If the notice is duly directed and sent by post and miscarries, such miscarriage does not render the notice invalid.

95. Party receiving must transmit notice of dishonour.-- Any party receiving notice of dishonour in order to render any prior party liable to himself, give notice of dishonour to such party within a reasonable time, unless such party otherwise receives due notice as provided by section 93.
96. Agent for presentment.---When the, instrument is deposited with an agent for presentment, the agent is entitled to the same time to give notice to

him principal as if he were the holder giving notice of dishonour, and the principal is entitled to a further like period to give notice of dishonour.

97. When party to whom notice given is dead.---When the party to whom notice of dishonour is despatched is dead, but the party despatching the notice is ignorant, of his death, the notice is sufficient.
98. When notice of dishonour is unnecessary.---No notice of dishonour is necessary--
- (a) when it is dispensed with by the party entitled thereto;
  - (b) in order to charge the drawer when he has countermanded payment,
  - (c) when the party charged could not suffer damage for want of notice.
  - (d) when the party entitled to notice cannot after due search be found; or the party bound to give notice is, for any other reason, unable without any fault of his own to give it;
  - (e) to charge the drawers when the acceptor is also a drawer;
  - (f) in the case of a promissory note which is not negotiable;
  - (g) when the party entitled to notice, knowing the facts, promises unconditionally to pay the amount due on the instrument.

## **CHAPTER IX OF NOTING AND PROTEST**

99. Noting.---When a promissory note or bill of exchange has been dishonoured by non-acceptance or non-payment, the holder may cause such dishonour to be noted by a notary public upon the instrument, or upon a paper attached thereto, or partly upon each.

Such note must be made within a reasonable time after dishonour, and must specify the date of dishonour, the reason, if any, assigned for such dishonour, or, if the instrument has to been expressly dishonoured, the reason why the holder treats it as dishonoured, and the notary's charges;

100. Protest. When a promissory note or bill of exchange has been dishonoured by non-acceptance or non-payment, the holder within a reasonable time,

cause such dishonour to be noticed and certified by a notary public. Such certificate is called a protest.

Protest for better security.

When the acceptor of a bill of exchange has become insolvent, or his credit has been publicly impeached, before the maturity of the bill, the holder may, within a reasonable time, cause a notary public to demand better security of the acceptor, and on its being refused may, within a reasonable time, cause such facts to be noted and certified as aforesaid. Such certificate is called a protest for better security.

101. Contents of protest.---A protest under 100 must contain--

- (a) either the instrument itself, or a literal transcript of the instrument and of everything written or printed thereupon;
- (b) the name of the person for whom and against whom the instrument has been protested;
- (c) a statement that payment or acceptance or better security, as the case may be, has been demanded of such person by the notary public; the term of his answer; if any, or a statement that he gave no answer or that he could not be found;
- (d) when the note or bill has been dishonoured, the place and time of dishonour, and, when better security has been refused, the place and time of refusal;
- (e) the subscription of the notary public making the protest;
- (f) in the event of an acceptance for honour or of a payment for honour, the name of the person by whom, of the person for whom, and the manner in which, such acceptance or payment was offered and effected

102. Notice of protest ---When a promissory note or bill of exchange is required by law to be protested, notice of such protest must be given instead of notice of dishonour, in the same manner and subject to the same conditions; but the notice may be given by the notary public who makes the protest.



103. Protest for non-payment after dishonour by non-acceptance: All bills of exchange drawn payable at some other place than the place mentioned as the residence of the drawer, and which are dishonoured by non-acceptance, may, without further presentment to the drawee, be protested for non-payment in the place specified for payment, unless paid before or at maturity.
104. Protest of foreign bills.--- Foreign bills of exchange must be protested from dishonour when such protest is required by the law of the place where they are drawn.
- 104A. When noting equivalent to protest.---For the purposes of this Act, where a bill or note is required to be protested within a specified time or before some further proceedings is taken, it is sufficient that the bill has been noted for protest before the expiration of the specified time or the taking of the proceeding; and the formal protest may be extended at any time thereafter as of the date of the noting.

## **CHAPTER X OF REASONABLE TIME**

105. Reasonable time.--- In determining what is a reasonable time or presentment for acceptance or payment, for giving notice of dishonour and for noting, regard shall be had to the nature of the instrument and the usual course of dealing with respect to similar instrument; and, in calculating such time, public holidays shall be excluded.
106. Reasonable time of giving notice of dishonour.-If the holder and the party to whom notice of dishonour is given carry on business or live (as the case may be) in different places, such notice is given within reasonable time if it is despatched by the next post or on the day next after the day of dishonour.

If the said parties carry on business or live in the same place, such notice is given within a reasonable time if it is despatched in time to reach its destination on the day next after the day of dishonour

107. Reasonable time for transmitting such notice.- party receiving notice of dishonour, who seeks to enforce his right against a prior party, transmits the notice with a reasonable time if he transmits it within the same time after its receipt as he would have had to give notice if he had been the holder.

**CHAPTER XI**  
**OF ACCEPTANCE AND PAYMENT FOR HONOUR AND**  
**REFERENCE IN CASE OF NEED**

108. Acceptance for honour.---When a bill of exchange has been noted or protested for non-acceptance or for better security, any person not being a party already liable thereon may, with the consent of the holder, by writing on the bill, accept the same for the honour of any party thereto;
109. How acceptance for honour must be made. A person desiring to accept for honour must by writing on the bill under his hand, declare that he accepts under protest the protested bill for the honour of the drawer or of a particular endorser whom he names;' or generally for honour.
110. Acceptance not specifying for whose honour it is made.-Where the acceptance does not express for whose honour it is made shall be deemed to be made for the honour of the drawer.
111. Liability of acceptor for honour.--An 'acceptor' for honour binds himself to all parties subsequent to the party for whose honour he accepts to pay the amount of the bill if the drawee do not; and such party and all prior parties, are liable in their respective capacities to compensate the acceptor for honour for all loss or damage sustained by him in consequence of such acceptance.

But, an acceptor for honour is not liable to the holder till the bill unless it is presented, or (in case the address given by such acceptor on the bill is a place other than the place where the bill is made payable) forwarded for presentment not later than the day next after the day of its authority.

112. When acceptor for honour may be charged. An acceptor for honour cannot be charged unless the bill has at its maturity been presented to the drawee for payment and has been dishonoured by him, and noted or protested for such dishonour.
113. Payment for honour.---When a bill of exchange has been noted or protested for non-payment, any person may pay the same for the honour of any party liable to pay the same, provided that the person so paying or his agent in that behalf has previously declared before a notary public the party for whose honour he pays, and that such declaration has been recorded by such notary public.

114. Right of payer for honour --- Any person, so paying is entitled to all the rights, in respect of the bill, of the holder at the time of such payment, and may recover from the party for whose honour he pays all sums so paid, with interest thereon and with all expenses properly incurred in making such payment.
115. Drawee in case of need. Where a drawee in case of need is named in a bill of exchange, or in any endorsement thereon, the bill is not dishonoured until it has been dishonoured by such drawee.
116. Acceptance and payment without protest --- A drawee in case of need may accept and pay the bill of exchange without previous protest.

## **CHAPTER XII OF COMPENSATION**

117. Rules as to compensation --- The compensation payable in case of dishonour of a promissory, bill of exchange or cheque, by any party liable to the holder or any endorsee, shall be determined by the following rules:-
- (a) the holder is entitled to the amount due upon the instrument; together with the expenses properly incurred in presenting, noting and protesting it;
  - (b) when the person charged resides at a place different from that at which the instrument was payable, the holder is entitled to receive such sum at the current rate of exchange between the two places;
  - (c) an endorser who, being liable, has paid the amount due on the same is entitled to the amount so paid with interest at six per centum per annum from the date of payment until, tender or realization thereof, together with all expenses caused by the dishonour and payment;
  - (d) when the person charged and such endorser reside at different places the endorser is entitled to receive such sum at the current rate of exchange between the two places;
  - (e) the party entitled to compensation may draw a bill upon the party liable to compensate him, payable at sight or on demand, for the amount due to him, together with all expenses properly incurred by him. Such bill must be accompanied by the instrument

dishonoured and the protest thereof (if any). If such bill is dishonoured, the party dishonouring the same is liable to make compensation thereof in the same manner as in the case of the original bill.

### **CHAPTER XIII**

#### **SPECIAL RULES OF EVIDENCE**

118. Presumptions as to negotiable instruments---(a) Of consideration; (b) as to date; (c). as to time of acceptance; (d) as to time of transfer; (e) as to order of endorsements (1) as to stamp; (g) that holder is a holder in due course. -  
--Until the contrary is proved, the following presumptions shall be made,
- (a) that every negotiable instrument was made or drawn of consideration, and that every such instrument, when it has been accepted, endorsed negotiated or transferred, was accepted, endorsed negotiated or transferred for consideration;
  - (b) that every negotiable instrument bearing a date was made or drawn on such date;
  - (c) that every accepted bill of exchange was accepted within a reasonable time after its date and before its maturity;
  - (d) that every transfer of a negotiable instrument was made before its maturity;  
that endorsements appearing upon a negotiable.
  - (e) that endorsements appearing upon a negotiable instrument were made in the order in which they appear thereon;
  - (f) that a lost promissory note, bill of exchange or cheque was duly stamped;
  - (g) that the holder of a negotiable instrument is a holder in due course, provided that, where the instrument has been obtained from its lawful owner, or from any person in lawful custody thereof, by means of an offence of fraud,. or has been obtained from the maker or acceptor thereof by means of an offence or fraud, or for unlawful consideration, the burden of proving that the holder is a holder in due course lies upon him.

119. Presumption on proof of protest.--In a suit upon an instrument which has been dishonoured, the Court shall, on proof of the protest presume the fact, of dishonour, unless and until such fact is disproved.
120. Estoppels against denying original validity, of instrument- No maker of a promissory note, and no drawer of a bill of exchange or cheque, and no acceptor of a bill of exchange for the honour of the drawer shall, in a suit thereon by a holder in due course, be permitted to, deny the validity of the instrument as originally made or drawn.
121. Estoppels against denying capacity of payee to endorse.-No maker of a promissory note and no acceptor of a bill of exchange payable to order shall, in a suit thereto by a holder in due course be, permitted to deny the payee's capacity, to the date of the note or bill, to endorse the same.
122. Estoppels against denying signature or capacity of prior party.--No endorser of a negotiable instrument shall, in a suit thereon by a subsequent holder, be permitted to deny the signature or capacity to contract of any prior party to the instrument.

#### **CHAPTER XIV**

##### **SPECIAL PROVISIONS RELATING TO CHEQUES**

- 122A. Revocation of banker's authority. ---The duty and authority of a banker to pay a cheque drawn on him by his customer are determined by-
- (1) countermand of payment;
  - (2) notice of the customer's death;
  - (3) notice of adjudication of the customer as an insolvent.
123. Cheque crossed generally.---Where a cheque bears across its face an addition of the words "and company" or any abbreviation thereof, between two parallel transverse lines, or of two parallel transverse lines simply, either with or without the words "not negotiable", that addition shall be deemed a crossing and the cheque shall be deemed to be crossed generally.
- 123A. Cheque crossed "account payee". (1) Where a cheque crossed generally bears across its face an addition of the word "account payee" between the two parallel transverse line constituting the general crossing, the cheque, besides being crossed generally, is said to be crossed "account payee".

- (2) Where a cheque is crossed "account payee"---
- (a) it shall cease to be negotiable; and
- (b) it shall be the duty of the banker collecting payment of the cheque to credit the proceeds thereof only to the account of the payee named in the cheque.

124. Cheque crossed specially. --- Where a cheque bears across its face an addition of the name of a banker either, with or without the words "not negotiable, that addition shall be deemed a crossing, and the cheque shall be deemed to be crossed specially, and to be crossed to that banker.

125. Crossing after issue.--- Where a cheque is uncrossed, the holder may cross it generally or specially.

Where a cheque is crossed generally, the holder may cross specially.  
Where a cheque is crossed generally or specially the holder may add the words "not negotiable".

Where a cheque is crossed specially, the banker to whom it is crossed may again cross it specially to another banker, his agent, for collection.

When an uncrossed cheque, or a cheque crossed generally, is sent to a banker for collection he may cross it specially to himself.

125A. Crossing a material part of a cheque. -- A crossing authorized by this Act is a material part of the cheque; it shall not be lawful for any person to obliterate, or, except as authorized by this Act, to add to or alter, the crossing.

126. Payment of cheque crossed generally.---Where a cheque is crossed generally, the banker on whom it is drawn shall pay it otherwise than to a banker.

Payment of cheque crossed specially.

Where a cheque is crossed specially, the banker on whom it is drawn shall not pay it otherwise than: to the banker to whom it is crossed, or his agent for collection.

127. Payment of cheque crossed specially more than once.--Where a cheque is crossed specially to more than one banker, except when crossed to an

agent for the purpose of collection, the banker on whom it is drawn shall refuse payment thereof.

128. Payment in the course of crossed cheque.--Where the banker on whom a crossed cheque is drawn in good faith and without negligence pays it, if crossed generally, to a banker, and if crossed specially, to the banker to whom it is crossed or his agent for collection, being a banker, the banker paying the cheque, and (in case such cheque has come to the hands of the payee) the drawer thereof, shall respectively be entitled to the same rights, and be placed in the same position in all respects, as they would respectively be entitled to and placed in if the amount of the cheque had been paid to and received by the true owner thereof.
129. Payment of crossed cheque out of due course.---Any banker paying a cheque crossed generally otherwise than to a banker, or a cheque crossed specially otherwise than to the banker to whom the same is crossed, or his agent for collection, being a banker, shall be liable to the true owner of the cheque for any loss he may sustain owing to the cheque having been so paid.

Provided that where a cheque is presented for payment which does not at the time of presentment appear to be crossed, or to have had a crossing which has been obliterated, added to or altered otherwise than as authorized by this Act, the banker paying the cheque in good faith and without negligence shall not be responsible or incur any liability nor shall the payment be questioned, by reason of the cheque having been crossed, or of the crossing having been obliterated or having been added to or altered otherwise than as authorized by this Act, and of payment having been made otherwise than, to a banker or, to the banker to whom the cheque is or was crossed, or to is agent for collection, being a banker, as the case may be.

130. Cheque bearing "not negotiable".---A person taking a cheque crossed generally or specially, bearing in either case the words "not negotiable," shall not have, and shall not be capable of giving, a better title to the cheque than that which the person from whom he took it had.
131. Subject to the provisions of this Act relating to cheque crossed "account payee", where a banker in good faith and without negligence receives payment for a customer of a cheque crossed generally or specially to himself, and the customer has. no title or a defective title thereto, the banker shall not incur any liability to the true owner of the cheque by reason only of having received such payment.

Explanation: A banker receives payment of a crossed cheque for a customer within the meaning of this section notwithstanding that he credits his customer's account with the amount of the cheque before receiving payment thereof.

- 131A. Application of Chapter to drafts. --- The provision of this Chapter shall apply to any draft, as defined in section 85A, as if the, draft were a cheque.
- 131B. Protection to banker crediting cheque crossed "account payee"---Where a cheque is delivered for collection to a banker does not at the time of such delivery appear to be crossed "account payee" or to have had a crossing account payee" which has been obliterated or altered, the banker, in good faith and without negligence collecting payment of the cheque and crediting the proceeds thereof to a customer shall not incur any liability by reason of the cheque having been crossed "account payee", or of such crossing having be or and of the proceeds of the cheque having been obliterated or altered and of the proceeds of the cheque having been credited to a person who is not the payee thereof.
- 131C. Cheque not operating as assignment of funds. A cheque of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the banker.

## **CHAPTER XV**

### **SPECIAL PROVISIONS RELATING TO BILLS OF EXCHANGE**

- 131D. Several drawees.--- A bill of exchange may be addressed to two or more drawees, whether they are partners or not; but an order addressed to two drawees in the alternative, or to two or more drawees in succession, is not a bill of exchange.
- 131E. In favour a bill may be drawn.--- A bill of exchange may be drawn payable to, or to the order of, the drawer; or it may be drawn payable to, or to the order of, the drawee.
- 131F. Presentment for acceptance is necessary.---A bill of exchange, in order to fix the acceptor with liability, must be present for acceptance before is presented for payment.
- 131G. When presentment excused. Presentment for acceptance is excused and a bill of exchange may be treated as dishonoured by non-acceptance.



- (a) where the drawee is dead or is in or is a fictitious person or a person not having capacity to contract by bill of exchange;
- (b) where, at the due date for presentment, the drawee can not, after reasonable search, be found at the place at which the bill is to be presented;
- (c) where, after the exercise of reasonable diligence such, presentment cannot be effected;
- (d) where, although the presentment has been irregular acceptance has been refused on some other ground.

131H. Holder's right of recourse against drawer and endorsers.---Subject to the provisions of this Act, when a bill of exchange is dishonoured by non-acceptance, an immediate right of recourse against the drawer and endorsers accrues, to the holder, and no presentment for payment is necessary.

131-I. Holder may refuse qualified acceptance. --- The holder of a bill of exchange may refuse to take a qualified acceptance, and if he does not obtain an unqualified acceptance, may treat the bill as dishonoured by non-acceptance.

132. Set of bills. --- Bills of exchange. may be drawn in parts, each part being numbered and containing a provision that it shall continue payable only so long as the others remain unpaid. All the parts together make a set; but the whole set constitutes only, one bill, and is extinguished when one of the parts, if a separate bill, would be extinguished. .

Exception. ---When a person accepts or endorses different parts of the bill in favour of diff persons, he and the subsequent. endorsers of each part are liable on such part as if it were a separate bill.

133. Holder of first acquired part entitled to all. ---As between holders in due course of different parts the same set he who first acquired title to his part is entitled to the other parts and the money represented by the bill.

## CHAPTER XVI OR INTERNATIONAL LAW

134. Law governing liability of parties to a foreign instrument.---In the absence of a contract to the contrary and subject, to the provisions of section 136, in the case of a foreign promissory note, bill of exchange or cheque,--
- (a) the law of the place where the instrument was made or drawn, or accepted or negotiated shall determine--
    - (i) the capacity of the parties: and
    - (ii) the validity of the instrument or, as the case may be, of its acceptance or negotiation:

Provided that such instrument shall not be invalid or inadmissible in evidence by reason only that it was not stamped or not sufficiently stamped according to the law of the place where it was made or drawn;

- (b) the law of the place where such instrument is payable shall determine,--
  - (i) the liability of all parties thereto;
  - (ii) the duties of the, holder with respect to presentment for acceptance or payment;
  - (iii) the date of maturity of the instrument;
  - (iv) what constitutes dishonour
  - (v) the necessity for and sufficiency of a protest or notice of dishonour;
  - (vi) all questions relating to payment and satisfaction including the currency in which and the rate of exchange at which he instrument is to be paid.

### Illustration

A bill of exchange was drawn by A in California, where the rate of interest is 25 per cent., and accepted by B, payable in Washington, where the rate of interest is 6 per cent. The bill is endorsed in 7 and is dishonoured. An action on the bill is brought against B in He is liable to pay interest at the rate of 6 per cent. Only; but, if A is charged as drawer, A is liable to' pay interest at the rate of 25 per cent; 135. Law of place of payment governs dishonour.-- Omitted, by the Negotiable Instruments (Amdt) Ordinance, 1962 (XLIX of 1962) S. 53.

136. Instrument made, etc., outside Pakistan, put in accordance with their law. ---  
- If a negotiable instrument is made, drawn, accepted or endorsed outside Pakistan but in accordance with the law of Pakistan, the circumstances that any agreement evidenced by such instrument is invalid according to the law of the

country wherein it was entered into does not invalidate h subsequent acceptance or endorsement made thereon.

137. Presumption as to foreign law. --- The law of any foreign country regarding promissory notes bills of exchange and cheques shall be presumed to be the same as that of Pakistan unless and until the country is proved

## **CHAPTER XVII NOTARIES PUBLIC**

138. Power to appoint notaries public.---The Federal Government may, from time to time, by notification in the official Gazette, appoint any person, by name or by virtue of his office, to be a notary public under this Act and to exercise his functions as such within any local area, any may, by like notification, remove from office any notary public appointed under this Act.
139. Power to make rules for notaries public. --- The Federal Government may, from time to time, by notification in the official Gazette, make rules consistent with this Act for the guidance and control of notaries public appointed under this Act, and may, by such rules (among other matters) fix the fees payable to such notaries.

SCHEDULE.--- Enactments repealed. Rep. By the Amending Act, 1891 (Vu of 1891).