

# BHARAT SCHOOL OF BANKING

## TYPES OF CHEQUES, CROSSING OF CHEQUES

### Bearer Cheque & Ordered Cheque

There are **two** types of **cheques** -

- Payable to **bearer** -  
Whoever **bears** or holds the instrument. If you don't provide any **crossing** on the **cheque**, then it will be a **bearer cheque**. If you take it to the **bank counter**, you will be able to **en-cash** the **cheque**, without any issue.
- Payable to **order** -  
Only to a **certain** person/institution. If you provide a **crossing** on the **cheque**, it will be a **ordered cheque**. There will be several conditions for an **ordered cheque** as described below.

**Crossing of Cheques** are defined in **Section 123** of **Negotiable Instrument Act, 1881**. There are **four** types of **crossing** (i.e., putting **conditions** on **cheque**):

1. **Crossed Generally** [Putting **Two Parallel Transverse** Lines on the cheque]

It provides the **condition** to the **banker** that the amount can be **credited** to **any account** but through a **banking channel**, so that the **beneficiary** may be **traced**.

2. **Crossed Specially** [Putting the **name** of the **banker**, e.g., SBI, ICICI, etc]

Here the **bank** makes payment **only** to the **banker** whose **name** is written in the **crossing**. It is more **safe** than the **generally crossed** cheques, because it **restricts** to the only **banker** you want to use.

3. **Account Payee / Restrictive Crossing** - [Putting the word '**Account payee**']

The **collecting bank** is supposed to **credit** the amount only to the **account of payee**, nowhere else.

4. **Non-negotiable Crossing** - [Putting the word '**Not Negotiable**']

Here, you are making the **cheque** (which is a **negotiable** instrument) **non-negotiable**. It means you cannot **endorse** the **cheque** to other person (restricting the **transferability**, refer to the previous posts)

For a better understanding of **Not-negotiable crossing**, here is an **example** scenario -

A buys a car from B, A gives a cheque crossed '**not negotiable**'. B gives it to C. C loses the cheque and it is found by D. D forges C's **endorsement** and **endorses** it over to E. If the cheque is **dishonored**, E can **sue** D, but has no recourse to sue A, B or C, as it is marked '**not negotiable**'. Even though E accepted the cheque in **good faith** and '**for value**' he cannot get a **better title** than the **prior endorser** D, who had none. Without the words '**not negotiable**' E could have sued A, B, or D as prior endorsers (**C can't be sued as his endorsement was forged**).