



COLLECTING BANKER

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TRICHY-20

SYNTAX

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INTRODUCTION

A Collecting Banker undertakes to collect cheques, drafts, bills, pay orders, traveler's cheque, letter of credit, dividend warrants, debenture interest etc, on behalf of the customer .



EXPLANATION

In the ordinary course of any business, people used to buy and sell products, services, raw materials, semi-finished goods and even events. For settlement of the purchases, everybody used to issue cheques, for, cash payment is not passible in all situations. Another reason is that it is not safe to deal in cash always. Sometimes, the seller offers credit to the buyer. In modern business world even buyers and sellers in very remote areas are transacting with each other because of the colossal development in the field of communication. So, everyone cannot pay cash, one to one, and the use of cheques, bill of exchanges and other modes of electronic payments are made necessary.

So, when cheques and bills of exchange become the more preferred mode of trade payments and others, the necessity of a mediator, with knowledge and expertise, to collect that money for the true owner of the cheque is also felt much. He is the Collecting Banker.

DUTIES OF A COLLECTING BANKER

➤ **Quick clearance of collection instruments :**

Whenever a customer gives an instrument for collection, the collecting banker should immediately send it to the appropriate paying Banker for further perusal and action.

➤ **Acting as Bailee :**

The person who delivers the goods is called “Bailor”. The person who receives the goods (for some purpose) is called “Bailee” and the contract between them is called “Bailment”.

➤ **To collect cheques without Negligence :**

As already explained, “Negligence is failure to take proper care over something”. Negligence on the part of a collecting banker may be of different nature.

THE ROLE OF A COLLECTING BANKER

The collecting banker is bound to show due care and diligence in the collection of cheques presented to him. In case a cheque is entrusted with the banker for collection, he is expected to show it to the drawee banker within a reasonable time.



PRECAUTIONS TO BE TAKEN BY COLLECTING BANKER

- Collection for a customer only
- Agent of a customer
- Checking of regularity of endorsement
- Must act in Good faith
- Must be Crossed

CONCLUSION

From, all learnt above, we shall conclude that a collecting banker has to exercise utmost care in collecting instruments for his customer. He is having equal responsibility as that of a
Paying Banker.

A collecting banker can get statutory protection under 131 of NI Act, 1881, provided the conditions stated in the section are properly complied with.