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A GUIDE FOR SECURITY OF CHEQUE BOOKS

***Consumer Protection
Department
State Bank of Pakistan
Karachi***

Rights & Obligations of Parties to a Cheque

No alterations whatsoever shall be made on cheques. The bank reserves the right to dishonour and return cheques which in the bank's absolute opinion bear any form of alteration (whether countersigned by the drawer or otherwise). The customer shall not use pencils or erasable ink pens when completing cheque forms. The customer owes a duty to the bank so as not to facilitate fraud or forgery. The bank shall not be liable to the customer for any loss suffered by the customer arising from the customer's negligence or disregard of the precautions in handling cheques.

The bank also reserves the right to dishonour any cheque which is mutilated or has technical errors which include but not limited to a post-dated cheque, cheque showing inconsistency between the words and figures or with illegible handwriting. No overdrawing is allowed unless the customer has made prior arrangement with the bank. Overdrawing is subject to service charges at the rate determined by the bank. The bank reserves the right to dishonour any cheques issued by the customer if there are insufficient funds in the customer's account for payment of the cheque ("Bad Cheque").

Following are some steps you must take to prevent fraudulent use of your cheques:

Precautions While Drawing a Cheque

1. Whenever you receive your cheque book, count the number of cheque leaves in it. If there is a discrepancy, bring it to the notice of the bank immediately.
2. Do not leave your cheque book unattended. Always keep it in a safe place, under lock and key.
3. Do not sign blank cheques. Always fill in the date, the name of the receiver and the amount before signing the cheque.
4. Remember to cross your cheque whenever applicable and prevent it from being misused.
5. In drawing cheques, the amount in both words and figures, should be written distinctly and the cheques should be drawn in such a way as to prevent insertion of any other words or figures and to prevent fraudulent alterations. They should commence as near the printed words "Rupees" and "Rs." as possible, and should add the word "only" and draw a line after the amount in words.
6. Blank cheques must not be issued under any circumstances, to avoid cheque bounce.
7. Draw a horizontal line after the name, amount and elsewhere empty space is left.
8. If you need to make amendments, these should be made clearly by crossing through the error and signing the correction. It is advised to use a new cheque instead of using cheques with multiple changes.
9. When you cancel a cheque, mutilate it by drawing a line across the face and write "CANCEL".
10. Always keep your cheque book and bank cards separate at all times.
11. Keep track of the issued cheques, in the section provided in your cheque book, to find out how many of them are realized. This will help to avoid cheque bounce. In case a cheque is dishonored by the bank due to insufficient balance in account, the drawer of the cheque shall be deemed to have committed an offence and under the provision of Section 138 of The Negotiable Instruments Act, 1881, will be punished with imprisonment for a term which may extend to two years, or with fine which may extend to twice the amount of the cheque, or with both.
12. Immediately notify stop payment to branch, if someone has issued a cheque fraudulently.

13. In order to issue a duplicate cheque, ensure that the original cheque has not been paid. Place a stop on the original cheque and then issue the duplicate one.
14. Properly destroy all cancelled cheques.
15. Avoid issuing post dated cheques.
16. Reconcile your bank statements to check they match the transactions you made.
17. Unused cheques and requisition forms should always be returned to the bank, upon closure of account.

Precautions While Receiving a Cheque:

1. Never accept a cheque, or banker's draft from someone, unless you know and trust him. Be especially wary when accepting a high-value cheque.
2. Refuse cheques written with a pencil.
3. Make sure the cheque is properly dated and completed.
4. Don't accept cheques showing any signs of alteration.
5. Avoid accepting post-dated cheques and don't agree to hold a cheque until a future date.
6. Be cautious of single / loose cheques, not being torn out of the cheque book.
7. When you receive a cheque, keep it in a safe place and deposit it in your account as soon as possible.
8. Deposit your cheque before six months of its date, as it becomes stale after that and is not paid by the bank.
9. If you receive a cheque in excess of the agreed amount when selling an item, do not transfer the surplus amount to the purchaser and do not release goods or value unless you are certain that the cheque or draft received is genuine and has been paid.