

**Customer Service - Immediate credit for outstation and  
local cheques - enhancement of ceiling**

Reserve Bank of India  
Central Office  
Department of Banking Operations and Development  
Centre - 1, World Trade Centre  
Cuffe Parade, Colaba, Mumbai - 400 005

Ref.DBOD.No.Leg.BC. 21 / 09.07.007 / 2002-03

August 23, 2002.

All scheduled commercial banks  
(excluding RRBs and LABs)

Dear Sir,

Customer Service - Immediate credit for outstation and  
local cheques - enhancement of ceiling

Please refer to our circular DBOD No.BC.181 / 09.07.007 / 99-2000 dated May 29, 2000 advising banks to afford immediate credit upto the value of Rs.7, 500/- in respect of outstation and local cheque tendered for collection by customers.

2. We advise that based on the recommendation of the Indian Banks' Association (IBA), it has been decided that the present ceiling of Rs.7, 500/- should be enhanced to Rs.15, 000/- for immediate credit of outstation / local cheques subject to the extant guidelines issued by the Reserve Bank of India from time to time.

3. In terms of the extant instructions, banks are required to observe the following guidelines for affording immediate credit in respect of outstation/ local cheques tendered for collection by their customers:

- (i) Normal collection charges may be recovered in case of outstation cheques and a charge of Rs.5/- may be recovered for local cheques.
- (ii) The bank should be satisfied about the proper conduct of the account of customer.
- (iii) The bank may extend the facility to all individual depositors without making a distinction about their status, i.e. Savings Bank, Current or Cash Credit Account.
- (iv) The banks should not lay any separate stipulation for minimum balance for extending the facility.
- (v) The facility is also to be allowed to the customers at the bank's Extension Counters subject to the usual precautions taken by banks in this regard.

- (vi) While immediate credit of cheque will amount to grant of advance, non-charging of interest on such cheque of the face value upto Rs.15, 000/- will not be viewed as violation of Reserve Bank of India's directive on interest rates on advances.
- (vii) In case where the instrument of face value exceeding Rs.15, 000/- is received for clearing and the proceeds of the instrument are credited to the account, in whatever manner, in advance of the date of actual realization of the amount, interest at the stipulated rate (in addition to the usual service charges prescribed by the bank), shall also be charged for the period for which outlay of funds is involved.
- (viii) In the event of the cheque being returned unpaid, the bank can recover interest in conformity with the applicable interest rate directive of Reserve Bank of India for the period the bank is out of funds.
  - a. No interest is to be charged to the customer for the period between the date of credit of the outstation cheque lodged and its return.
  - b. Banks may charge interest from the date of return of the cheque till the reimbursement of money to the bank.
  - c. Where the cheque is credited to a savings bank account, no interest will be payable on the amount so credited if the cheque is returned unpaid.
- (ix) The banks may consider introducing different pay-in-slips superimposing a notice to the effect that in the event of dishonour of the cheque, the customer will have to pay interest for the period the bank is out of funds at the normal rate.
- (x) A notice regarding the availability of facility should be prominently displayed at each branch.

4. You may, accordingly, issue suitable instructions to your branches for immediate action.

5. Please acknowledge receipt.

Yours faithfully,

(M.R. Srinivasan)  
Chief General Manager-in-Charge