SYNOPSIS

4. "Promissory note":

5. "Bill of exchange":

6. "Cheque":

7. "Drawer", "drawee":

8. "Holder":

9. "Holder in due course":

10. "Payment in due course":

11. "Inland instrument":

12. "Foreign instrument":

13. "Negotiable instrument":

14. Negotiation:

15. Indorsement:

16. Indorsement "in blank" and "in full" "Indorsee":

17. Ambiguous instruments:

18. Where amount is stated differently in figures and words:

19. Instruments payable on demand:

20. Inchoate stamped instruments:

21. "At sight", "On presentment", "After sight":

22. "Maturity":

23. Calculating maturity of bill or note payable so many months after date or sight:

24. Calculating maturity of bill or note payable so many days after date or sight:

25. When day of maturity is a holiday:

## 4. "Promissory note"

**A promissory note shall be a written, signed, unconditional promise by the maker to pay a certain sum of money only, to a certain person, or to that person's order, or to the bearer.**

A "promissory note" is an instrument in writing (not being a bank-note or a currency-note) containing an unconditional undertaking signed by the maker, to pay 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.

Section 4 of the Negotiable Instruments Act, 1881 sets out the elements an instrument must have to be a promissory note. It must be in writing and signed by the maker, and it must contain an express undertaking to pay. A mere acknowledgment of a debt is not enough, though an acknowledgment that also contains a promise to pay is. The undertaking must be unconditional, so payment cannot depend on an event that may never happen. A promise to pay at a fixed time, or on an event certain to occur, such as someone's death, is still unconditional. The sum must be certain, the promise must be to pay money only, and the payee must be a certain person, or that person's order, or the bearer. Bank notes and currency notes are excluded. The Illustrations apply these elements. "I promise to pay B or order Rs. 500" (a) is a promissory note. So is "I acknowledge myself to be indebted to B in Rs. 1,000, to be paid on demand" (b), because the words "to be paid on demand" add a promise to pay. "Mr. B. I.O.U. Rs. 1,000" (c) only acknowledges a debt and contains no promise to pay, so it is not a promissory note. Instruments (d) and (e) fail because the amount is uncertain, since "all other sums which shall be due" and a deduction of whatever B may owe leave the final figure unknown. Instruments (f) and (g) fail because payment is conditional: A may never marry C, and D may not leave A enough money. Instrument (h) fails because it promises a horse as

well as money. For example, X gives Y a signed paper saying, “I promise to pay Y or order ₹20,000 three months after date.” This is a valid promissory note because the amount is certain, the promise is to pay money only and is unconditional, the payee is named, and the time of payment is certain, so Y may endorse it to Z, who can then sue X on it. If the paper instead said “I promise to pay Y ₹20,000 if my crop sells well,” it would not be a promissory note, because payment would depend on an uncertain event.

## 5. "Bill of exchange"

**A bill of exchange shall be a written instrument containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money to a certain person, to his order, or to the bearer.**

> A "bill of exchange" is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay 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 which, 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 future interest or is payable at an indicated rate of exchange, or is according to the course of exchange, and although the instrument provides that, on default of payment of an installment, the balance unpaid shall become due.
>
> The person to whom it is clear that the direction is given or that payment is to be made may be a "certain person", within the meaning of this section and section 4, although he is mis-named or designated by description only.

Section 5 of the Negotiable Instruments Act, 1881 defines a bill of exchange through the elements it must contain. It must be in writing, and it must contain an order to pay, not a mere request or a promise. The order must be unconditional, so that payment does not depend on an event that may never happen. It must be signed by its maker, the drawer, and must direct a certain person, the drawee, to pay a certain sum of money, and money only, to a

certain person, the payee, or to his order, or to the bearer. Three parties are therefore usually involved: the drawer who gives the order, the drawee who is directed to pay, and the payee who receives payment (s. 7). The remaining paragraphs of the section explain what does not defeat these requirements. An order is not conditional merely because payment is due a fixed period after an event that is certain to happen, such as death, even though the date of that event is uncertain. The sum remains certain even if it includes future interest, is payable at a stated rate of exchange or according to the course of exchange, or provides that the whole unpaid balance becomes due on default of an instalment. The payee remains a certain person even if misnamed or described only by designation, such as “the Secretary of X Club”, so long as it is clear who is meant. Although s. 5 permits a bill payable to bearer, s. 31 of the Reserve Bank of India Act, 1934 bars anyone other than the RBI, or the Central Government where authorised, from drawing a bill payable to bearer on demand. For example, A signs and hands over a document addressed to B that reads: “Three months after date, pay C or order ₹50,000 with interest at 9% per annum.” This is a valid bill of exchange, with A as drawer, B as drawee and C as payee, and the interest clause does not make the sum uncertain. Likewise, “Pay C ₹50,000 thirty days after the death of D” is a valid bill, since D’s death is certain to occur even though its timing is not. But “Pay C ₹50,000 if he passes his examination” or “on his marriage” is not a bill of exchange, because those events may never happen and the order is therefore conditional, and “Pay C ₹50,000 and deliver ten bags of rice” also fails, because the order must be for the payment of money only.

## 6. "Cheque"

**A cheque shall be a bill of exchange drawn on a specified banker and payable only on demand, and shall include the electronic image of a truncated cheque and a cheque in electronic form.**

A "cheque" is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form.

Explanation 1 .- For the purposes of this section, the expressions--

(a) "a cheque in the electronic form" means a cheque drawn in electronic form by using any computer resource and signed in a secure system with digital

signature (with or without biometrics signature) and asymmetric crypto system or with electronic signature, as the case may be

(b) "a truncated cheque' means a cheque which is truncated during the course of a clearing cycle, either by the clearing house or by the bank whether paying or receiving payment, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing.

Explanation II.- For the purposes of this section, the expression "clearing house" means the clearing house managed by the Reserve Bank of India or a clearing house recognised as such by the Reserve Bank of India.

Explanation III.-For the purposes of this section, the expressions "asymmetric crypto system", "computer resource", "digital signature", "electronic form" and "electronic signature" shall have the same meanings respectively assigned to them in the Information Technology Act, 2000(21 of 2000)

Section 6 of the Negotiable Instruments Act, 1881 treats a cheque as one kind of bill of exchange. A bill of exchange is a signed, written, unconditional order directing a certain person to pay a certain sum of money to, or to the order of, a certain person or to the bearer (s. 5). A bill becomes a cheque when it has two further features. First, it is drawn on a specified banker, meaning a named bank where the drawer keeps an account. Second, it is payable on demand, so payment can be had as soon as it is presented and not on a future date. A bill drawn on a banker but payable at a later time is therefore an ordinary bill of exchange and not a cheque. On this basis the Supreme Court held in *Anil Kumar Sawhney v. Gulshan Rai* (1993) 4 SCC 424 that a post-dated cheque is a bill of exchange until the date written on it, and becomes a cheque payable on demand from that date. The 2002 amendment extended the definition to two modern forms. A truncated cheque is a paper cheque whose physical movement is stopped during the clearing cycle: the clearing house or the bank generates an electronic image of it and transmits that image in place of the paper. Under Explanation II, the clearing house must be one managed or recognised by the Reserve Bank of India. A cheque in electronic form is drawn using a computer resource and signed in a secure system with a digital signature (with or without a biometric signature) and an asymmetric crypto system, or with an electronic signature. Under Explanation III, these technical terms carry the meanings given to them in the Information Technology Act, 2000. Both forms therefore have the same legal status as a paper cheque, including for

dishonour under s. 138. For example, A, who holds an account with the State Bank of India, writes “Pay B or order ₹25,000”, signs it and dates it today. This is a cheque, because it is drawn on a specified banker and payable on demand. If A had written “Pay B ₹25,000 three months after date”, the instrument would be a bill of exchange and not a cheque, because it is not payable on demand. Suppose B deposits A’s cheque with HDFC Bank. Under RBI’s Cheque Truncation System, HDFC scans the cheque and sends only its electronic image to SBI for payment, while the paper stays with HDFC. That image is itself a “cheque” under s. 6. If SBI returns it unpaid for insufficient funds, B can proceed against A under s. 138 just as he could with a physically presented cheque.

## 7. "Drawer", "drawee"

**Every party to a bill of exchange or cheque shall be identified by the role he plays in it, as drawer, drawee, drawee in case of need, acceptor, acceptor for honour or payee.**

> 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 indorsement 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, an a any person accepts it supra protest forhonour of the drawer or of any one of the indorsers, 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".

Section 7 of the Negotiable Instruments Act, 1881 names the parties to a bill of exchange or cheque, and the liability of each depends on the role assigned to him. The **drawer** is the person who makes the instrument and orders payment. The **drawee** is the person the drawer directs to pay; for a cheque, the drawee is always a specified banker (s. 6). A **drawee in case of**

**need** is an additional person named in the bill or in an indorsement on it, to whom the holder can turn if the drawee fails to accept or pay. Under s. 115, the bill is not treated as dishonoured until this person has also dishonoured it. The drawee becomes an **acceptor** only when he signs his assent on the bill (or on one part, if the bill is drawn in sets) and then either delivers it or gives notice of the signing to the holder or someone acting for the holder. A signature alone is not enough, and from that point the acceptor becomes primarily liable on the bill. An **acceptor for honour** is a person who, after the bill has been noted or protested for non-acceptance or for better security, accepts it supra protest to protect the credit of the drawer or an indorser. Under s. 108, this requires the holder's consent and can only be done by someone not already liable on the bill. Under s. 112, the acceptor for honour is liable to all parties who come after the party whose honour he saved. The **payee** is the person named in the instrument to whom, or to whose order, the money is to be paid. For example, A in Patna draws a bill for ₹1,00,000 on B in Kolkata, ordering B to pay C or order three months after date, and names D as drawee in case of need. A is the drawer, B the drawee, C the payee and D the drawee in case of need. If B writes "accepted" on the bill, signs it and returns it to C, B becomes the acceptor and is bound to pay at maturity. If B instead refuses to accept, C may present the bill to D. If D also refuses and the bill is protested, E, a business associate of A, may accept it supra protest for A's honour with C's consent, and E then becomes the acceptor for honour. Likewise, when X writes a cheque on his account with State Bank of India in favour of Y, X is the drawer, the bank is the drawee and Y is the payee. Cheques are paid on demand and are not accepted, so the acceptor roles do not arise for them.

## 8. "Holder"

**The holder of a negotiable instrument shall be the person entitled in his own name to possess it and to receive or recover the amount due on it.**

> The "holder" of a promissory note, bill of exchange or cheque means any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon from the parties thereto.
>
> Where the note, bill or cheque is lost or destroyed, its holder is the person so entitled at the time of such loss or destruction.

Section 8 of the Negotiable Instruments Act, 1881 defines who is the "holder" of a promissory note, bill of exchange or cheque. A person is a holder only if two conditions are met. He must be entitled to possess the instrument in his own name, and he must be entitled to receive or recover the amount due on it from the parties liable. Simply having the instrument is not enough, because what counts is the legal right to it. The payee, an indorsee, or the bearer of an instrument payable to bearer can therefore be a holder. A thief or a finder cannot, because he has possession but no lawful title. An agent or servant who keeps the instrument only on behalf of his principal is also not a holder, because he is not entitled to it in his own name. The second part of the section deals with an instrument that is lost or destroyed. In that case the holder is the person who was entitled to it when it was lost or destroyed, so losing the paper does not take away his right to recover the money. For a lost bill, s. 45A further allows him to ask the drawer for a duplicate if he gives security against future claims. A holder is also different from a "holder in due course" under s. 9. A holder in due course must, in addition, have taken the instrument for consideration, in good faith and before maturity, and he receives greater legal protection. For example, A gives B a cheque for ₹50,000 payable "to B or order", which makes B the holder. When B indorses and delivers it to C, C becomes the holder. If C gives the cheque to his clerk D only to deposit it in the bank, D is not a holder, because he holds it for C. If a thief steals it from D, the thief is not a holder either, because he has no lawful right to it. If the cheque is instead destroyed in a fire at C's office, C remains the holder because he was entitled to it when it was destroyed, and he can still recover the ₹50,000 from the parties liable on it.

## 9. "Holder in due course"

**A person who takes a negotiable instrument for consideration, before it becomes payable, and without reason to suspect any defect in the transferor's title, shall be a holder in due course.**

> "Holder in due course" means any person who for consideration became the possessor of a promissory note, bill of exchange or cheque if payable to bearer, or the payee or indorsee thereof, if payable to order, before the amount mentioned in it became payable, and without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title.

Section 9 of the Negotiable Instruments Act, 1881 defines a special class of holder who enjoys stronger rights than an ordinary holder under s. 8. To qualify, a person must satisfy four conditions. First, he must have obtained the instrument for consideration, so a person who receives a cheque as a gift is only a holder. Second, he must hold it in the proper form: the possessor of a bearer instrument, or the payee or indorsee of an order instrument. Third, he must have acquired it before the amount became payable, because an overdue instrument carries the defects attached to it. Fourth, he must not have had sufficient cause to believe that the transferor's title was defective, for instance because the instrument was obtained by fraud, theft, coercion or for an unlawful consideration. This last test is stricter than the English requirement of mere honesty, since it also demands reasonable care, and a taker who ignores obvious suspicious circumstances cannot claim the status. The status matters because the law protects such a holder to keep negotiable instruments freely circulating. He takes a good title even where a prior party's title was defective (s. 58), all prior parties remain liable to him until the instrument is duly paid (s. 36), and anyone who later derives title from him enjoys the same rights (s. 53). Every holder is presumed to be a holder in due course, but the burden shifts to the holder where the instrument is shown to have been obtained by an offence or fraud (s. 118(g)). For example, A draws a cheque for ₹50,000 payable to B or order, and B obtains it from A by fraud. Before the cheque falls due, B indorses it to C in payment for goods supplied by C, and C has no knowledge of the fraud and no reason to suspect it. C is a holder in due course, so if the cheque is dishonoured, A cannot defend C's claim by pleading B's fraud. C would be a mere holder, and A could raise that defence against him, if C had received the cheque as a gift, taken it after the amount became payable, or known or had clear reason to suspect B's fraud.

## 10. "Payment in due course"

**Payment of a negotiable instrument shall be made in accordance with its apparent tenor, in good faith and without negligence, to the person in possession of it, when nothing gives reasonable ground to believe that he is not entitled to receive it.**

> "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.

Section 10 of the Negotiable Instruments Act, 1881 defines "payment in due course". The definition matters because only a payment in due course discharges the instrument and protects the person who pays it. Under s. 78, payment must be made to the holder to discharge the maker or acceptor. Under s. 82(c), payment in due course discharges the party liable. Under s. 85, a banker who pays a cheque in due course is protected even if the payee was not the true owner. A payment counts as one in due course only when four conditions are met together. First, it must be made according to the apparent tenor of the instrument, that is, according to what the instrument says on its face, for the right amount and not before the due date. Paying a post-dated cheque before its date, or paying a bill before maturity, is therefore not in due course. Second, the payer must act in good faith, meaning honestly. Third, the payer must act without negligence, taking the care a reasonable person or banker would take. This is stricter than s. 3(22) of the General Clauses Act, 1897, under which honesty alone is good faith even if there was negligence, so an honest but careless payment is not protected under s. 10. Fourth, payment must be made to the person in possession of the instrument, in circumstances that give no reasonable ground to doubt that person's entitlement. Visible alterations, an unusual amount, or notice that the instrument was lost or stolen are examples of such grounds. If any one of these conditions is missing, the payer is not discharged and may have to pay the true owner again. For example, A draws a bearer cheque for ₹15,000 and gives it to B, from whom it is stolen, and C presents it at the bank counter. The cheque is regular on its face, its date has arrived, the amount fits A's usual dealings, and nothing about the presentment is suspicious. The bank pays C, and this is a payment in due course: the bank is discharged under s. 85(2) and may debit A's account, and B must pursue C. The result would be different if the amount on the cheque had been visibly overwritten, if the cheque had been presented before its date, or if A had told the bank that it was stolen and the bank paid anyway. In each of those cases the bank either departed from the apparent tenor or acted negligently or with reason to doubt C's entitlement, so the

payment would not be in due course and the bank would remain liable for the loss.

## 11. "Inland instrument"

**An instrument drawn or made in India and either payable in India or drawn on a person resident in India shall be treated as an inland instrument.**

> A promissory note, bill of exchange or cheque drawn or made in India and made payable in, or drawn upon any person resident in, India shall be deemed to be an inland instrument.

Section 11 of the Negotiable Instruments Act, 1881 defines an inland instrument, which may be a promissory note, a bill of exchange or a cheque. It sets two conditions, and both must be met. First, the instrument must be drawn or made in India. Second, it must either be payable in India or be drawn on a person resident in India. The second condition is alternative, so meeting either branch is enough. A bill drawn in India on a person resident in India is therefore inland even if it is payable abroad. Likewise, a bill drawn in India and payable in India is inland even if the drawee lives abroad. Any instrument that does not satisfy s. 11 is a foreign instrument under s. 12. The distinction has practical consequences. A foreign bill must be protested for dishonour when the law of the place where it was drawn requires it (s. 104), but protest is optional for an inland instrument. Foreign bills may also be drawn in sets of parts (s. 132). For example, a Patna trader draws a bill of exchange in Patna on a Mumbai merchant, payable in Mumbai. The bill was drawn in India and is both payable in India and drawn on a resident of India, so it is an inland instrument. It is still inland if the Patna trader draws it in Patna on the Mumbai merchant but makes it payable in Dubai, because it was drawn in India on a person resident in India. If instead the bill is drawn in Patna on a merchant resident in Dubai and made payable in Dubai, it meets neither alternative of the second condition, so it is a foreign instrument under s. 12. A cheque written in Delhi on a bank in Delhi is a simple example of an inland instrument.

## 12. "Foreign instrument"

**Any promissory note, bill of exchange or cheque that does not meet the conditions of an inland instrument shall be treated as a foreign instrument.**

> Any such instrument not so drawn, made or made payable shall be deemed to be a foreign instrument.

Section 12 of the Negotiable Instruments Act, 1881 defines a foreign instrument by reference to Section 11, which defines an inland instrument. Under Section 11, a promissory note, bill of exchange or cheque is an inland instrument only if it is (i) drawn or made in India, and (ii) either made payable in India or drawn on a person resident in India. Section 12 provides that every such instrument "not so drawn, made or made payable" is deemed foreign. So an instrument is foreign in either of two cases. The first is where it is drawn or made outside India, wherever it is payable and whoever it is drawn on. The second is where it is drawn or made in India but is payable outside India and is drawn on a person resident outside India. Because the word "deemed" is used, classification follows the statutory test alone; the parties' nationality and the currency of the instrument do not decide it. The distinction has practical effects. A foreign bill must be protested for dishonour where the law of the place where it was drawn requires it (s. 104). The liability of the parties to a foreign instrument may also be governed by foreign law under the conflict-of-laws rules in ss. 134 to 137. For example, A in New York draws a bill of exchange on B, who lives in Mumbai, and makes it payable in Mumbai. Although it is payable in India and drawn on a person resident in India, it was not drawn in India, so it is a foreign instrument. Similarly, if C in Delhi draws a bill on D, who lives in London, payable in London, it is a foreign instrument, because although it was drawn in India it is neither payable in India nor drawn on a person resident in India. By contrast, if E in Kolkata draws a bill on F in Dubai but makes it payable in Kolkata, it is an inland instrument under s. 11, because it is drawn in India and payable in India.

## 13. "Negotiable instrument"

**13.1 A promissory note, bill of exchange or cheque shall be a negotiable instrument only if it is payable to order or to bearer.**

(1) A "negotiable instrument" means a promissory note, bill of exchange or cheque payable either to order or to bearer.

Explanation 1: 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 2: 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 3: Where 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.

Section 13(1) of the Negotiable Instruments Act, 1881 limits the term “negotiable instrument” to three documents: the promissory note (s. 4), the bill of exchange (s. 5) and the cheque (s. 6). Even one of these is negotiable only when it is payable to order or to bearer, because only then can the right to payment pass freely from one holder to the next. Under Explanation 1, an instrument is payable to order if it says so (“Pay A or order”), or if it is simply payable to a named person (“Pay A”), as long as it has no words prohibiting transfer or showing that it is not meant to be transferable. Words such as “Pay A only” or “Not transferable” take it outside the definition. Under Explanation 2, an instrument is payable to bearer if it says so (“Pay A or bearer”), or if its only or last endorsement is in blank, that is, the endorser signs without naming an endorsee. A blank endorsement can therefore turn an order instrument into a bearer instrument. Under Explanation 3, an instrument payable “to the order of A” is treated as payable to A or his order, at A’s option, so A may either collect payment himself or endorse it to someone else. The distinction matters because a bearer instrument is negotiated by delivery alone, while an order instrument needs endorsement and delivery (ss. 46 to 48). For example, X writes a cheque “Pay Ramesh” for ₹10,000. It names a person and has no restrictive words, so it is payable to order and is negotiable, and Ramesh can endorse it to Suresh by writing “Pay Suresh”, signing and handing it over. If Ramesh instead just signs on the back, that is a blank endorsement, and the cheque becomes payable to bearer, so any holder can transfer it by delivery alone. If it read “Pay to the order of Ramesh”, Ramesh could still cash it himself or endorse it. But if X

had written "Pay Ramesh only", the cheque would not be transferable, and so would not be a negotiable instrument under s. 13.

### 13.2 A negotiable instrument may be made payable to two or more payees jointly, or in the alternative to one of two, or to one or some of several payees.

> (2) A negotiable instrument may be made payable to two or more payees jointly, or it may be made payable in the alternative to one of two, or one or some of several payees.

Section 13(2) of the Negotiable Instruments Act, 1881 lets the maker or drawer name more than one payee, either jointly or in the alternative. Where the instrument is payable **jointly** (for example, "Pay A and B"), the payees hold the right to payment together. All of them must join in endorsing or receiving payment, and one payee cannot deal with the instrument alone. Where it is payable **in the alternative** (for example, "Pay A or B", or "Pay A, B or C"), any one of the named payees may receive payment or endorse the instrument, and payment in due course to any one of them discharges the instrument. The provision exists because commercial dealings often involve partners, co-owners or associated persons who are entitled to the same money. It makes clear that naming several payees does not stop the document from being a negotiable instrument, that is, a promissory note, bill of exchange or cheque payable to order or to bearer (s. 13(1)). For example, X draws a cheque for ₹1 lakh "Pay P and Q", the two partners of a firm. The bank should pay it only on the signatures or endorsement of both P and Q, and P alone cannot endorse it to R. If the cheque were instead drawn "Pay P or Q", either P or Q could encash or endorse it on his own, and payment to P would discharge X's liability to both.

## 14. Negotiation

### A promissory note, bill of exchange or cheque is negotiated when it is transferred so as to make the transferee its holder.

> When a promissory note, bill of exchange or cheque is transferred to any person, so as to constitute the person the holder thereof, the instrument is said to be negotiated.

Section 14 of the Negotiable Instruments Act, 1881 defines negotiation as a particular kind of transfer: one that makes the transferee the holder of the

instrument, meaning, under s. 8, the person entitled in his own name to possess it and to receive or recover the amount due on it. A transfer that does not confer this status is not a negotiation. The mode depends on the kind of instrument. A bearer instrument is negotiated by delivery alone (s. 47), while an instrument payable to order is negotiated only by the holder's indorsement followed by delivery (s. 48). So if an order instrument is handed over without indorsement, the transferee is not its holder and cannot sue on it in his own name. Negotiation matters because a transferee who takes the instrument for value, in good faith and before it is due becomes a holder in due course (s. 9). He acquires a good title free from defects in the title of earlier parties (s. 53), unlike an ordinary assignee of a debt, who takes subject to those defects. For example, if A holds a cheque for ₹50,000 drawn by B and payable "to A or order", and A signs on its back and hands it to C, the cheque is negotiated, and C becomes the holder entitled to present it for payment or sue on it in his own name. If A hands it to C without signing it, C has possession but is not the holder, so there is no negotiation. Had the cheque been payable "to A or bearer", delivery to C alone would have been enough.

## 15. Indorsement

**A signature placed on a negotiable instrument by its maker or holder, otherwise than as maker, for the purpose of negotiation, shall constitute an indorsement, and the signer shall be called the indorser.**

> When the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation, 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 indorse the same, and is called the "indorser".

Section 15 of the Negotiable Instruments Act, 1881 defines indorsement, which is the way an order instrument is transferred from one person to another. The term comes from the Latin *in dorso*, "on the back", because the signature is usually written on the back of the instrument. Four things are needed. First, the person signing must be the maker or the holder of the instrument. Second, the signature must be made otherwise than as maker. A drawer signing a cheque as its drawer is not indorsing it, but a drawer of a cheque payable to "self" who signs it again on the back to pass it on is

indorsing. Third, the signature must be made for the purpose of negotiation, that is, to transfer the instrument so that the transferee becomes its holder (s. 14). A signature for some other purpose, such as acknowledging receipt of payment or witnessing, is not an indorsement. Fourth, the signature may be placed on the back of the instrument, on its face, or on a slip of paper attached to it. Such a slip is called an *allonge* and is used when there is no room left for further indorsements. An indorsement may also be made on a stamped paper that has been signed in blank and is intended to be completed later as a negotiable instrument. That case is an inchoate instrument and is governed by s. 20. The signer is the indorser, and the person to whom the instrument is indorsed is the indorsee. Indorsement matters for two reasons. An instrument payable to order can be negotiated only by indorsement and delivery (s. 48). And by indorsing, the indorser becomes liable to every later holder to pay the amount if the instrument is dishonoured, unless that liability is expressly excluded (s. 35). For example, X gives Y a bill of exchange for ₹1,00,000 payable to “Y or order”. Y wants to pay Z with it, so Y writes “Pay Z or order” on the back, signs it and delivers it to Z. Y is the indorser, Z is the indorsee, and Z becomes the holder entitled to payment. If the drawee later dishonours the bill, Z can recover the amount from Y as indorser as well as from X as drawer. If Y had only signed on the back as a receipt for money paid to Y, that would not be an indorsement, because Y did not sign for the purpose of negotiation.

## 16. Indorsement "in blank" and "in full" "Indorsee"

### 16.1 An indorsement shall be “in blank” if the indorser signs only his name, and “in full” if he also directs payment to, or to the order of, a specified person, who shall be called the indorsee.

> (1) If the indorser signs his name only, the indorsement 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 indorsement is said to be "in full", and the person so specified is called the "indorse" of the instrument.

Section 16(1) of the Negotiable Instruments Act, 1881 sets out the two basic forms of indorsement. An indorsement is the signature of the maker or holder on the instrument, usually on its back, made for the purpose of negotiating it (s. 15). An indorsement in blank is one where the indorser

signs his name and names no one to be paid. Under s. 54, such an instrument becomes payable to bearer and can be negotiated further by delivery alone. This makes it easy to transfer but also risky, because a finder or thief holding it may present it for payment. An indorsement in full is one where the indorser names the person to be paid, such as “Pay to B” or “Pay to B or order”, and that person becomes the indorsee. Only the indorsee is entitled to payment, and the instrument cannot be negotiated again unless the indorsee indorses it, so the holder is better protected. Under s. 49, a holder of an instrument indorsed in blank may convert it into an indorsement in full by writing, above the indorser’s signature, a direction to pay to himself or to some other person. For example, A receives a cheque for ₹10,000 drawn “Pay A or order”. If A simply signs “A” on the back and hands it to B, that is an indorsement in blank: the cheque becomes payable to bearer, B can pass it to C by delivery alone, and if B loses it, the finder could try to collect payment. If A instead writes “Pay to B or order” above his signature, that is an indorsement in full: B is the indorsee, only B can receive payment, and B can transfer the cheque to C only by indorsing it himself. B could also have protected himself under s. 49 by writing “Pay to B” above A’s blank signature.

## 16.2 An indorsee shall have the same rights and be subject to the same provisions as a payee, with the necessary modifications.

> (2) The provisions of this Act relating to a payee shall apply with the necessary modifications to an indorse.

Section 16(2) of the Negotiable Instruments Act, 1881 places the indorsee, the person to whom an instrument is indorsed, in the position of the original payee. Under s. 7, the payee is the person named in the instrument to whom, or to whose order, the money is to be paid. When the payee or a later holder indorses the instrument to another person, that person becomes the indorsee, and every provision of the Act that confers a right on, or imposes a duty upon, a payee applies to the indorsee in the same way. The indorsee may therefore become the holder (s. 8) and, if the conditions of s. 9 are satisfied, a holder in due course. The indorsee may present the instrument for payment (s. 64), receive payment that discharges it (s. 78), negotiate it further by indorsement (ss. 48 and 50), give notice of dishonour (s. 93), and sue the prior parties if it is dishonoured. The words “with the necessary

modifications" mean that wherever a provision refers to the payee, it is read as referring to the indorsee, so far as that suits the indorsee's position. The indorsee also takes the instrument subject to the terms of the indorsement: under a restrictive indorsement such as "Pay C only", the indorsee cannot negotiate it further (s. 50), and under a blank indorsement the instrument becomes payable to bearer (s. 54). For example, A draws a cheque for ₹50,000 payable to "B or order", and B signs on the back "Pay C or order" and delivers it to C. C, as indorsee, now stands where B stood as payee. C may present the cheque to A's bank for payment. If it is dishonoured, C may give notice of dishonour and sue both A as drawer and B as indorser, or C may indorse the cheque to D, just as B could have done. If C took the cheque for value and in good faith before it was due, C is a holder in due course and may also file a complaint under s. 138 if the cheque is returned for insufficient funds.

## 17. Ambiguous instruments

**Where an instrument can be construed either as a promissory note or as a bill of exchange, the holder may elect to treat it as either, and it shall thereafter be treated as he has elected.**

> 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 thence forward treated accordingly.

Section 17 of the Negotiable Instruments Act, 1881 deals with instruments whose form fits both definitions: a promissory note, which is an unconditional written undertaking by the maker to pay (s. 4), and a bill of exchange, which is an unconditional written order by the drawer directing another person to pay (s. 5). An instrument is ambiguous when its wording or the parties to it allow either reading. This typically happens when the drawer and the drawee are the same person, as when a firm or bank draws on itself or on its own branch, or when the drawee is a fictitious person or someone without capacity to contract, so the order in practice becomes the drawer's own promise to pay. The law does not let the holder lose his remedy because of this defect in form. It gives him the choice, and he may pick whichever reading better protects his rights, for example to avoid formalities that apply only to bills, such as presentment for acceptance (s. 61). The election is final. Once the holder has treated the instrument as a

note or as a bill, for instance by suing on it as such, he and all other parties are bound by that choice and he cannot later switch to the other reading. For example, X writes: “To X, Patna. Three months after date pay to Y or order ₹50,000. Signed: X.” Because X is both drawer and drawee, the instrument can be read as a bill of exchange drawn by X on himself, or as a promissory note in which X undertakes to pay. Y, the holder, may sue X on it as a promissory note, treating X as the maker who is primarily liable. He then does not need to show that the instrument was presented to X for acceptance. Having elected to treat it as a note, Y cannot later claim that it is a bill. Similarly, if A draws an order on “B”, who turns out to be a fictitious person, the holder may treat it as A’s promissory note and recover from A directly.

## 18. Where amount is stated differently in figures and words

### The amount stated in words shall prevail over the amount stated in figures.

> 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.

Section 18 of the Negotiable Instruments Act, 1881 deals with a promissory note, bill of exchange or cheque in which the amount written in figures does not match the amount written in words. The provision settles the conflict without further inquiry: the amount in words is treated as the amount the maker has promised to pay, or the drawer has ordered to be paid. The amount in figures is disregarded to the extent it differs. The reasoning is that words are written more deliberately and are harder to alter or misread than figures, where a single added or changed digit can change the sum. This rule allows the instrument to stay valid and negotiable despite the discrepancy, so that a holder or court does not have to work out what the parties meant. For example, A draws a cheque in favour of B on which the figures read “₹5,000/-” but the words read “Rupees Fifty Thousand only”. Under s. 18, the amount ordered to be paid is ₹50,000, and B’s claim on the instrument, including in a suit, is for ₹50,000. Similarly, if a promissory note shows “₹1,20,000” in figures and “Rupees One Lakh only” in words, the maker is liable for ₹1,00,000. In banking practice, banks often return such a cheque unpaid with the remark “amount in words and figures differ” and ask the

drawer to confirm. That is a matter of bank practice and caution, and it does not change the legal rule in s. 18.

## 19. Instruments payable on demand

**A promissory note or bill of exchange that specifies no time for payment, and every cheque, shall be payable on demand.**

> A promissory note or bill of exchange, in which no time for payment is specified, and a cheque, are payable on demand.

Section 19 of the Negotiable Instruments Act, 1881 says when payment is due on three kinds of instruments. A promissory note or bill of exchange is usually payable either on demand or after a stated period. Where it names no due date, the law treats it as payable on demand, meaning the holder can ask for payment at any time and the maker or drawee must pay when asked. A cheque is always payable on demand, whether or not it says so, because the Act defines a cheque as a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand (s. 6). Section 21 adds that instruments expressed to be payable "at sight" or "on presentment" are also payable on demand. Two things follow. First, no days of grace are allowed on an instrument payable on demand, because the three days of grace apply only to instruments payable otherwise than on demand (s. 22). Second, the debt is due from the date of the instrument itself, so the limitation period for a suit on a demand promissory note runs from the date of the note, not from the date payment is actually demanded (Limitation Act, 1963, Schedule, Article 35). For example, on 1 January 2026 A signs a promissory note promising to pay B ₹1,00,000 and states no date for payment. The note is payable on demand, so B may present it and require payment on any day, and A cannot claim days of grace. B must sue within three years from 1 January 2026. Similarly, a cheque that C gives D, drawn on C's bank, is payable on demand. D may present it to the bank at any time within its validity period and the bank must pay if C's account has enough funds.

## 20. Inchoate stamped instruments

**A person who signs and delivers a stamped paper, blank or incomplete, shall be liable to a holder in due course on the negotiable instrument completed on it, for any amount up to the amount the stamp covers.**

> Where one person signs and delivers to another a paper stamped in accordance with the law relating to negotiable instruments then in force in India, and either wholly blank or having written thereon an incomplete negotiable instrument, he thereby gives prima facie authority to the holder thereof to make or complete, as the case may be, upon it a negotiable instrument, for any amount specified therein and not exceeding the amount covered by the stamp. The person so signing shall be liable upon such instrument, in the capacity in which he signed the same, to any holder in due course for such amount;
>
> Provided that no person other than a holder in due course shall recover from the person delivering the instrument anything in excess of the amount intended by him to be paid there under:

Section 20 of the Negotiable Instruments Act, 1881 deals with inchoate (unfinished) instruments, such as a duly stamped promissory note form that is signed but left blank or partly filled. When a person signs such a paper and hands it to another, the law treats this as giving the holder prima facie authority to complete it into a full negotiable instrument for any amount, provided the amount does not exceed what the affixed stamp covers. The signer cannot later say the instrument was filled in without authority. He is bound in the capacity in which he signed, whether as maker, drawer, endorser or acceptor. The rule protects people who take the completed instrument in good faith and for value: the signer chose to trust the holder, so the signer, not an innocent third party, should bear the risk of misuse. The proviso limits that protection to a holder in due course, meaning someone who obtained the instrument for consideration, before maturity, without reason to suspect a defect in title (s. 9). Anyone else, including the person who filled in the instrument, can recover only the amount the signer actually intended. The Supreme Court has applied the same reasoning to signed blank cheques: in *Bir Singh v. Mukesh Kumar*, (2019) 4 SCC 197, it held that a person who signs a blank cheque and voluntarily hands it over remains liable even if the payee fills in the details, unless he proves the cheque was not given for a debt or liability. For example, A signs a blank promissory note on stamped paper whose stamp covers up to ₹1,00,000. He gives it to B and tells him to fill in ₹50,000 as a loan. B writes in ₹90,000 and endorses the note to C, who pays value for it in good faith, knowing nothing of the arrangement. C is a holder in due course, so he can recover the full ₹90,000 from A. If B had kept the note and sued on it himself, he

could have recovered only ₹50,000. If B had written in ₹1,50,000, A would not be liable beyond ₹1,00,000, because his authority extends only to the amount the stamp covers.

## 21. "At sight", "On presentment", "After sight"

**Instruments payable “at sight” or “on presentment” shall be payable on demand, and instruments payable “after sight” shall become payable only after a fixed period counted from presentment for sight (in a promissory note) or from acceptance, noting or protest for non-acceptance (in a bill of exchange).**

> In a promissory note or bill of exchange 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.

Section 21 of the Negotiable Instruments Act, 1881 defines three expressions used to fix when a promissory note or bill of exchange is payable. “At sight” and “on presentment” mean the same as “on demand”. The instrument is payable as soon as the holder presents it, no period of time is added, and it is a demand instrument in the sense of s. 19. “After sight” means something different. The instrument is not payable when it is first shown to the drawer or drawee; it becomes payable when a stated period expires, and that period starts running from a particular event. For a promissory note, the period runs from the time the note is presented to the maker for sight. The holder therefore has to present it to the maker first so that the maker sees it and the date is fixed (s. 62). For a bill of exchange, the period runs from the date the drawee accepts the bill. If the drawee refuses to accept, it runs from the date the dishonour is noted or protested for non-acceptance, so the holder is not left without a starting date. This difference affects maturity. An instrument payable at sight or on presentment is due immediately and gets no days of grace. An instrument payable after sight is due when the stated period ends, and under s. 22 it is entitled to three days of grace. The date of maturity is calculated by excluding the day from which the period begins (ss. 22 and 24). For example, A draws a bill on B payable “at sight” in favour of C for ₹50,000. When C presents the bill to B, B must pay at once, because “at sight” means on demand. Suppose instead the bill is payable “thirty days after sight”, and C presents it to B, who accepts it on 1

March. The thirty days are counted from the acceptance, excluding 1 March, so the bill falls due on 31 March. With three days of grace, it is at maturity on 3 April. If B had refused to accept the bill and C had it noted for non-acceptance on 1 March, the thirty days would run from that date of noting. Similarly, if X makes a promissory note payable to Y “fifteen days after sight”, the fifteen days start only when Y presents the note to X for sight, not from the date the note was made.

## 22. "Maturity"

**A promissory note or bill of exchange that is not payable on demand, at sight or on presentment shall fall due on the third day after the day on which it is expressed to be payable.**

> 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.

Section 22 of the Negotiable Instruments Act, 1881 defines the maturity of a promissory note or bill of exchange as the date on which it falls due, which is the date payment can be demanded and from which the holder’s rights against the parties arise. For instruments payable at a fixed or determinable future time, such as “three months after date” or “60 days after sight”, the law adds three days of grace to the date stated in the instrument. The instrument is therefore not at maturity on the stated date. It matures three days later, and payment can be demanded only on that third day. Before then, the maker or drawee is not in default, and the instrument cannot be dishonoured by non-payment. Instruments payable on demand, at sight or on presentment get no days of grace, because they are payable as soon as they are presented (s. 21). The stated due date itself is calculated under ss. 23 and 24. An instrument payable a stated number of months after date or sight falls due on the corresponding day of the relevant month, or on the last day of that month if it has no corresponding day. For an instrument payable a stated number of days after date or sight, the day of the date or of presentment is excluded from the count. If the day of maturity, after adding the days of grace, is a public holiday, the instrument falls due on the next preceding business day (s. 25). For example, A makes a promissory note

dated 1 January 2026, promising to pay B ₹1,00,000 “three months after date”. The note is expressed to be payable on 1 April 2026, and adding three days of grace gives a maturity date of 4 April 2026. B can demand payment only on 4 April, and A is in default only if he fails to pay that day. If 4 April were a public holiday, the note would mature on 3 April. If A’s note had instead been payable “on demand”, there would be no days of grace, and B could demand payment at once.

## 23. Calculating maturity of bill or note payable so many months after date or sight

**Where an instrument is payable a stated number of months after date, sight or an event, the period shall end on the corresponding day of the final month, or on the last day of that month if it has no corresponding day.**

> In calculating the date at which a promissory note or bill of exchange, made payable at 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 months 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. The 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.

Section 23 of the Negotiable Instruments Act, 1881 sets out how to calculate the maturity of a promissory note or bill of exchange payable a stated number of months after a starting point. The period is counted in calendar

months, not in a fixed number of days, so it ends on the same day of the final month as the starting day. The starting point depends on how the instrument is drawn. For an instrument payable “after date”, it is the date of the instrument. For a bill payable “after sight”, it is the day the bill is presented for acceptance or sight, or noted or protested for non-acceptance. For an instrument payable after a certain event, it is the day the event happens. For a bill payable after sight that has been accepted for honour, it is the day of that acceptance. If the final month has no corresponding day, for example when the starting day is the 29th, 30th or 31st and the final month is shorter, the period ends on the last day of that month. Section 23 fixes only the end of the stated period. Under s. 22, three days of grace are then added to an instrument not payable on demand, at sight or on presentment, and the instrument matures on the last day of grace. This is why each illustration gives a maturity date three days after the period ends. In illustration (a), one month from 29 January ends on 28 February, since February 1878 had no 29th, and the instrument matures on 3 March. In (b), three months from 30 August ends on 30 November, and the instrument matures on 3 December. In (c), three months from 31 August would end on 31 November, which does not exist, so the period ends on 30 November and the instrument again matures on 3 December. If the maturity date falls on a public holiday, the instrument is due on the preceding business day (s. 25). For example, A makes a promissory note dated 31 January 2026, payable to B two months after date. Two months from 31 January ends on 31 March, a day that exists, and with three days of grace the note matures on 3 April 2026. If the note were instead payable one month after date, the period would end on 28 February 2026, because February 2026 has no 31st, and the note would mature on 3 March 2026. For a bill payable two months after sight that is presented for acceptance on 15 May, the period runs from that day and ends on 15 July, so the bill matures on 18 July.

## 24. Calculating maturity of bill or note payable so many days after date or sight

**In calculating the maturity of a promissory note or bill of exchange payable a certain number of days after date, sight or an event, the day of the date, of presentment for acceptance or sight, of protest for non-acceptance, or of the event shall be excluded.**

> 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 a certain event is at maturity, the day of the date, or of presentment for acceptance or sight, or of protest for non-acceptance, or on which the event happens, shall be excluded.

Section 24 of the Negotiable Instruments Act, 1881 explains how to count days for instruments that fall due a fixed number of days after a starting point. The starting point can be the date of the instrument, the date of sight (presentment for acceptance, or of protest for non-acceptance where acceptance is refused), or the happening of a particular event. In each case, the starting day itself is not counted, and the count begins on the following day. The provision does not fix the final date of payment by itself. It gives the day on which the instrument is "expressed to be payable." Under s. 22, three days of grace are then added to that day, unless the instrument is payable on demand, at sight or on presentment. Under s. 25, if the maturity day is a public holiday, the instrument falls due on the preceding business day. For example, a bill of exchange dated 1 March is payable "30 days after date." Under s. 24, 1 March is excluded, so 2 March is day 1 and 31 March is day 30. The bill is therefore expressed to be payable on 31 March. Adding three days of grace under s. 22, it is at maturity on 3 April. If the bill were instead payable "30 days after sight" and presented for acceptance on 10 March, 10 March would be excluded, the bill would be expressed to be payable on 9 April, and it would mature on 12 April after the days of grace.

## 25. When day of maturity is a holiday

**A promissory note or bill of exchange that matures on a public holiday shall be due on the next preceding business day.**

> 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" includes Sundays and any other day declared by the Central Government, by notification in the Official Gazette, to be a public holiday.

Section 25 of the Negotiable Instruments Act, 1881 applies to instruments payable at a fixed time, such as a stated number of days or months after date or after sight. Such an instrument does not mature exactly on the stated date:

under s. 22 it matures on the third day after that date, because three days of grace are allowed. Under s. 25, if that day of maturity is a public holiday, payment cannot be put off to the next working day. The instrument is instead treated as due on the last business day before the holiday. Where several holidays fall one after another, you count back past all of them to the last business day before the first. This moves the due date earlier, which works in the holder's favour. On that earlier date the holder must present the instrument for payment (s. 66), the maker or acceptor must pay, and if payment is refused the instrument is dishonoured from that day, with all the usual consequences, including notice of dishonour to prior parties. The Explanation defines "public holiday" to include every Sunday and any other day the Central Government declares a public holiday by notification in the Official Gazette. These are commonly called "NI Act holidays", as distinct from ordinary office holidays. A day that is merely a holiday for some offices, without such a notification, does not count. Section 25 does not apply to instruments payable on demand, because they have no fixed day of maturity. For example, A draws a bill on B payable three months after date. Adding the three days of grace, the bill matures on a Sunday. Since Sunday is a public holiday, the bill is deemed due on the Saturday before, so the holder must present it for payment, and B must pay, on Saturday. If that Saturday were also a notified public holiday, the bill would fall due on Friday. If B fails to pay on Friday, the bill is dishonoured that day. The holder cannot wait until Monday to present it, and doing so could discharge the drawer and other prior parties for failure to present on time.