

THE FOOD CORPORATION OF INDIA  
HEAD QUARTERS : NEW DELHI

**No. 2(10-A)/91-92/CC.I/**

**Dated : 2/8/1994**

CIRCULAR NO. 664/Accts

**SUBJECT.:** Loss of Account Payee Instruments – Cheque / DD – Guidelines for obtaining/ issue of duplicate instruments from drawee bank / FCI regarding.

Recently an instance of loss of an account payee DD was brought to the notice of Headquarters. Considering the volume of operations of the Corporation, the eventualities of this nature cannot be totally ruled out. A question has, therefore, arisen as to how such cases shall be dealt with.

The matter has been examined. The following guidelines are to be followed :-

- a) In normal circumstances an Account Payee instrument cannot be encashed by any one except the 'Payee'. However, the matter cannot be rested on such presumption particularly in the present day situation. The possibilities of getting the instruments so lost realised by other means (in collusion with other agencies or otherwise) cannot be ruled out. Therefore, appropriate precautionary measure(s) have to be taken within the purview of existing law to protect the financial interest of the Corporation.
- b) The parties concerned in such cases are the purchaser of the instrument (Drawer), the drawee bank and the beneficiary.
- c) As a matter of general principle, immediately on receipt of information of loss of an instrument a 'stop payment' notice to be served on the bank on whom the instrument was drawn and acknowledgement of notice having been served by the purchaser / account holder be obtained from the Bank. In case of loss of demand draft a similar notice is also to be served on the bank from where the DD was purchased and their acknowledgment obtained. Normally the drawer bank is also supposed to intimate the drawee bank about the loss of DD and obtain acknowledgment of necessary order for 'Stop Payment'. Copy of such acknowledgment should also be obtained for our record.
- d) The bank while acknowledging the notice of 'Stop Payment' may add a rider saying that "the bank will not be responsible for payment through oversight" forcing the Corporation to be more cautious while arranging / issuing duplicate DD/Cheque.

- e) In case of loss of cheque, the bank statement received from the bank has to be scrutinised carefully till the date of noting by the Bank. However, such verification to be done upto the validity period of the lost instrument, which is six months from the date of issue. Such verification to be done even where duplicate instrument has been issued.
- f) In addition to the verification of the statement as at (e), a certificate from the bank should be obtained indicating that the lost instrument was neither presented nor paid by the bank. The certificate should indicate specifically the 'date' which should not be earlier than the validity period of the lost instrument.
- g) Action for issue of duplicate instrument (cheque/DD) can be taken on receipt of
  - i) Written request from the payee (beneficiary) requesting for the same ;
  - ii) Indemnity bond on a non-judicial stamp paper of the appropriate value from the party clearly bringing there in the details of the instrument lost, non-receipt of payment and an irrevocable indemnity/guarantee to the drawer for refund of the value of the instrument in case it was found at a later date that the same was encashed by him or any other party.
- h) On receipt of the request together with documents mentioned at (g) and after necessary verification of the documents as mentioned at (e) and on obtaining necessary certificate/acknowledgement from the bank as brought out above, the bank may be approached for issue of the duplicate instruments in case of loss of DD. In case of loss of cheque, appropriate action may be taken by the office concerned for drawing a duplicate cheque.
- i) In case where a DD is lost and bank is approached for issue of duplicate instrument, they are likely to insist on furnishing an indemnity bond on a non-judicial stamp paper by the purchaser as in such cases the bank recognises the purchaser of the instrument only.
- j) It is to be remembered that verification of the credit worthiness and obtaining of appropriate indemnity bond from the payee (beneficiary) as also verification of the bank statement (wherever applicable) and obtaining of appropriate certificate / acknowledgement from the bank is a pre-requisite for our initiating any action of issuing a duplicate cheque/DD.

While the above could be the normal procedure in respect of our regular and known parties, special care may have to be taken in certain cases as per the local decision/scrutiny. Depending upon the circumstances, the local office should be free to decide type of security they would like to have in addition to the indemnity bond on a non-judicial stamp paper from the party e.g. bank guarantee and/or counter guarantee/indemnity by one or two known financially sound parties etc.

- k) Head of the office required to issue duplicate cheque/DD, should invariably scrutinise the details of the cheque/DDs appearing in the 'Stale cheque register' as well as excess/wrong debit given by the bank to our account to satisfy that no debits were given by the bank for the cheques/DDs against which duplicate instruments is being proposed for issue.

Above instructions may be brought to the notice of all concerned for information, guidance and compliance.

This issues with the approval of competent authority.

Sd/-  
(R.K. BHATTACHARYA)  
DEPUTY MANAGER (FUNDS)