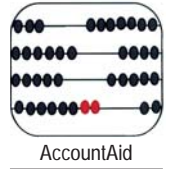


AccountAble™

12. Using Cheques Safely

June-July '08



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In AccountAble 9, we had looked at the problems that may arise if you are careless with cheques. Here we discuss some more cases, and ways to protect yourself.

En Garde!

How do you defend yourself when the thieves are after your money and the police is unable to help?

Add bank account number

One simple precaution can be to add the account number and name of the bank to the cheque, as shown below:

Pay PRAKRITI's A/c no. 03268897068
with SBI x---x---x or bearer

This will make it very difficult for anyone else to encash or collect the cheque. The cheque must also be crossed as 'A/c Payee Only, Not Negotiable'.

Cheques that you receive

This trick may protect you (and the payee) when you are issuing a cheque. But what about cheques that you receive? These may or may not have your account number written on the face of the cheque.

Manoj's alter ego

In a recent case, Manoj received an account payee cheque from his office. He wrote his account number, bank and branch details on the reverse of the cheque. He then went to his bank (IDFC) and deposited the cheque in the drop-box.

When the cheque was not credited to Manoj's

account for several days, he spoke to his office. The office called up its bank (Vitibank). They said the cheque has been cleared by them three days ago. Later, on request, they gave the details of the bank (NIB) which had collected the cheque.

Manoj then followed up with the concerned branch of NIB. There he found that someone had opened an account in his very name, collected the cheque and withdrawn the money. He also visited the house of the account holder with the branch manager. The address turned out to be fake.



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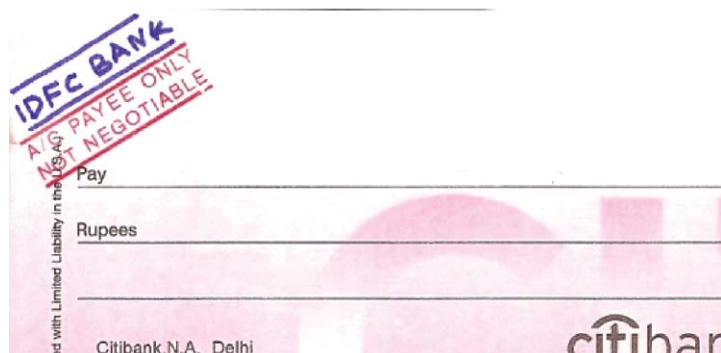
You must always get a proper stamped acknowledgment. Ask a bank employee to put the stamp and their initials also.

Fortunately, the branch manager was a decent fellow. He acknowledged his fault in opening the account without physically verifying the address. He then reimbursed the full amount to Manoj.

It is clear that the cheque had been stolen from IDFC bank's drop box. Most probably, some staff of IDFC bank (or one of their support agencies) were involved in the theft. However, IDFC bank simply refused to acknowledge that the cheque was ever deposited in their bank. This was very easy for them, since there was no proof of deposit (*all names changed*).

Cross it again

What could Manoj have done to avoid this? One trick is to cross the cheque again to a particular bank. In this particular case, if he had crossed the cheque to IDFC before depositing it, it would have been difficult for the crooks to collect it through NIB. This special crossing is made on the face of the cheque as shown here.



Always get an acknowledgement

These days most banks avoid stamping your deposit slip. They ask you to drop the cheque into a box. This helps them save money on overheads. However, as Manoj found out, this can also create a serious problem for you.

You must, therefore, always get a proper stamped acknowledgement. Ask a bank employee to put the stamp and their initials also. Avoid using the stamp yourself, as

this can create another loophole for them.

Retain the deposit slip

You must always retain the deposit slip. It can be attached to the voucher, or kept in a separate booklet.

Some banks, such as PNB, have installed automatic cheque deposit machines. These machines scan the deposit slip and the cheque, and give an acknowledgment slip (with time and date) showing both the images. You should xerox¹ this slip and attach it to the voucher.



Figure 1: Cheque Deposit Machine

Unused cheques

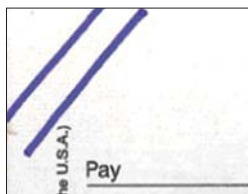
Fresh cheques can be lost or stolen in several ways. Someone can tear out a cheque leaf if you leave your cheque-book lying around. Or you could lose an entire cheque-book, without coming to know of it for some time. If you leave unused cheques in an old cheque-book, then these can be misused.

Another way this can be done is to steal a cheque book while it is being sent to you. These days several banks courier the cheque-books to you. You should keep track of any requests that you make for cheque-books, and make sure that these arrive within a reasonable time.

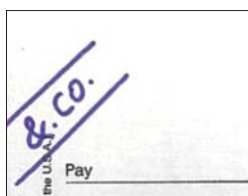
¹The slip is printed on thermal paper which fades away in 2-6 months.

Crossing the Cheque

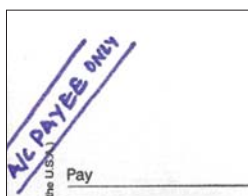
To protect your cheque from being misused, you can cross the cheque in several ways:



The plain crossing, without any words means that the cheque can be paid only through another banker.

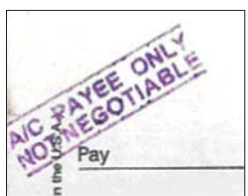


This crossing is similar to the one above. The words '& Co.' do not provide additional protection.



The words 'Account Payee' make a big difference. Normally, no banker will credit this cheque into a different bank

account. However, this cheque remains negotiable and can be endorsed. The bank, in good faith, can legally credit this cheque to another account. You can recover your money only from the person who stole the cheque or received the money.



If you add the words 'Not Negotiable', the cheque cannot be endorsed. If the bank credits this cheque to a differ-

ent account, you can recover the money from the bank.



If you add your bank's name across the face of cheque, then this cheque can be collected by that bank only. This is especially useful when you have received a cheque and are depositing it in your bank account.

Prof. Moriarity's Students

Sherlock Holmes, the legendary detective created by Sir Arthur Conan Doyle, met his match in Prof. Moriarity. Prof. Moriarity had an excellent mind (though he turned it to sophisticated criminal activities). A hundred years later, the Professor's students don't seem to be doing as well.

In January this year, two persons tried to encash a cheque for 355 dollars (~Rs.14,000) in New York. However, they were told that the payee Mr. Vigilio Clintron should be present. This created a problem - Mr. Clintron had passed away the previous evening. So they returned to his room, dressed the very dead Clintron, put the body in an office chair and wheeled him down the road to encash the cheque. Unfortunately for them, two policemen noticed the pale, stiff-looking body. On asking, the two friends pretended that they did not know that Mr. Clintron was dead. They were arrested and will face a trial.

But 355 dollars is really peanuts, as compared to Fuller's Folly. Mr. Charles Ray Fuller made worldwide news in April 2008, when he tried to cash a cheque in Fort Worth, USA. The amount? 360 billion dollars! That's about 144 Kharab Rupees. He then said that his girlfriend's mother had given him the cheque. The lady denied it completely. Fortunately for young Mr. Fuller, the bail was not as big as his folly—only 3,750 dollars.

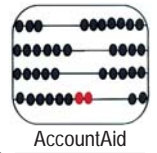


Fuller's Folly can easily be attributed to lack of education and finesse among crooks these days. And Mr. Fuller is not alone in this. In October'07, a man handed over a 1 million dollar note to a cashier in Pittsburgh, USA and asked for change. Unfortunately for him, the note was confiscated, and he was arrested when he became violent.

And three years earlier, in March'04, Ms. Alice Pike was arrested when she tried to pay for her groceries with a 1 million dollar bill. Obviously she was not aware that the largest denomination ever printed by US Treasury was a 10,000 dollar note. And even this was discontinued in 1969. Since then the 100-dollar bill has been the largest denomination bill in circulation.

Prof. Moriarity would surely have been very, very upset with his modern-day students.

Source: 'NY police find 'cashback' corpse' (10-Jan-08); 'Texan tries to cash \$360bn cheque' (2-May-08), 'US man seeks change for \$1m note' (9-Oct-07), 'US woman shops with fake \$1m bill', (10-Mar-04). All at www.news.bbc.co.uk



Forged Signatures

No protection is available to the bank in case someone has forged your signatures (See *Bahurupia Postmen* in AccountAble 9). This is so because a forged cheque is treated as never having been issued. It does not matter how good the forgery was. It is also immaterial that the forger got hold of the cheque due to your carelessness, such as from your unlocked drawer.

Now suppose you make a cheque but do not sign it. Someone gets hold of this cheque and forges your signatures. The cheque is cleared. Can you recover the money from the bank?

Yes and no. Theoretically, the bank is liable as you never signed the cheque and the signatures were forged. However, you have to prove that you did not sign the cheque. For this, you will have to get help of handwriting experts.

Secondly, you will have to spend a lot of time in

courts. Indian courts are so burdened with pending cases, that it may be 50 years before you get a decision in your favour! If this is difficult to believe, consider the Sikand murder case. The murder took place in Delhi in 1982. And it was in 2008 before the sessions court could give its judgment! And this is not the end of the road — there may be appeals. The accused could take the case all the way to the Supreme Court.

Therefore, the best thing is to ensure that you don't lose your cheques or cheque-books.

Related AccountAble Issues:

09: The Risk with Cheques

10: Bank Reconciliation

11: Signing Blank Cheques

66: More on Cheques

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