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**AN OVERVIEW OF PROCEDURE FOR CASES UNDER
SECTION 138 NEGOTIABLE INSTRUMENTS ACT.
INNOVATIVE TOOLS AND TECHNIQUES FOR DISPOSAL OF
CASES UNDER SECTION 138 NEGOTIABLE INSTRUMENTS
ACT**



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An overview of procedure for cases under section 138 Negotiable Instruments Act. Innovative tools and techniques for disposal of cases under section 138 Negotiable Instruments Act.

“ The damage caused by economic offences is more severe and widespread than ordinary crimes because they erode public confidence in economic institutions and law.”

-Law Commission of India 47th Report (1972)

Introduction

In the realm of commercial and personal transactions, a cheque signifies more than a mere piece of paper as it embodies trust, obligation, and assurance of payment. Dealing with a **dishonoured cheque** is one of the most common legal issues faced in business and personal transactions. However, when such a cheque is dishonoured upon presentation, the consequences extend beyond financial inconvenience and enter the domain of criminal liability. Section 138 of the **Negotiable Instruments Act, 1881 (NI Act)** provides a legal remedy to the payee when a cheque bounces due to insufficient funds or other valid reasons.

Why Does a Bounced Cheque Become a Legal Issue?

At first glance, a bounced cheque may seem like a simple financial dispute between two parties. However, in law, it carries criminal consequences because it directly affects the credibility of financial transactions which is a foundation upon which commerce operates. A cheque is a written assurance that sufficient funds are available to honour payment. When a cheque bounces due to insufficiency of funds, it shakes the trust on which business and personal transactions rely. To restore this trust, Parliament introduced Section 138 of the NI Act, through the Amendment Act.

The provision states:

“Where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from that account for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid, either because of the amount of money standing to the credit of that account being insufficient, or that it exceeds the arrangement made with the bank, such person shall be deemed to have committed an offence...” Simply put, the law recognises that a cheque is an implied promise backed by law. If that promise is broken, it moves beyond the ambit of just breach of contract and becomes an offence against financial reliability. The Supreme Court has consistently observed that Section 138 of the NI Act was enacted to ensure the

sanctity of cheque-based transactions. In **Modi Cements Ltd. v. Kuchil Kumar Nandi, (1998) 3 SCC 249**, the Court clarified that once a cheque is issued, it presupposes a legally enforceable debt or liability, and stopping payment later does not absolve the drawer of criminal responsibility.

How major is this situation ?

One of the largest backlogs of cases that can be discovered in the Indian legal system is related to the dishonour of cheque under Section 138 of the Negotiable Instruments Act, 1881 (Negotiable Instruments Act, hereinafter). According to a recent report by Mr. Sidharth Luthra, who was appointed as an amicus curiae in a suo moto writ petition case, made a contention that the total number of criminal cases pending before the courts amounts to 2.31 crores. Out of these 35.16 lakhs pertains merely to cases filed under Section 138 of the Negotiable Instruments Act.

What is “Negotiable Instrument”?

At the heart of the Act, Section 13 defines a “Negotiable Instrument” as a written document that guarantees the payment of a specific sum of money to the bearer or to the order of a particular individual. A distinguishing feature of negotiable instruments is their transferability, allowing the holder to claim the specified amount from another party. This unique characteristic makes negotiable instruments essential tools in both domestic and international trade.

Reasons behind overloading of cases based on this provision

It is pertinent to note that with commercial globalisation in play the usage of cheques has been increased. This further escalates the cases of dishonour of cheques. One of the main problems faced by the Indian judiciary in disposing of these cases expeditiously is that, with a steady increase of complaints every year, the rate of disposal does not match the rate of the institution of complaints. The delay in disposal results in incurable loss, injury and inconvenience to the payee and erodes the credibility of the issuance of the cheque.

Many attempts have been made by the legal fraternity to combat the issue of the accumulation of cases. The Law Commission of India, in its 213th report submitted in the year 2008, states the situation comprehensively and expressed the relevant changes in the functioning of the legal system which would ensure speedier disposal of cases. It also gave importance to the fundamental right to life and liberty guaranteed under Article 21 of the Constitution of India which can be infringed if there is any delay by the court in providing expeditious disposal of criminal proceedings. One of the major suggestions made by the Law Commission through its report was to set up fast-track courts.

Procedure for cases under section 138 NI Act-

1. Dishonour of Cheque-

- a) **Cheque from the account maintained by drawer:** The cheque for an amount is issued by the drawer to the payee / complainant on a bank account maintained by him.
- b) **Cheque Drawn for a Legally Enforceable Debt or Liability:** The cheque is issued in discharge of a legally enforceable debt or other liability, not for charity, gifts, or time-barred dues. (*Kusum Ingots and Alloys Ltd. Vs Pennar Peterson Securities Ltd (2000) VOL 2 SCC 745*)
- c) **Presentation Within Validity Period:** The cheque is presented to the bank within three months from the date of issue or within its validity period, whichever is earlier. As per the *RBI Notification No. DBOD.AML BC.No.47/14.01.001/2011-12*, effective from 01.04.2012, the maximum validity of a cheque is three months.
- d) **Return of the Cheque Unpaid:** The first step occurs when the **payee presents the cheque** to the bank for encashment. If the cheque is returned **unpaid** due to reasons such as *insufficient funds, account closed, signature mismatch*, or other grounds covered under Section 138, a **cheque return memo** is issued by the bank.
- e) **Demand Notice to Drawer:** When a cheque is dishonoured, it is not the dishonour alone that triggers criminal liability, but the failure to comply with the statutory demand notice

that does. Thus, the notice is the legal trigger that enables a complaint under Section 138 of the NI Act. Once the cheque is dishonoured, the payee must send a **legal notice** to the drawer within **30 days** from the date of receiving the return memo.

- The notice must clearly demand the cheque amount.
- It serves as a formal intimation to the drawer that legal action will be taken if payment is not made.

2. Waiting Period for Payment-

After receiving the demand notice, the drawer gets **15 days'** **time** to make the payment. If the drawer clears the amount within this period, no further legal proceedings are required.

3. Filing of Complaint-

Cause of action arises after default

If the drawer fails to make payment within the prescribed 15 days, the cause of action arises on the 16th day. The payee then acquires the right to file a complaint before the Judicial Magistrate of the First Class within one month from the date of accrual of cause of action. This timeline has been reinforced in multiple cases, including **K. Bhaskaran v. Sankaran Vaidhyan Balan, (1999) 7 SCC 510**, where the Supreme Court clarified that the complaint must strictly follow the statutory schedule for it to be maintainable.

4. Jurisdiction

In the case of **K. Bhaskaran vs. Sankaran Vaidhyan Balan and anr (1999) 7 SCC 510**, the Hon'ble Supreme Court held that each of the following places had the authority to begin the proceedings based on the ingredients of sec.138 referred to these that, "where the cheque is drawn., where payment had to be made, where the cheque is presented for payment, where the cheque is dishonoured, where notice is served up to drawer." However, in **Dashrath Rupsingh Rathod vs. State of Maharashtra (2014) 9 SCC 129**, a three-judge Supreme Court bench took a hard line, holding that local authority under section 138 should be decided and found solely by the location of the offence. The drawer bank's return of the cheque is all that is needed to commit an offence under section 138. With the latest changes, **the Negotiable Instrument (Amendment) Act, 2015**, which went into effect on July 15, 2015, the legal situation regarding the geographical authority of the courts in cases of cheque dishonour has totally altered. Section 142 (2) has been introduced to the Act, which specifies rules for the territorial jurisdiction of the court where the crime under Section 138 shall be investigated and prosecuted, as well as a separate subsection 142A, which specifies provisions for validation for relocation of pending cases.

In a very recent judgment **Jai Balaji Industries LTD AND ORS V/S M/S Heg LTD 2025 SCC Online SC 2581** it is held that A cheque bounce case u/s 138 NIA must be filed only in the court that has jurisdiction over the payee's home branch i.e the branch

where payees account is actually maintained. Even if the cheque is deposited in any other branch (for convenience) the law treats it as if it was deposited at home branch itself.

5. Cognizance by Court

- Cognizance of an offence under Section 138 of the Negotiable Instruments (NI) Act, 1881, is taken by a Metropolitan Magistrate or Judicial Magistrate (First Class) exclusively upon a written complaint by the payee/holder. The complaint must be filed within one month of the cause of action arising, which occurs if the drawer fails to pay within 15 days of receiving notice. The Magistrate examines the complainant and the evidence (usually an affidavit) to check if the complaint is in order. If the Court finds a prima facie case, it takes cognizance and issues summons to the accused.

The High Court of Karnataka in **Ashok Vs. Fayaz Aahmad, (2025) SCC Online Kar 490**, has taken the view that since NI Act is a special enactment, there is no need for the Magistrate to issue summons to the accused before taking cognizance (under Section 223 of BNSS) of complaints filed under Section 138 of NI Act. The Supreme Court is in agreement with the view taken by the High Court of Karnataka. Consequently, the Hon'ble Court directs that there shall be no requirement to issue summons to the

accused in terms of Section 223 of BNSS i.e., at the pre-cognizance stage.

6. Mode of Trial

Under Section 143 Complaint to be initially registered as Summary Trial Case:— Every complaint filed under Section 138 of ‘the Act’ shall initially be registered as a Summary Trial Case. *(Indian Bank Assn. v. Union of India, (2014) 5 SCC 590 and In Re: Expeditious Trial of Cases under Section 138 N.I. Act 2021 SCC OnLine SC 325).*

Trial shall normally be summary:— Procedure for trial of cases under Chapter XVII of the NI Act has normally to be summary. Discretion of the Magistrate under the second proviso to Section 143 of the NI Act to hold that it was undesirable to try the case summarily as sentence of more than one year may have to be passed, is to be exercised after considering the fact that apart from the sentence of imprisonment, court has jurisdiction under Section 357(3), Cr.P.C./ Section 395(3), BNSS, to award suitable compensation with default sentence under Section 64 IPC/ section 8(2) BNS with further power of recovery under Section 431, Cr.P.C./ Section 471, BNSS, and having regard to the amount of the cheque, financial capacity and conduct of the accused or any other circumstances. With this approach, prison sentence of more than one year may not be required in all cases. *(Meters and Instruments (P) Ltd. v. Kanchan Mehta (2018) 1 SCC 560).*

Discretion to convert to summons trial to be exercised with due care and caution and mechanical conversion shall be avoided:

Discretion conferred by the second proviso to sub-section (1) of Section 143 of the NI Act to convert summary trial to summons trial is to be exercised with due care and caution and cogent and sufficient reasons shall be recorded before such conversion. Mechanical conversion shall be avoided.

The Supreme Court reiterates the direction of this court *In Re: Expeditious Trial of Cases under section 138 of N.I. Act 1881, (2021)* that the Trial Courts shall record cogent and sufficient reasons before converting a summary trial to summons trial. To facilitate this process, the Supreme Court clarifies that in view of the judgment of the Delhi High Court in *Rajesh Agarwal v. State and Anr. , (2010) SCC Online Del 2511* the Trial Court shall be at liberty (at the initial post cognizance stage) to ask questions, it deems appropriate, under Section 251 Cr.P.C. / Section 274 BNSS, 2023 including the following questions:-

- (i) Do you admit that the cheque belongs to your account?*Yes/No*
- (ii) Do you admit that the signature on the cheque is yours?*Yes/No*
- (iii) Did you issue/deliver this cheque to the complainant?*Yes/No*
- (iv) Do you admit that you owed liability to the complainant at the time of issuance?*Yes/No*
- (v) If you deny liability, state clearly the defence:

- (a) Security cheque only;
- (b) Loan repaid already;
- (c) Cheque altered/misused;
- (d) Other (specify).

(vi) *Do you wish to compound the case at this stage?Yes/No*

7. Service of Summons

Section 144 of NI Act simplifies the process of delivering summons. It permits the service of summons at the place of residence or workplace of the accused or witness, ensuring efficiency in securing attendance during trial proceedings. Magistrate should adopt a pragmatic and realistic approach while issuing summons. Summons must be properly addressed and sent by post as well as by e-mail address given by the complainant. Court, in appropriate cases, may take the assistance of the police or the nearby court to serve summons on the accused. For appearance, a short date be fixed. If the summons is received back unserved, immediate follow-up action be taken. (*Indian Bank Assn. v. Union of India (2014) 5 SCC 590*).

Summons to indicate compounding of offence:— At the first hearing of the case and, if such an application is made, court may pass appropriate orders at the earliest. (*Indian Bank Assn. v. Union of India (2014) 5 SCC 590*).

Summons to contain amount to be deposited for closure of proceedings even without appearance of accused:— In every summons issued to the accused, it may be indicated that if the accused deposits the amount, which should be assessed by the court having regard to the cheque amount and interest/cost, specified in the summons by the date specified therein, the accused need not appear unless required, and proceedings may be closed subject to any valid objection of the complainant.

8. Evidence on Affidavit

Section 145 of NI Act allows the complainant to submit their evidence through an affidavit, which speeds up the judicial process by avoiding lengthy oral examination at the outset. However, the court retains discretion to summon the deponent for cross-examination, thereby balancing procedural convenience with the rights of the accused. As clarified in the case of *Mandvi Cooperative Bank Ltd. v. Nimesh B. Thakore, (2010) 3 SCC 83*, Section 145(2) uses both the words, "may" (with reference to the court) and "shall" (with reference to the prosecution or the accused). Thus it is clear that in the event an application is made by the accused, the court would be obliged to summon the person giving evidence on affidavit in terms of Section 145(1) without having any discretion in the matter. The affidavit of the person so summoned that is already on the record is obviously in the nature

of examination-in-chief. Hence, on being summoned on the application made by the accused the deponent of the affidavit (the complainant or any of his witnesses) can only be subjected to cross-examination as to the facts stated in the affidavit.

9. Appearance of Accused:

The accused (drawer of the cheque) is summoned to appear before a Judicial Magistrate. On the first appearance, the accused typically needs to furnish a bail bond to ensure their continued appearance. In case of *Indian Bank Assn. v. Union of India (2014) 5 SCC 590* it states that Court should direct the accused, when he appears, to furnish a bail bond, to ensure his appearance during trial and ask him to take notice under Section 251, Cr.P.C./ Section 274, BNSS to enable him to enter his plea of defence and fix the case for defence evidence, unless an application is made by the accused under Section 145(2) of NI Act for recalling a witness for cross-examination. Upon appearing, the Magistrate explains the substance of the accusation (Section 251 CrPC/ section 274 BNSS) to the accused and asks if they plead guilty or have any defense. If accused seek exemption from personal appearance if they are unable to attend, but failing to appear without seeking such exemption can lead to the court proceeding in their absence. If the accused continuously fails to appear or seek exemption, the court has the discretion to proceed with the trial in their absence, which may result in a swift conviction based on the complaint and documents. Sometimes, to show

willingness to settle the dispute, an accused may voluntarily appear, which can help in avoiding coercive steps like bailable or non-bailable warrants.

10. Plea of Accused

The Court asks the accused whether he/she pleads **guilty or not guilty**.

- If guilty, the case moves towards sentencing.
- If not guilty, the trial begins.

11. Pre-Trial Proceedings

The Court may encourage **settlement or compounding** between parties. If no settlement is reached, the case proceeds to **trial**. Under Section 147 is a negotiated settlement where the accused pays the complainant, allowing the criminal case to be dropped. This can occur at any stage (pre-trial, trial, or appeal), usually involving compensation and costs for late settlement. Compounding generally requires the consent of the complainant; however, courts have allowed it in cases where a fair and just compensation has been made in case **Smt. Rani Gaur Vs. State of U.P. and 4 Others, Criminal Revision No. 2047/2023**.

Damodar S. Prabhu v. Sayed Babalal H (2010) 5 SCC 663, This seminal ruling affirmed that offences under Section 138 of the NI Act could be compounded at any stage, including post-

conviction. The Supreme Court introduced a structured approach regarding costs for compounding: no penalty if pleaded before the Magistrate's Court, 10-15% of cheque amount if pleaded before Sessions Court or High Court, and 20% of cheque amount if pleaded before the Supreme Court. These amounts are in addition to the cheque amount and are to be paid as compensation, for the court to allow compounding of offence. While this decision encouraged settlements, it did not clarify whether complainant's consent can be disregarded. However, by emphasizing the acceptance of compensation within judicially determined limits, the Court implicitly promoted compounding as a preferred resolution mechanism.

In Re: Expeditious Trial of Cases under Section 138 NI Act (2021)

A five-judge Constitution Bench while issuing comprehensive guidelines to combat the staggering backlog of cases under Section 138 NI Act, overruled the **Meters & Instruments (2018)** held that Section 258 Cr.PC does not apply to complaints under Section 138 NI Act. It reaffirmed that compounding under Section 147 of NI Act requires the complainant's consent.

Raj Reddy Kallem v. State of Haryana (2024) SCC Online SC 833

The Supreme Court reaffirmed that courts cannot compel a complainant to consent to compounding under Section 147 NI Act. It categorically held that compounding remains a voluntary process and cannot be imposed solely based on the accused's willingness to

settle. The Court clarified that Meters & Instruments did not permit compounding without consent and that any such interpretation was incorrect. The ruling reinforced that while settlement is encouraged, it must adhere to the fundamental principle of mutual agreement.

Surinder Kumar Bindal v. Satinder Nath Radhey Shyam & Sons (2024)

The Punjab & Haryana High Court reiterated requirement of complainant's consent for compounding under Section 147 NI Act. The Court distinguished between compounding and quashing, stating that while dispute may be quashed under Section 482 CrPC/ section 528 BNSS in exceptional circumstances, compounding remains a consensual process, relying on *Raj Reddy Kallem v. State of Haryana (2024)*.

Guidelines by Hon. Supreme Court in **Sanjabij Tari vs Kishore Sborcar & Anr (2025) SCC Online SC 2069** for compounding of offence under NI Act Cases-

“Since a very large number of cheque bouncing cases are still pending and interest rates have fallen in the last few years, this Court is of the view that it is time to ‘revisit and tweak the guidelines’. Accordingly, the aforesaid guidelines of compounding are modified as under:-

(a) Before Defence Evidence: If the accused pays the cheque amount before recording of his evidence (namely defence

evidence), then the Trial Court may allow compounding of the offence without imposing any cost or penalty on the accused.

(b) Before Judgment: If the accused makes the payment of the cheque amount post the recording of his evidence but prior to the pronouncement of judgment by the Trial Court, the Magistrate may allow compounding of the offence on payment of additional 5% of the cheque amount with the Legal Services Authority or such other Authority as the Court deems fit.

(c) Sessions or High Court: Similarly, if the payment of cheque amount is made before the Sessions Court or a High Court in Revision or Appeal, such Court may compound the offence on the condition that the accused pays 7.5% of the cheque amount by way of costs.

(d) Supreme Court: Finally, if the cheque amount is tendered before this Court, the figure would increase to 10% of the cheque amount.

This Court is of the view that if the Accused is willing to pay in accordance with the aforesaid guidelines, the Court may suggest to the parties to go for compounding. If for any reason, the financial institutions/complainant asks for payment other than the cheque amount or settlement of entire loan or other outstanding dues, then the Magistrate may suggest to the Accused to plead guilty and exercise the power under Section 255(2) and/or 255(3) of the Cr.P.C. or 278 of the BNSS, 2023 and/or give the benefit under the Probation of Offenders Act, 1958 to the Accused.”

12. Trial Stage

a. Complainant's Evidence

- The complainant presents evidence to support the case, including:
 - Examination-in-chief through affidavit or oral deposition.
 - Cross-examination by the accused's advocate.
- Documentary evidence, such as the dishonored cheque, legal notice, postal receipt, and return memo, is submitted.

b. Accused's Defense

- The accused may be examined under **Section 313 of the CrPC** to explain evidence against them.
- **No Legally Enforceable Debt:** The cheque was not issued for a valid debt, but perhaps for security, as a gift, or in a transaction that did not materialize.
- **Misuse of Security Cheque:** The cheque was provided as security for a loan/contract and was never intended to be cashed, or was presented despite the liability being cleared.
- **Defective Legal Notice:** The complainant failed to send the mandatory notice within 30 days of receiving information about the dishonour from the bank. The Supreme Court, in **Shakti Travel & Tours v. State of Bihar, (2002) 9 SCC 415 ('Shakti Travel case')**, underscored that the foundation

of any complaint under Section 138 of the NI Act lies in a properly served legal notice. This notice is more than just a procedural formality since it ensures that the drawer is given a fair opportunity to make the payment before facing prosecution.

- **Premature Presentation:** The cheque was presented before its validity date or contrary to a stipulated agreement.
- **Time-Barred Debt:** The cheque was issued to repay a loan for which the legal period for recovery (usually 3 years) had already expired.
- **Lack of Liability/ No Debt:** The accused can show that the alleged loan was never received or that the amount was legally unaccounted cash (e.g., in certain contexts, illegal or undisclosed transactions).
- **Material Alteration:** The cheque was altered (date, amount, name) after it was signed without the consent of the drawer.
- **Cheque Theft or Lost Document:** The cheque was stolen or lost, and the signature was forged.
- **Payment Made Prior:** The amount was paid via another method (cash/transfer) before the cheque was presented

13. Final Arguments

- Both parties present their arguments based on evidence and legal provisions.

- The complainant must prove that the cheque was issued for a legally enforceable debt and that it was dishonored due to insufficiency of funds or other valid reasons.

14. **Judgment**

- The court delivers a judgment:
- If the accused is found guilty, the court may impose a **fine (up to twice the cheque amount)** or a **sentence of imprisonment (up to 2 years)**, or both.
- When accused is not found guilty, the court may acquit the accused
- In case of conviction the accused can file appeal in higher court
- In case of **Celetium Financial vs A. Gnanasekaran (2025) INSC 804** the court decided that a payee/holder of a cheque who initiates prosecution under the NI Act constitutes a "victim" under section 2(wa) of CrPC having suffered direct financial loss and as a victim, the complainant can file an appeal against an acquittal under the proviso to section 372 CrPC, rather than the more restrictive section sec 378(4).

15. **Post-Judgment**

- **Appeal by the Accused:** The accused may appeal the conviction to a higher court.
- **Recovery of Fine/Compensation:** The complainant can initiate recovery proceedings if compensation is awarded.

16. Innovative tools and Techniques for Disposal of cases under section 138 NI Act

Innovative tools and procedural reforms for the faster disposal of cheque bounce cases under Section 138 of the Negotiable Instruments (NI) Act, 1881, focus on digital technology, alternative dispute resolution (ADR), and structured, time-bound legal processes.

Some Innovative Tools & Reforms for 138 NI Act Cases

- **Electronic Service of Summons (Hybrid Mode):** Courts now allow service of summons via email, WhatsApp, and other instant messaging applications alongside traditional postal service. This is accompanied by "dasti" (personal) service, where the complainant serves the summons, ensuring faster notice delivery. Recent judgments reflect adaptation to digital realities. The Bombay High Court in **SBI Cards & Payments Services Pvt. Ltd. v. Rohidas Jadhav 2018 SCC OnLine Bom 1262** accepted WhatsApp acknowledgments as valid proof of notice, aligning procedure with modern business practices.
- In **Rajendra vs. State of UP and Another 2024 SCC Online All 2207** the High Court of Allahabad held that summons or notices served via email or WhatsApp, compliant with the Information Technology Act, are valid and deemed served on dispatch.
- **Digital Payment & Compounding Links (e-Pay-Fine):** Dedicated secure online payment facilities (QR codes/UPI

- links) are being integrated into summons. This allows the accused to pay the cheque amount directly, leading to faster compounding (settlement) and closure of cases under Section 147 of the NI Act. Section 147 NI Act allows for compounding of offenses. Courts increasingly favor using virtual mediation and pre-litigation counseling to settle disputes amicably. Hon'ble Supreme Court in ***Sanjabij Tari v. Kishore S. Borcar and Anr. (2025) SCC Online SC 2069*** given guideline In order to facilitate expeditious settlement of cases under Section 138 of the NI Act, the Principal District and Sessions Judge of each District Court shall create and operationalise dedicated online payment facilities through secure QR codes or UPI links. The summons shall expressly mention that the Respondent/Accused has the option to make payment of the cheque amount at the initial stage itself, directly through the said online link. The complainant shall also be informed of such payment and upon confirmation of receipt, appropriate orders regarding release of such money and compounding/closure of proceedings under Section 147 of the NI Act and/or Section 255 of Cr.P.C./278 BNSS, 2023 may be passed by the Court in accordance with law. This measure shall promote settlement at the threshold stage and/or ensure speedy disposal of cases.
- **Standardized Complaint Synopsis:** Complainants are required to fill a standardized "checklist" or synopsis immediately after the complaint, detailing essentials like

cheque specifics, dishonour details, and notice compliance.

This helps courts quickly identify defects and proceed to summons without delays. The Supreme Court laid down a mandatory checklist for complaints under Section 138 of the Negotiable Instruments Act (NI Act) in ***Indian Bank Association vs. Union of India (2014)***.

- **Proactive Use of Interim Compensation (Section 143A):** Courts are mandated to use Section 143A to order the accused to pay up to 20% of the cheque amount as interim compensation at an early stage, which acts as a deterrent and pressures a settlement.
- **E-Digest and Model Orders:** Electronic digests containing summaries of important High Court/Supreme Court rulings on 138 NI Act are used by judicial officers to expedite decision-making and ensure consistency in model orders.
- **Case Tracking Dashboards:** District courts now maintain dashboards tracking the pendency, average adjournments, and monthly disposal rates of 138 cases, enabling administrative oversight of Magistrate performance.
- **Structural Reforms:** The establishment of **Special NI Courts** and pilot projects involving retired judicial officers represent proactive efforts to manage the "docket explosion" and ensure that the mandate to conclude trials within **six months** becomes a practical reality rather than just a statutory goal. Hon'ble Supreme Court of India in **Indian Bank Association v. Union of India**: 'The trial should be conducted on a day-to-day basis and endeavour should be made to conclude within six months.'

CONCLUSION

Collectively, these developments illustrate a forward-looking jurisprudence, one that blends technology, efficiency, and fairness to uphold the sanctity of cheques and reinforce trust in financial transactions. Courts have increasingly favoured a purposive interpretation of Section 138 of the NI Act notices focusing on the intent to demand repayment rather than rigid adherence to format. This shift ensures that genuine claims are not defeated by hyper-technical objections, especially in cases where electronic communication supplements physical notice. The increasing litigation in the Dishonour of cheques under section 138 of Negotiable instruments act, 1881 indicates the urgency of seeking innovative and alternative solutions and the transition towards electronic methods of making payment in order to circumvent the problems inherent in the use of paper cheques. It is important to explore arbitration, mediation, civil suits and consumer protection forums for faster and better resolution but emboldening financial knowledge. Equally, there is a need for joint efforts by government bodies, financial organisations and legal practitioners on how to formulate measures that safeguard the stability of the financial system while also enhancing confidence in payment operations.

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