

## **Discharging of Negotiable Instrument**

Discharging of a negotiable instrument means that all the rights of action under it are completely extinguished and it ceases to be negotiated anymore.

### **Modes of Discharge of Liability in Negotiable Instrument**

Under following modes the maker, acceptor and endorser of a negotiable instrument is discharged from liability;

#### **1. By Cancellation**

Under this scheme, a holder who cancels acceptor's or endorser's name apparently or with intention to discharge him from the negotiable instrument, the latter is said to have discharged.

#### **2. By release**

A holder thereof who, by means other than cancellation, discharges maker, acceptor or endorser, and to all parties deriving title under such holder after notice of such discharge.

#### **3. By Payment in the Due Course**

When the payment on an instrument, at its maturity, is made by the party liable then all the parties stand discharged from the liability of negotiable instrument.

#### **4. By Allowing Drawee**

In this case, if a person holding the negotiable instrument allows the drawee for over 48 hours to consider whether he will accept the same then all the previous who didn't consent to the said allowance stand discharged.

#### **5. Material Alteration**

In case a material alteration brought in the instrument, all the parties who do not consent to the said alternation stand discharged from the liability.

#### **6. Notice of Dishonor**

In case the holder of negotiable instrument fails to issue notice of dishonor to all the previous parties, they stand discharged.

#### **7. By Operation of Law**

Liability against the negotiable instrument also stand discharged in case of legal operations like;

- Insolvency of debtor
- Loss of remedy on expiry of the limitation
- Merger of note into judgement debt
- Merger of lesser security into higher security