

Parties to Negotiable Instruments Act:

Meanings of maker/drawer, drawee, payee, holder, holder in due course, endorser, endorsee, endorsement, drawee in the case of need, Acceptor for honour, who are parties to a negotiable instrument is explained below.

1. *Maker/drawer*: the person who makes or executes the note promising to pay the amount stated therein.
2. *Drawee*: The person directed to pay the money by the drawer. The drawee is the paying bank in case of cheque.
3. *Payee*: Payee is the person whose name is written on the promissory note or bill of exchange or cheque. The payee is entitled to receive amount mentioned in the note or bill or cheque.
4. *Holder*: *Holder* is either the payee or some other person to whom he may have endorsed the promissory note or bill of exchange or cheque. A person cannot be a holder unless he is the payee or indorsee (endorsee) thereof.
5. *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.”
6. *Endorser*: A signature of the owner (the holder of the instrument) would serve the legal rights to transfer an instrument to another party. The holder of the instrument who transfers his right to another party by endorsement is called endorser.
7. *Endorsee*: If the endorser adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person, the person so specified is called the “endorsee” of the instrument.
8. *Endorsement*: If the endorser signs his name only, it is called endorsement in blank. If the endorsement contains the instructions of endorser to pay the amount mentioned in the instrument to, or to the order of, a specified person, the endorsement is called endorsement in full.
9. *Drawee in the case of need*: In addition to drawee’s name, the name of a person is given in the bill or endorsement, to have resorted in case of need. Such person is called drawee in case of need.
10. *Acceptor for honour*: In the event of refusal of acceptance of bill by the original drawer or in cases of providing better security when demanded by notary public, with the consent of the

holder some other person who is originally not liable for payment of bill, may accept it for honor of any party liable on the bill . Such acceptor is called 'Acceptor for honour'.

A bill of exchange is a negotiable instrument in writing containing an unconditional order, directing a certain person to pay a certain amount only to or to the order of a certain person or to the bearer. The drawer is the person who draws the bill and presents it to the drawee for acceptance. Out of all the negotiable instruments, only bills of exchange require presentment for acceptance.

Introduction to Presentment for Acceptance

A drawee has no liability regarding any bill addressed to him for acceptance or payment until he accepts the bill. He needs to write the word 'accepted' on the bill and sign his name below in order to complete the acceptance.

By accepting the bill the drawee gives his assent to the order of the drawer. Thus, the primary liability on a bill is of the acceptor.

The acceptance can be either general or qualified. As a rule, acceptance needs to be general. General acceptance is absolute. A qualified acceptance is made subject to some condition or qualification.

It thus varies the effect of the bill. The holder of a bill may refuse to take a qualified acceptance. In this case, he may treat the bill as dishonoured by non-acceptance and sue the drawer.

Acceptance for Honour

Any person who is not already liable on the bill, with the holder's consent may accept the bill for honour of any party thereto, by writing on the bill when the bill has been noted or protested for non-acceptance or better security.

This person is the Acceptor for Honour. He is liable to pay only after the proper presentment of the bill on maturity to the drawee for payment and he refuses to pay and the bill is noted or protested for non-payment.

Presentment for Acceptance

All kinds of bills of exchange do not require presentment for acceptance. Bills payable on demand or on a fixed date do not require this. However, the following bills require presentment for acceptance in the absence of which the parties to it will not be liable on it:

1. Bill payable after sight in order to fix the maturity of the bills.
2. A bill that consists of an express stipulation that presentment for acceptance is necessary before presentment for payment.

As per section 15, the presentment for acceptance shall be made to the drawee or his duly authorized agent, in case of drawee's death to his legal representative and in case of his insolvency to his official receiver or assigner.

We shall present the bill to the following persons:

1. Drawee or his duly authorized agent.
2. In case of more than one drawee, to all the drawees.
3. In the case of drawee's death, to his legal representative.
4. Where the drawee becomes insolvent, to his official receiver.
5. When the original drawee refuses to accept the bill, to a drawee in case of need.
6. The acceptor for honour.

The presentment for acceptance shall be done before maturity, within a reasonable time after it is drawn, on a business day during business hours at a business place or residence of the drawee.

Solved Example on Presentment for Acceptance

When is presentment for acceptance excused?

Ans.

In some cases the compulsory presentment of acceptance is excused and thus, we treat the bill as dishonoured. Such cases are:

1. When we cannot find the drawee even after a reasonable search.
2. When a drawee is a fictitious person.
3. The drawee is incapable of contracting.
4. When though the presentment is irregular, he refuses acceptance on some other ground.