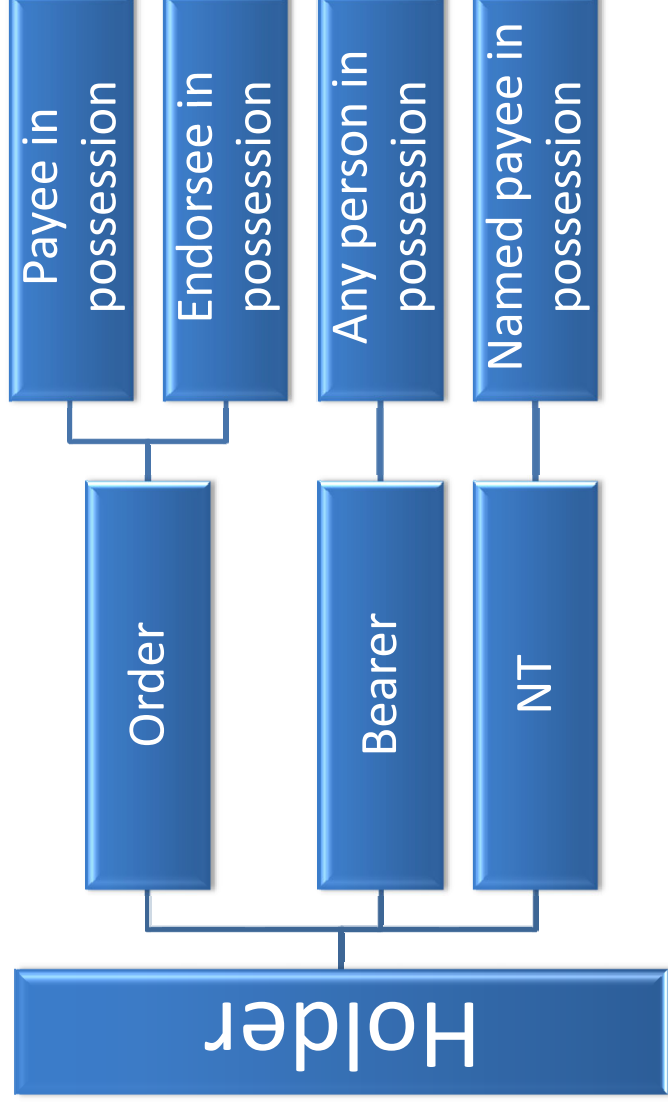


Holder

What rights will X have with regard to the following negotiable instruments? Explain, in particular, whether X is a holder, a holder in due course or a mere possessor.

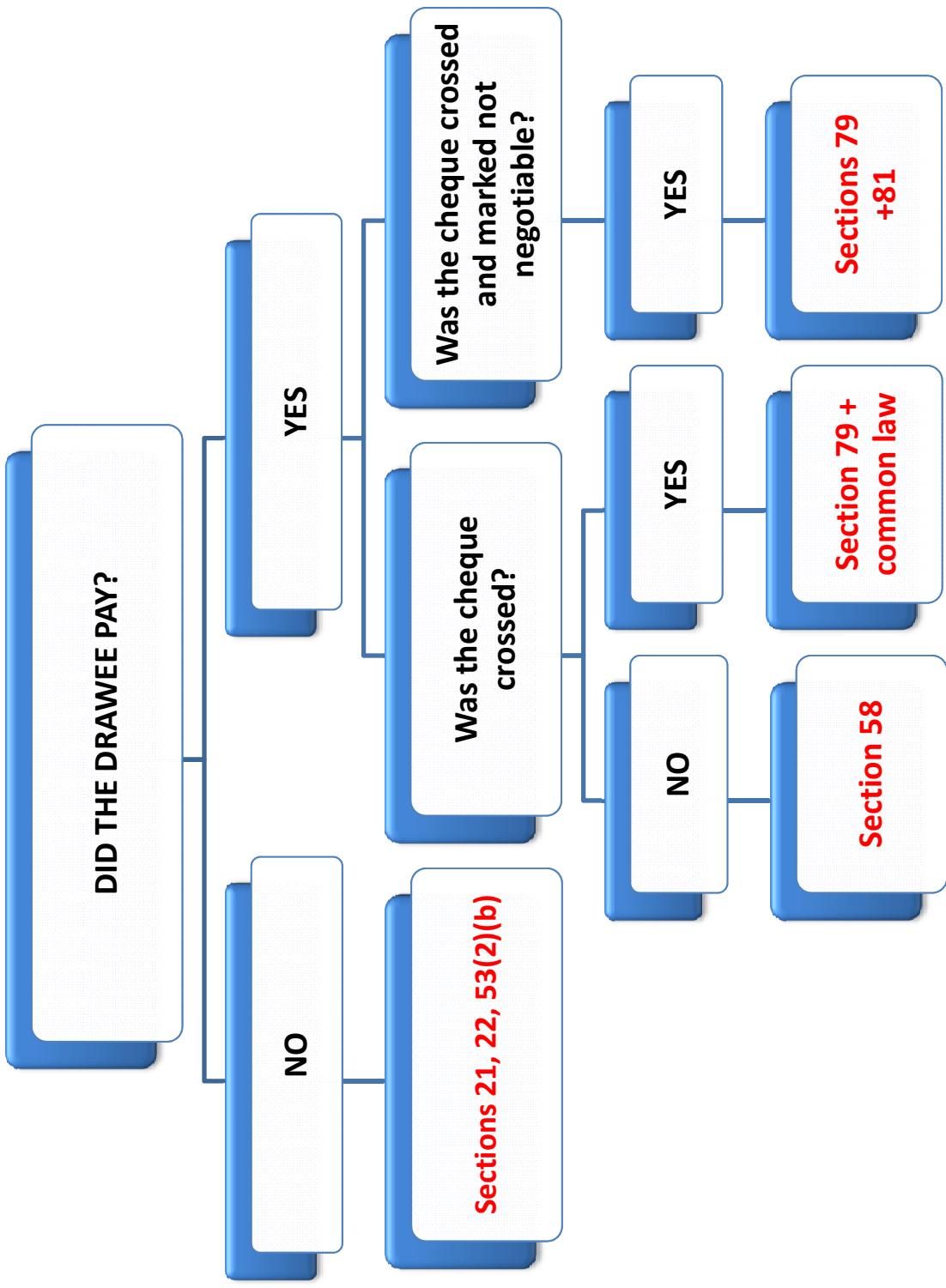
A draws a bill on B in favour of C and delivers it to him. C endorses the bill and delivers it to X the bill became overdue. (3)

A draws a crossed cheque on B bank in favour of C or order and delivers it to C. C is actually a minor who, without the consent of his guardian, specially indorses the cheque in favour of X and delivers it to him.(6)



What are the rights of a holder?

- The holder may
 - **sue** on the bill in his or her own name (section 36(a))
 - **present** the bill for **acceptance** (section 39(1))
 - **present** the bill for **payment** (section 43)
 - power to **supplement certain deficiencies** (section 10)
 - power to **make certain additions** (section 31(4) or section 76)
 - right to a **duplicate** of the bill (section 76)



- A draws an uncrossed cheque on B bank in favour of C or order. C indorses the cheque specially to D and delivers it to him. D gives the cheque to his secretary (E) to pay into his bank account. E forges D's signature on the back of the cheque and receives payment from B bank over the counter. Will B Bank be liable for such payment? [7]

- A draws a bill on B payable to “C or order” and delivers it to C. D steals the bill from C, forges C’s signature on the back of the bill and delivers it to E. E changes the forged “indorsement” to an indorsement in his (E’s) name, signs the bill and delivers it to X, who takes it in good faith and for value. Can X enforce payment of the bill against any of the following parties?

- (i) A
- (ii) D
- (iii) C
- (iv) E

- (2)
- (1)
- (1)
- (6)

[10]

	SECTION 58	SECTION 79	SECTION 81
WHO IS BEING PROTECTED?	Drawee bank	Drawee bank and Drawer	True owner
WHICH REQUIREMENTS MUST BE MET?	<ul style="list-style-type: none"> *crossed/uncrossed cheque *order *forged/unauthorised endorsement *bank pays in good faith *bank pays in ordinary course of business *person whose endorsement is forged cannot be a client of the branch of drawee bank 	<ul style="list-style-type: none"> *crossed cheque Drawee bank: <ul style="list-style-type: none"> *bank pays according to crossing *bank pays in good faith *bank pays without negligence Drawer: <ul style="list-style-type: none"> *cheque must come into payee's hands 	<ul style="list-style-type: none"> *crossed cheque marked [not negotiable] *cheque must be lost/stolen while marked this way *bank must have paid so that it cannot be liable to true owner *plaintiff is true owner *true owner suffered loss *defendant was in possession of cheque after lost /stolen *defendant gave consideration or took as donee
WHAT IS THE CONSEQUENCE?	Deemed that payment in due course has taken place	As if payment made to the true owner of the cheque	Can hold subsequent possessor liable