

Negotiable Instruments Act, 1881

MODULE - V

Meaning

- Negotiable means “Transferable” and the word document means “in writing”
- Therefore, negotiable instrument means a written promise or order to pay money which may be transferred from one person to another.

- S. 13
 - “A negotiable instrument means a promissory note, bill of exchange or cheque payable either to order or to bearer.”
 - (delivery orders, railway receipts, hundis)

Characteristics

Writing

Money

Unconditional
promise/order

Freely
transferable

Property

presumptions

Essentials of
Contract

- Writing: All negotiable instruments must be in writing and signed in accordance with the rules of the instrument.
- Payable by money : all negotiable instruments are payable by money. Further the money stated in the instrument must be certain or specific.

- **Unconditional Promise:** If the instrument is a Promissory Note, it must contain an unconditional promise to pay. If it is a bill or cheque, it must be an unconditional order to pay.
- **Freely transferable :** A negotiable instrument is transferable from one person to another. The word 'free' refers to when a person takes the instrument in good faith and for value, he becomes entitled to receive the money.

- Property: The person in possession of the instrument is having the property rights over it and is entitled to the amount. Any person who takes it for value and in good faith is called a “holder in due course”
- Presumptions : Unless contrary it is proved, there are presumptions (**rules of evidence**) with regard to consideration, date, signature etc.
- Essentials of Contract : Like capacity, consideration, free consent, lawful object.