

Complaints arising from the dishonour of account payee cheques must be instituted only before the court that has jurisdiction over the branch of the bank where the payee maintains their account, even if the cheque is deposited at a branch different from the payee's home branch

The **Supreme Court** in the case of **Jai Balaji Industries vs Heg Limited [Transfer Petition (Criminal) No. 1099 of 2025] dated November 25, 2025**, has held that the jurisdiction to try a complaint filed under Section 138 of the Negotiable Instruments Act (NI Act), 1881, in respect of a cheque delivered for collection through an account, i.e., an account payee cheque, is vested in the court within whose local jurisdiction the branch of the bank in which the payee maintains the account, i.e., the payee's home branch, is situated.

The Court observed that the payee could not select the jurisdiction for trial of an offence under Section 138 of the NI Act by presentation of the cheque at a location of his choosing, though a cheque can be presented at any branch of the payee's bank as per the NI Act for the purposes of commercial convenience. Since an offence under Section 138 could be said to be committed upon dishonour of a cheque by the drawee bank, such offence would be localised at the place where the drawee bank is situated. Therefore, only the court within whose territorial jurisdiction the drawee bank is situated was empowered to proceed against an accused person under Section 138.

The Court stated that Section 142 indicates that the jurisdiction to try the offence under Section 138 has been specified in two circumstances: first, when the cheque is delivered for collection through an account, and secondly, when the cheque is presented for payment otherwise through an account. The Explanation to Section 142(2)(a) further clarifies the question of jurisdiction by taking into account the realities of negotiating by way of cheques and the technological advancement in the field. However, the "making" of a cheque is complete only upon delivery of the same by the drawer. The act of "delivery" thus creates a relationship between the drawer and the payee. Such a relationship is what describes the entitlement of the payee to the amount of money for which the cheque is drawn and enables the payee to encash the same.

The Court observed that the nature of the cheque becomes crystallised as an account payee cheque once the drawer delivers it to the payee, who further delivers it to the bank in which he maintains his account. Once the cheque is delivered by the payee to his bank, the "making" of the cheque is said to be complete. The inclusion of the expression "for collection through an account" in Section 142(2)(a) of the NI Act is only to indicate the intention of the drawer to "make" the cheque in such a manner that it can only result in a transaction between the bank accounts of the drawer and the payee.

The Court explained that what Section 138 of the NI Act describes by use of the expression "on an account maintained by him with a banker" is a simpliciter relationship between a person and his banker. The inclusion of "branch" in Sections 142(2)(a) and (b) places an additional condition for determining the place where the payee or drawer maintains the account. This additional condition is placed on the relationship between a person and his banker in order to decide the question of jurisdiction and streamline the process of adjudication.

The Court observed that once it is identified that the cheque in question is an account payee cheque, the delivery must be to such branch in which the payee maintains the account as it is this branch of the bank that will receive the funds in the account maintained by the payee, from the drawee bank which will debit the drawer's account to send such amount. However, the necessity of delivery of an account payee cheque to the home branch is only legal and not commercial.

Thus, the Court concluded that the deeming fiction in the Explanation to Section 142(2)(a) of the NI Act ensures that even if a cheque is delivered to a branch other than the home branch for commercial convenience, it shall be considered to have been delivered to the home branch for the legal purpose of determining jurisdiction.

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