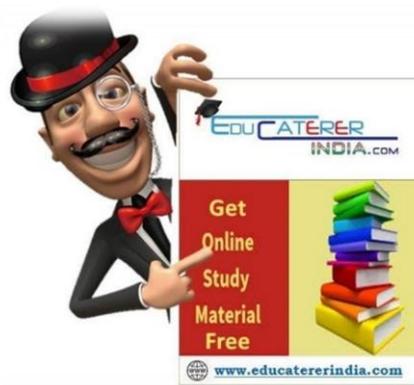


Difference Between Cheque and Demand Draft



Banker's cheque

- A banker's cheque is also known as a not- negotiable instrument issued by the bank on behalf of the client which carries an order to pay a defined amount to the particular person in the same location means in the city.
- A banker's cheque is issued by the bank itself by debiting an account of the payer at the same time.
- A banker's cheque is safe for the payee because it is an assured payment guaranteed by the bank.
- A banker's cheque has a validity of 3 months and once it passed, it becomes null. It means after the expiry date gone, a customer cannot sue to the bank for the payment.
- A banker's cheque can be revalidated subject to some constitutional formalities.
- A banker's cheque is a prepaid type of non-negotiable instrument it means there is no possibility at all for the dishonour of it.
- In a banker's cheque, there is clearly written not negotiable on the front side which means it cannot be further negotiated.
- A banker's cheque is cleared in the particular branch of the bank and the city to which it was issued.

For example:

- A company has issued a banker's cheque of Rs 1, 00,000 for the Bank of Baroda in the Pune. Now, this banker's cheque will be cleared only in the Bank of Baroda's any branch in the Pune city only.

Demand draft

- Demand draft is a type of negotiable financial instrument which is issued by the bank in favour of the client to transfer money to different cities.
- It contains an order to pay a specific sum of money to the payee from one branch of the bank to another branch in the same bank.
- It has a validity period of 3 months and it can be revalidated by putting an application.
- A demand draft of Rs 2000 or more than that can be issued only with A/c payee crossing.

For example:

- XYZ Company is willing to pay money to the ABC limited in Delhi, in that case, XYZ Company will submit a request for the demand draft to the bank. XYZ will give an amount in advance along with a commission to the bank for issuing it. Now, a bank will issue a demand draft on behalf of the XYZ Company and in favour of the ABC Company which was given to the requested company and the same copy will be sent to the receiving company and it will present a demand draft to any branch of the same bank in Delhi.

Similarities of banker's cheque and demand draft

- Both are valid payment instrument and serve the same purpose.
- Both are paid in advance, issued by the bank on behalf of the customer.
- Both have a validation period of 3 months.
- Both of these instruments cannot be dishonoured because of a prepaid instrument.

Difference between Banker's cheque and Demand draft

Meaning:

- Banker's Cheque is a type of cheque which is issued to make the payments within the same city.
- Demand draft is a type of financial instrument which is used to transfer money from one person to another person in the different city.

Type of instrument:

- A banker's cheque is a type of non- negotiable instrument.
- A demand draft is a type of negotiable instrument.

Written on the instrument:

- In a banker's cheque, if it is more than Rs 2000, it is issued with "A/c payee" crossing.
- In a demand draft, there is a non- negotiable printed on the front side of it.

Clearance of financial instrument:

- A banker's cheque is cleared only in the same branch of the same bank in the same city only. It means an issuing bank and clearance bank will be the same.
- A demand draft is cleared in the different branch of the same bank in any city. It means the issuing branch and paying branch can be different in the different city.