

Definition

“A Bill of Exchange is an unconditional order in writing addressed by one person to another signed by the person giving it requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to or to the order of a specified person or to bearer.”

(Sec 3, The Bills of Exchange Act 1882).

“an unconditional order”

The order to pay should not be subject to the fulfilment of any condition(s). It should simply say “Pay”.

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“in writing”

It is not possible to have an oral bill of exchange. Evidence must be available, in writing, of its existence.

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“addressed by one person”

The person selling goods or services
(the drawer/seller)

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“to another”

A bill of exchange is usually written by the person selling goods or services (the drawer/Seller) and addressed to the person who is required to pay (the drawee/buyer)

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“signed by the person giving it ”

It is signed by the person who is owed money
(the drawer/Seller)

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“to pay on demand ”

The bill would say “at sight” requiring immediate payment to be made.

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“or at a fixed or determinable future time”

If the bill is not payable immediately then it may be payable “at 90 days sight” meaning that it is due 90 days from the day it is seen by the person to whom it is addressed.

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“a sum certain in money ”

The exact amount must be stated.

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“to or to the order of a specified person or to bearer”

An order bill payable to a specific person can be easily transferred to another by endorsement. A bearer bill is payable to the holder of the bill at the date of maturity (payment).

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