

PUBLICATION

SUMMARY OF THE BILLS OF EXCHANGE ACT OF TANZANIA

CAP. 215 · R.E. 2023

A comprehensive overview of the law relating to bills of exchange, cheques and promissory notes in Tanzania.

01 INTRODUCTION

The Bills of Exchange Act, Chapter 215 of the Laws of Tanzania is the principal legislation governing bills of exchange, cheques, and promissory notes. The Act came into force on 15 May 1931 and has subsequently been revised and consolidated into the current Revised Edition 2023. Its primary purpose is to regulate negotiable instruments used in commercial and banking transactions.

A bill of exchange is defined under the Act as an unconditional written order by one person directing another person to pay a specified sum of money either on demand or at a future date to a specified person or bearer. The Act provides legal certainty regarding the creation, transfer, acceptance, endorsement, and payment of such instruments.

KEY FACTS AT A GLANCE



ENACTED

15 May 1931

Ordinance No. 19 of 1931



CURRENT EDITION

Revised Edition 2023

R.E. 2023



GOVERNS

- ◆ Bills of exchange
- ◆ Cheques
- ◆ Promissory notes



PURPOSE

- ◆ Facilitate trade & commerce
- ◆ Standardize commercial practice
- ◆ Protect parties
- ◆ Promote credit transactions

“ *An Act relating to bills of exchange, cheques and promissory notes.*”

The Long Title of the Bills of Exchange Act, Cap. 215 [R.E. 2023]. The Act may be cited by its short title as the Bills of Exchange Act. It governs the law relating to bills of exchange, cheques, and promissory notes in Tanzania.

02 REASONS FOR ENACTMENT

The Bills of Exchange Act was enacted for several important reasons:



(A) FACILITATION OF TRADE AND COMMERCE

Before modern electronic payment systems, businesses relied heavily on negotiable instruments for credit and payment transactions. The Act established a legal framework that enabled merchants and traders to conduct business efficiently.



(B) STANDARDIZATION OF COMMERCIAL PRACTICES

The Act introduced uniform rules governing bills of exchange, cheques, and promissory notes, thereby reducing disputes and uncertainty in commercial dealings.



(C) PROTECTION OF PARTIES

The legislation protects drawers, drawees, payees, holders, endorsers, and banks by clearly defining their rights, duties, and liabilities.



(D) PROMOTION OF CREDIT TRANSACTIONS

Bills of exchange serve as credit instruments, allowing businesses to buy and sell goods on deferred payment terms. The Act provides legal enforceability for such arrangements.

03 CONTEMPORARY APPLICATION OF THE ACT

Although electronic banking has reduced reliance on traditional paper instruments, the Act remains relevant in several areas:



(A) BANKING TRANSACTIONS

Commercial banks continue to process cheques and other negotiable instruments under the framework established by the Act.



(B) COMMERCIAL CREDIT

Businesses may still use bills of exchange and promissory notes in financing arrangements and trade transactions.



(C) INTERNATIONAL TRADE

Bills of exchange remain important in import-export transactions, particularly where documentary collections and trade finance arrangements are involved.



(D) ELECTRONIC CHEQUE CLEARING

The implementation of the Tanzania Automated Clearing House (TACH) Rules modernized cheque processing by introducing electronic clearance while maintaining the legal principles established by the Act.

04 AMENDMENTS TO THE ACT

The legislation has undergone several amendments since its enactment. Historical amendments include:

1931	Ordinance No. 19 of 1931 ORIGINAL ENACTMENT
1934	Ordinance No. 2 of 1934
1938	Ordinance No. 24 of 1938
1945	Ordinance No. 13 of 1945
1969	Act No. 3 of 1969
2015	Act No. 4 of 2015 AMONG LATER AMENDMENTS REFLECTED IN REVISED EDITIONS
2023	Revised Edition 2023 (R.E. 2023) CURRENT CONSOLIDATED VERSION

NOTE

These amendments were intended to align the law with evolving banking practices, commercial realities, and technological developments.

05 CONSOLIDATION, REPEALS & REPLACEMENTS

CONSOLIDATION OF THE ACT

The Bills of Exchange Act has been revised and consolidated under Tanzania's law revision framework. Consolidation involves combining the principal legislation and all amendments into a single updated legal text without substantially altering the law's content. The Act has appeared in revised editions, including the current Revised Edition 2023 (R.E. 2023).

The consolidation process promotes:

- ◆ Accessibility of the law;
- ◆ Clarity for courts and legal practitioners;
- ◆ Consistency in interpretation and application.

REPEALS AND REPLACEMENTS

The current Bills of Exchange Act replaced earlier colonial legislation known as the Bills of Exchange Ordinance. Additionally, the Act incorporated provisions from the Cheques Act, 1969, creating a unified framework governing bill of exchange, cheques, and promissory notes. Thus, the Act serves as a comprehensive code governing negotiable instruments in Tanzania.

06 OFFENCES AND SANCTIONS UNDER THE ACT

Unlike many modern regulatory statutes, the Bills of Exchange Act is primarily a **commercial law statute** rather than a criminal law statute. Its focus is on civil rights, obligations, and liabilities arising from negotiable instruments.

Where a party fails to comply with obligations under a bill, cheque, or promissory note, the Act provides remedies such as those set out below. Certain misconduct involving negotiable instruments may constitute offences under other Tanzanian laws, including those listed alongside.

CIVIL CONSEQUENCES

- Liability for payment of the amount due
- Damages for dishonour
- Recovery of interest
- Legal action against drawers, endorsers, or acceptors
- Costs associated with protest and notice of dishonour

CRIMINAL LIABILITY (UNDER OTHER LAWS)

- Fraud
- Forgery
- Uttering false documents
- Obtaining money by false pretenses

Such offences are generally prosecuted under the Penal Code rather than under the Bills of Exchange Act itself. The Act mainly establishes the legal validity and enforceability of negotiable instruments.

07 CONCLUSION

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Despite the rise of electronic banking, the Bills of Exchange Act remains a **cornerstone of commercial law** in Tanzania.„

The Bills of Exchange Act, Cap. 215, remains a foundational piece of commercial legislation in Tanzania. Enacted in 1931 to regulate negotiable instruments, it has facilitated trade, enhanced commercial certainty, and supported banking operations for decades. Through amendments and periodic consolidation, the Act has adapted to modern commercial realities while preserving core legal principles governing bills of exchange, cheques, and promissory notes. Although electronic payment systems now dominate financial transactions, the Act continues to provide an essential legal framework for negotiable instruments and commercial credit arrangements in Tanzania.

08 REFERENCES

- ◆ The Bills of Exchange Act, Cap. 215 [R.E. 2023]
- ◆ Ordinance No. 19 of 1931 (original enactment)
- ◆ Immigration Ordinance No. 2 of 1934
- ◆ Penal Code Ordinance No. 13 of 1945
- ◆ Bretton Woods Agreements (Amendment), Act No. 3 of 1969



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