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Definitions of Transferability & Negotiability : Transferability-

Transferability is a characteristic of any property, which gives right to the possessor of the property to transfer it to anyone with or without consideration, provided he can establish that he is a true owner and in that capacity he has exercised his right of transfer. Negotiability- It is also a characteristic of any property. It also gives a right to the possessor of the property to transfer it to anyone but for consideration. Here the negotiator is not required to establish his credentials. In negotiability, the property is accepted in good faith. Differences between Transferability & Negotiability : 1. Transferability is the part of negotiability, negotiation without transfer either by simple delivery or by endorsement stand meaningless. Transferability is complete in itself. It is only exchange of hands, which is an act and which needs performances. 2. Negotiation is an expression of faith and confidence. Transfer, on the other hand, is a process. 3. In negotiation, even if the owner is not having a good title, it doesn't affect the rights and title of the negotiation. Transfer is exchange of hands. Here possession is delivered. Transferability rights need a lawful and unchallengeable title. 4. 'Not Negotiable' marked documents lose all essential features of negotiability. 'Non Transferable' marked documents can also be transferred to the person whose name is mentioned therein.

HOLDER & HOLDER IN DUE COURSE -

"Holder of a promissory note, bill of exchange or cheque means any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon from the parties thereto."(Sec.8, N.I. Act,1881). "Holder in

due course means any person who for consideration, becomes the possessor of a promissory note, bill of exchange or cheque, if payable to the bearer, or the payee or endorsee thereof if payable to the order, before the amount mentioned in it became payable, and without having sufficient cause to believe that defect existed in the title of the person from whom he derived his title."

(HOLDER, Sec.8 & HOLDER IN DUE COURSE, Sec.9,N.I.Act).

A person becomes the holder in due course of a negotiable instrument, if the following conditions are satisfied: i) The Negotiable Instrument should be in the possession of the holder in due course. ii) The Negotiable Instrument should be regular and complete in all respects. iii) The Negotiable Instrument should have been obtained for valuable consideration, i.e., by paying its full value. iv) The Negotiable Instrument should have been obtained before the amount mentioned therein becomes payable. v) The holder in due course should obtain the Negotiable Instrument without having sufficient cause to believe that any defect existed in the title of transferor.