



Community  
Legal  
Resources

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Connecting Lawyers and Communities

*Legal Lines*

Legal Issues for Nonprofits

## Handling Returned Checks

*My organization recently received a check as payment for a publication. When we deposited the check in our account, we received a notice from our bank stating that our check had been returned unpaid, because the account it was drawn on had been closed. What can we do?*

Under Michigan statutory law, a person writing a dishonored check is generally liable to the Payee (the person they wrote the check to) for double the amount of the check, with a minimum of \$50 and a maximum of \$500. If the amount of the check is over \$500, they are liable only for the amount of the check itself.

Your first response should be to notify the person who wrote the check that it has been dishonored. Michigan statutory law provides form language to use for such notification:

“On [date] a check drawn by you for \$[amount] was returned to us dishonored for [ ] not sufficient funds [ ] no account. If you do not pay to us, within 30 days of the time you receive this notice, the full amount of the check in cash, we have the right to bring an action against you for 2 times the amount of the dishonored check (\$[amount]) or \$50.00, whichever is greater, or to make a criminal complaint against you. If you do pay to us, within 30 days of the time you receive this notice, the full amount of the check in cash, we will not take further action against you.”

Using the form language preserves your rights, while making it clear to the check-writer what the potential penalties are for refusing to pay the amount due.

From a practical standpoint, you must decide whether it is worth your staff's time and energy to pursue the matter. If the amount in question is insignificant, an organization may best serve itself by accepting that the particular funds may be unrecoverable and continuing with business as usual. Minimizing disruption may be the most effective course of action. For larger amounts, or if an amount is significant to the organization's operations, the organization may be best served by pursuing legal action.

A civil action to recover the statutory damages may be brought in any court, including Small Claims. If brought in Small Claims Court, the amount of damages cannot exceed \$3,000. Working with your local prosecutor, criminal charges may be brought instead. However, they take the place of any money damages. If criminal charges are brought before or during a civil action, the civil action will be dismissed. If a criminal action is brought after the award of damages in a civil action, the judgment is voided and any money damages must be returned to the defendant.

*This publication is intended to provide general information, and is not a substitute for legal advice. If you have additional questions about this issue, contact Community Legal Resources at 313/962-3171.*

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