



**FACULTY OF JURIDICAL SCIENCES**

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## **Endorsement and its kinds**

### **What is Endorsement -**

Endorsement means signing at the back of the instrument for the purpose of negotiation. The act of the signing a cheque, for the purpose of transferring to the someone else, is called the endorsement of Cheque. Section 15 of the Negotiable Instrument Act 1881 defines endorsement. The endorsement is usually made on the back of the cheque. If no space is left on the Cheque, the Endorsement may be made on a separate slip to be attached to the Cheque. There are six Kinds of Endorsement i) Endorsement in Blank / General ii) Endorsement in Full / Special iii) Conditional Endorsement iv) Restrictive Endorsement v) Endorsement Sans Recourse vi) Facultative Endorsement.

### **Definition of Endorsement -**

Endorsement When the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation on the back or face thereof or on a slip of paper annexed thereto, or so signs for the same purpose a stamped paper intended to be completed as a negotiable instrument, he is said to endorse the same, and is called the “endorser”.

### **Kinds of Endorsement -**

Endorsement is essentially is of two kinds - Endorsement in Blank and Endorsement in full. According to Section 16 of the Negotiable Instrument Act, 1881, If the endorser signs his name only, the endorsement is said to be “in blank”, and if he adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person, the endorsement is said to be “in full”, and the person so specified is called the “endorsee” of the instrument. There are some other kinds which are constitutional but not very popular which are given below

#### **(a) Endorsement in Blank / General -**

An endorsement is said to be blank or general when the endorser puts his signature only on the instrument and does not write the name of anyone to whom or to whose order the payment is to be made.

#### **(b) Endorsement in Full / Special -**

An endorsement is 'special' or in 'full' if the endorser, in addition to his signature also mention the name of the person to whom or to whose order the payment is to be made. There is direction added by endorse to the person specified called the endorsee, of the instrument who now becomes its payee entitled to sue for the money due on the instrument.

#### **(c) Conditional Endorsement -**

The conditional endorsement is negotiation which takes effect on the happening of a stated event, or not otherwise. Section 52 of the Negotiable Instrument Act 1881 provides - The endorser of a negotiable instrument may, by express words in the endorsement, exclude his own liability thereon, or make such liability or the right of the endorsee to receive the amount due thereon depend upon the happening of a specified event, although such event may never happen.

Where an endorser so excludes his liability and afterwards becomes the holder of the instrument all intermediates endorsers are liable to him.

### **Illustrations** -

(a) The endorser of a negotiable instrument signs his name, adding the words “without recourse”. Upon this endorsement, he incurs no liability.

(b) A is the payee and holder of a negotiable instrument. Excluding personal liability by an endorsement, “without recourse”, he transfers the instrument to B, and B endorses it to C, who endorses it to A. A is not only reinstated in his former rights but has the rights of an endorsee against B and C.

### **(d) Restrictive Endorsement** -

Restrictive endorsement seeks to put an end the principal characteristics of a Negotiable Instrument and seals its further negotiability. This may sound a little unusual, but the endorsee is very much within his rights if he so signs that its subsequent transfer is restricted.

This prevents the risk of unauthorized person obtaining payment through fraud or **forgery** and the drawer losing his money.

### **(e) Endorsement Sans Recourse** -

Sans Recourse which means without recourse or reference. As such when the property in a negotiable instrument is transferred sans recourse, the endorser, negatives his liability and excludes himself from responsibility to all subsequent endorsees. It is one of the commonest form of qualified endorsement and virtually prohibits negotiation since the endorser says in effect.

### **(f) Facultative Endorsement** -

**Facultative Endorsement** is an endorsement where the endorser waives some right to which he is entitled. For example, the endorsee is liable to give notice of dishonor to the endorser and normally failure to give notice will absolve the endorser from his liability.

## MCQs

1. Negotiability gives to the transferee..... title of the transferor.

- a) The same title
- b) no title
- c) no better title
- d) better title

2. Endorsement signifies that the.....

- a) Endorser has got a good title
- b) endorser's signature is genuine
- c) Previous endorsements are genuine
- d) All of the above

3. One of the following endorsements is not a valid one.....

- a) Partial endorsement
- b) restrictive endorsement
- c) Facultative endorsement
- d) Conditional endorsement

4. When garnishee order is issued by the court attaching the account of customer, the banker is called.....

- a) Judgement debtor
- b) Judgement creditor
- c) Garnishee
- d) Garnishor

5. When the amount stated in words and figures differs, the banker.....

- a) Can honour the amount in figures
- b) Can honour the amount in words

c) Can honour the smaller amount

d) Can dishonour it