

# Endorsement & its Types

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## Endorsement

An endorsement is when the holder of a financial instrument, like a bill of exchange or a cheque, signs the back of it to transfer ownership to someone else. The person who endorses the document is called the endorser, and the person receiving it is called the endorsee. This process allows the endorsee to claim the payment.

## Types of Endorsement

### 1. Blank Endorsement

A blank endorsement is when the endorser simply signs the back of the instrument without specifying a new payee. This makes the instrument payable to whoever holds it.

**Example:** John writes a cheque to himself, signs the back without specifying anyone, and gives it to Sarah. Now, Sarah can cash it or transfer it to someone else.

### 2. Full (or Special) Endorsement

In a full endorsement, the endorser signs the back of the instrument and specifies the person to whom it is being transferred.

**Example:** John signs the back of a cheque and writes, "Pay to Sarah," making Sarah the only one who can claim the money.

### 3. Restrictive Endorsement

A restrictive endorsement limits how the instrument can be used, usually for specific purposes like depositing into a bank account.

**Example:** John endorses a cheque with the words "For deposit only" along with his signature. This means the cheque can only be deposited into John's account, not cashed.

### 4. Conditional Endorsement

In a conditional endorsement, the endorser attaches a condition that must be fulfilled before the endorsee can claim the payment.

**Example:** John signs the back of a cheque and writes, "Pay to Sarah if she completes the project." Sarah can only get the money after the project is completed.

### 5. Partial Endorsement

A partial endorsement specifies only part of the amount on the instrument, but this type is generally not allowed in many legal systems.

**Example:** If John tries to endorse only \$500 of a \$1,000 cheque to Sarah, this would be a partial endorsement, but most banks would not accept it.

### 6. Sans Recourse Endorsement

A sans recourse endorsement (also called a "without recourse endorsement") limits the liability of the endorser. If the instrument is dishonoured (not paid), the endorser is not held responsible.

**Example:** John endorses a cheque to Sarah with the words "Without recourse." If the drawee refuses to pay, Sarah cannot sue John to recover the money.