



A Two Minute Primer on Joint Checks and Missing Endorsements

By: Christopher B. Markus
cmarkus@dbllaw.com

When a check is issued to joint payees, the Uniform Commercial Code (as adopted in both Ohio and Kentucky) requires that *all* payees endorse the check before the check may be properly cashed or accepted for deposit by a bank. Situations involving joint checks arise in a variety of circumstances. For example, when a lender makes a loan secured by a mortgage on real estate, the lender will often require that – as a condition to making the loan – the lender be added as a loss payee to the mortgagor’s hazard insurance policy covering the real estate. In such a case, the lender-mortgagee will also likely require that any checks issued by the insurance company under the terms of the hazard insurance policy be made payable to the mortgagor and mortgagee, jointly. If a joint check is issued by an insurance company in this situation and that check is accepted by a cashing or collecting bank without the endorsement of both the mortgagee and the mortgagor, the bank may be liable to the party whose endorsement is missing from the check under various legal theories.

In the event that a person identified as a payee on a joint check learns that the check has been deposited or cashed without such person’s endorsement, that person should *immediately* notify the bank that accepted the check. Often in such cases, the bank that accepted the check will request that the party whose endorsement is missing from the check complete a “form” affidavit of forged or missing endorsement. After such an affidavit is properly completed and returned to the bank that accepted the check with the missing endorsement, that bank should pay the party whose endorsement was missing from the check an amount equal to that portion of the check to which the party is entitled to receive.