

# Without Recourse

*A phrase used by an endorser (a signer other than the original maker) of a negotiable instrument (for example, a check or promissory note) to mean that if payment of the instrument is refused, the endorser will not be responsible.*

An individual who endorses a check or promissory note using the phrase *without recourse* specifically declines to accept any responsibility for payment. By using this phrase, the endorser does not assume any responsibility by virtue of the endorsement alone and, in effect, becomes merely the assignor of the title to the paper.

A without recourse endorsement is governed by the laws of **COMMERCIAL PAPER**, which have been codified in Article 3 of the **UNIFORM COMMERCIAL CODE (UCC)**. The UCC has been adopted wholly or in part by every state, establishing uniform rights of endorsers under UCC § 3-414(1).

A without recourse endorsement is a qualified endorsement and will be honored by the courts if certain requirements are met. Any words other than "without recourse" should clearly be of similar meaning. Because the payee's name is on the back of the note, he is presumed to be an unqualified endorser unless there are words that express a different intention. The denial of recourse against a prior endorser must be found in express words. An implied qualification, based on the circumstances surrounding the endorsement to a third party, will not be recognized by the courts. An assignment of a note is generally regarded as constituting an endorsement, and the mere fact that an instrument is assigned by express statement on the back does not make the signer a qualified endorser.

The qualification without recourse, or its equivalent, is limited to the immediate endorsement to which it applies. It may precede or follow the name of the endorser, but its proximity to the name should be such as to give a subsequent purchaser reasonable notice of the endorsement to which it applies.

A person might agree to accept a check without recourse if the person believes she could collect the money in question. Often the purchaser of such a note will acquire it at a substantial discount from the face value of the note, in recognition that the purchaser can only seek to collect the money from the original maker of note.

An example of a without recourse note is a personal check written by A, the maker, to B, the payee. B, in turn pays off a debt to C by endorsing the check and adding the without recourse phrase. If A's bank refuses to pay C the check amount because A has insufficient funds in his checking account, C cannot demand payment from B. C will have to attempt to collect the money from A.

