JOINT CHECK AGREEMENTS

What is it?

No, it has nothing to do with twisting your arm while depositing a check at the bank, although some may believe this to be true.

A Joint Check Agreement is an agreement between multiple parties, allowing one party to make payment through a check issued to two or more payees.

The primary benefit of a joint check agreement is the additional security it can provide.

General Contractor

Subcontractor

Owner

1 payer

2 payees

THE BENEFIT

General Contractors like joint check agreements because they help to ensure the subcontractor will pay its suppliers with the appropriate funds (i.e. avoid robbing Peter to pay Paul).

Material Suppliers and other parties contracted with subcontractors like joint check agreements for added security on a potentially risky credit situation. (i.e. perhaps there is a lack of solid credit info on the GC)

THE INFO

Let's break down the contents of a Joint Check Agreement

Joint Check Agreements may vary in format, but there are important details that should always be included!

- The name and address of each party associated with the agreement
- The date the parties entered into the agreement
- Signatures of all parties involved
- The name/address of the project to which the materials/labor are being supplied
- The credit terms
- The steps to be taken, in the event the agreement is not upheld

"MAY" IS MORE THAN A MONTH

Beware the ides of... um, May. We have seen agreements that are written that state “we MAY” issue a joint check agreement. These agreements are useless and are tough to argue if payment is rendered.

AND/OR

Carefully review the payee line on a joint check. If the payee line is "Company XYZ and Company ABC" then both parties must endorse the check in order for it to be deposited. If the payee line is "Company XYZ or Company ABC" only one party has to endorse the check, which could permit the other party to deposit funds without including you.

EXCELLENT TOOL!

Although joint check agreements are an excellent tool for mitigating risk, there are potential pitfalls. Before entering into Joint Check Agreement, or any contractual agreement, it is always best to have legal counsel review the document & its terms.

Questions about Joint Check Agreements? Contact NCS Credit today!

NCS CREDIT

From Protection to Collection

800.826.5256 | SecureYourTomorrow@NCScredit.com | NCScredit.com