

“As the customer and the banker are under a contractual relation in this matter, it appears obvious that in drawing a cheque the customer is bound to take usual and reasonable precautions to prevent forgery. Crime, is indeed, a very serious matter, but everyone knows that crime is not uncommon. If the cheque is drawn in such a way as to facilitate or almost to invite an increase in the amount by forgery if the cheque should get into the hands of a dishonest person, forgery is not a remote but a very natural consequence of negligence of this description.”

The learned Lord Chancellor observed further at page 795 as follows:

“Of course the negligence must be in the transaction itself, that is, in the manner in which the cheque is drawn. It would be no defence to the banker, if the forgery had been that of a clerk of a customer, that the latter had taken the clerk into his service without sufficient inquiry as to his character. Attempts have often been made to extend the principle of Young V. Grote (1827) 4 Bing. 253, beyond the case of negligence in the immediate transaction, but they have always failed.”

**House of Lords in London Joint Stock Bank, Limited v. Macmillan and Arthur
[1918 AC 777]**