

Part 5

Collection of Documentary Drafts

70A-4-501 Handling of documentary drafts -- Duty to send for presentment and to notify customer of dishonor.

A bank that takes a documentary draft for collection shall present or send the draft and accompanying documents for presentment and, upon learning that the draft has not been paid or accepted in due course, shall seasonably notify its customer of the fact even though it may have discounted or bought the draft or extended credit available for withdrawal as of right.

Amended by Chapter 237, 1993 General Session

70A-4-502 Presentment of "on arrival" drafts.

If a draft or the relevant instructions require presentment "on arrival," "when goods arrive" or the like, the collecting bank need not present until in its judgment a reasonable time for arrival of the goods has expired. Refusal to pay or accept because the goods have not arrived is not dishonor; the bank must notify its transferor of the refusal but need not present the draft again until it is instructed to do so or learns of the arrival of the goods.

Amended by Chapter 237, 1993 General Session

70A-4-503 Responsibility of presenting bank for documents and goods -- Report of reasons for dishonor -- Referee in case of need.

- (1) Unless otherwise instructed and except as provided in Title 70A, Chapter 5, Uniform Commercial Code - Letters of Credit, a bank presenting a documentary draft:
 - (a) must deliver the documents to the drawee on acceptance of the draft if it is payable more than three days after presentment, otherwise, only on payment; and
 - (b) upon dishonor, either in the case of presentment for acceptance or presentment for payment, may seek and follow instructions from any referee in case of need designated in the draft, or if the presenting bank does not choose to utilize the referee's services, it must use diligence and good faith to ascertain the reason for dishonor, must notify its transferor of the dishonor and of the results of its effort to ascertain the reasons therefor, and must request instructions.
- (2) However, the presenting bank is under no obligation with respect to goods represented by the documents except to follow any reasonable instructions seasonably received; it has a right to reimbursement for any expense incurred in following instructions and to prepayment of or indemnity for those expenses.

Amended by Chapter 237, 1993 General Session

70A-4-504 Privilege of presenting bank to deal with goods -- Security interest for expenses.

- (1) A presenting bank that, following the dishonor of a documentary draft, has seasonably requested instructions but does not receive them within a reasonable time may store, sell, or otherwise deal with the goods in any reasonable manner.
- (2) For its reasonable expenses incurred by action under Subsection (1) the presenting bank has a lien upon the goods or their proceeds, which may be foreclosed in the same manner as an unpaid seller's lien.

Amended by Chapter 237, 1993 General Session