

UNIFORM COMMERCIAL CODE (EXCERPT)
Act 174 of 1962

PART 3

COLLECTION OF ITEMS: PAYOR BANKS

440.4301 Demand items; recovery of settlement; time of dishonor; return of items.

Sec. 4301. (1) If a payor bank settles for a demand item other than a documentary draft presented otherwise than for immediate payment over the counter before midnight of the banking day of receipt the payor bank may revoke the settlement and recover the settlement if, before it has made final payment and before its midnight deadline, it does any of the following:

(a) Returns the item.

(b) Returns an image of the item, if the party to which the return is made has entered into an agreement to accept an image as a return of the item and the image is returned in accordance with that agreement.

(c) Sends a record providing notice of dishonor or nonpayment if the item is unavailable for return.

(2) If a demand item is received by a payor bank for credit on its books, it may return the item or send notice of dishonor and may revoke any credit given or recover the amount thereof withdrawn by its customer, if it acts within the time limit and in the manner specified in subsection (1).

(3) Unless previous notice of dishonor has been sent, an item is dishonored at the time when for purposes of dishonor it is returned or notice sent in accordance with this section.

(4) An item is returned when 1 of the following occurs:

(a) As to an item presented through a clearing-house, when it is delivered to the presenting or last collecting bank or to the clearing-house or is sent or delivered in accordance with its rules.

(b) In all other cases, when it is sent or delivered to the bank's customer or transferor or pursuant to his or her instructions.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1993, Act 130, Eff. Sept. 30, 1993;—Am. 2014, Act 103, Imd. Eff. Apr. 10, 2014.

440.4302 Payor bank; accountability upon presentment and receipt of item; defenses.

Sec. 4302. (1) If an item is presented on and received by a payor bank the bank is accountable for the amount of the following:

(a) A demand item other than a documentary draft whether properly payable or not if the bank, in any case where it is not also the depository bank, retains the item beyond midnight of the banking day of receipt without settling for it or, regardless of whether it is also the depository bank, does not pay or return the item or send notice of dishonor until after its midnight deadline.

(b) Any other properly payable item unless within the time allowed for acceptance or payment of that item the bank either accepts or pays the item or returns it and accompanying documents.

(2) The liability of a payor bank to pay an item pursuant to subsection (1) is subject to defenses based on breach of a presentment warranty (section 4208) or proof that the person seeking enforcement of the liability presented or transferred the item for the purpose of defrauding the payor bank.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1993, Act 130, Eff. Sept. 30, 1993.

440.4303 Payor bank; items subject to knowledge notice, stop-payment order, legal process, or setoff; order in which times may be handled.

Sec. 4303. (1) Any knowledge, notice, or stop-payment order received by, legal process served upon or setoff exercised by a payor bank comes too late to terminate, suspend, or modify the bank's right or duty to pay an item or to charge its customer's account for the item if the knowledge, notice, stop-payment order or legal process is received or served and a reasonable time for the bank to act thereon expires or the setoff is exercised after the earliest of the following:

(a) The bank accepts or certifies the item.

(b) The bank pays the item in cash.

(c) The bank settles for the item without having a right to revoke the settlement under statute, clearing-house rule or agreement.

(d) The bank becomes accountable for the amount of the item under section 4302 dealing with the payor bank's responsibility for late return of items.

(e) With respect to checks, a cutoff hour no earlier than 1 hour after the opening of the next banking day after the banking day on which the bank received the check and no later than the close of that next banking day or, if no cutoff hour is fixed, the close of the next banking day after the banking day on which the bank received the check.

(2) Subject to subsection (1) items may be accepted, paid, certified, or charged to the indicated account of its customer in any order.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1993, Act 130, Eff. Sept. 30, 1993.