

§9-1406. Discharge of account debtor; notification of assignment; identification and proof of assignment; restrictions on assignment of accounts, chattel paper, payment intangibles, and promissory notes ineffective

(CONTAINS TEXT WITH VARYING EFFECTIVE DATES)

(WHOLE SECTION TEXT EFFECTIVE 7/01/25)

(1). Subject to subsections (2) to (10), an account debtor on an account, chattel paper or a payment intangible may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, signed by the assignor or the assignee, that the amount due or to become due has been assigned and that payment is to be made to the assignee. After receipt of the notification, the account debtor may discharge its obligation by paying the assignee and may not discharge the obligation by paying the assignor.

[PL 2023, c. 669, Pt. A, §137 (AMD); PL 2023, c. 669, Pt. E, §1 (AFF).]

(2). Subject to subsections (8) and (10), notification is ineffective under subsection (1):

(a). If it does not reasonably identify the rights assigned; [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(b). To the extent that an agreement between an account debtor and a seller of a payment intangible limits the account debtor's duty to pay a person other than the seller and the limitation is effective under law other than this Article; or [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(c). At the option of an account debtor, if the notification notifies the account debtor to make less than the full amount of any installment or other periodic payment to the assignee, even if:

(i) Only a portion of the account, chattel paper or payment intangible has been assigned to that assignee;

(ii) A portion has been assigned to another assignee; or

(iii) The account debtor knows that the assignment to that assignee is limited. [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

[PL 2023, c. 669, Pt. A, §137 (AMD); PL 2023, c. 669, Pt. E, §1 (AFF).]

(3). Subject to subsections (8) and (10), if requested by the account debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made. Unless the assignee complies, the account debtor may discharge its obligation by paying the assignor, even if the account debtor has received a notification under subsection (1).

[PL 2023, c. 669, Pt. A, §137 (AMD); PL 2023, c. 669, Pt. E, §1 (AFF).]

(4). Except as otherwise provided in subsection (5) and sections 2-1303 and 9-1407, and subject to subsection (8), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it:

(a). Prohibits, restricts or requires the consent of the account debtor or person obligated on the promissory note to the assignment or transfer of, or the creation, attachment, perfection or enforcement of a security interest in, the account, chattel paper, payment intangible or promissory note; or [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(b). Provides that the assignment or transfer or the creation, attachment, perfection or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination or remedy under the account, chattel paper, payment intangible or promissory note. [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

For the purposes of this subsection, "promissory note" includes a negotiable instrument that evidences chattel paper.

[PL 2023, c. 669, Pt. A, §137 (AMD); PL 2023, c. 669, Pt. E, §1 (AFF).]

(5). Subsection (4) does not apply to the sale of a payment intangible or promissory note other than a sale pursuant to a disposition under section 9-1610 or an acceptance of collateral under section 9-1620.

[PL 2013, c. 317, Pt. A, §18 (AMD).]

(6). Except as otherwise provided in sections 2-1303 and 9-1407 and subject to subsections (8) and (9), a rule of law, statute, or regulation that prohibits, restricts or requires the consent of a government, governmental body or official, or account debtor to the assignment or transfer of, or creation of a security interest in, an account or chattel paper is ineffective to the extent that the rule of law, statute or regulation:

(a). Prohibits, restricts or requires the consent of the government, governmental body or official, or account debtor to the assignment or transfer of, or the creation, attachment, perfection or enforcement of a security interest in the account or chattel paper; or [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(b). Provides that the assignment or transfer or the creation, attachment, perfection or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination or remedy under the account or chattel paper. [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

[PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(7). Subject to subsections (8) and (10), an account debtor may not waive or vary its option under subsection (2), paragraph (c).

[PL 2023, c. 669, Pt. A, §137 (AMD); PL 2023, c. 669, Pt. E, §1 (AFF).]

(8). This section is subject to law other than this Article that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family or household purposes.

[PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(9). This section does not apply to an assignment of a health-care-insurance receivable.

[PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(10). Subsections (1), (2), (3) and (7) do not apply to a controllable account or controllable payment intangible.

[PL 2023, c. 669, Pt. A, §137 (NEW); PL 2023, c. 669, Pt. E, §1 (AFF).]

SECTION HISTORY

PL 1999, c. 699, §A2 (NEW). PL 1999, c. 699, §A4 (AFF). PL 2013, c. 317, Pt. A, §18 (AMD). PL 2023, c. 669, Pt. A, §137 (AMD). PL 2023, c. 669, Pt. E, §1 (AFF).

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