



Ohio Revised Code

Section 1309.406 Discharge of account debtor - UCC 9-406.

Effective: July 1, 2001

Legislation: Senate Bill 74 - 124th General Assembly

(A) Subject to divisions (B) to (I) of this section, an account debtor on an account, chattel paper, or payment intangible may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, authenticated 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.

(B) Subject to division (H) of this section, notification under division (A) of this section is not effective:

(1) If the notification does not reasonably identify the rights assigned;

(2) 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 chapter; or

(3) 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:

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

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

(c) The account debtor knows that the assignment to that assignee is limited.

(C) Subject to division (H) of this section, 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 division (A) of this section.

(D) Except as otherwise provided in division (E) of this section and sections 1309.407 and 1310.31 of the Revised Code, and subject to division (H) of this section, a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it:

(1) 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

(2) 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.

(E) Division (D) of this section does not apply to the sale of a payment intangible or promissory note.

(F) Except as provided in sections 1309.407 and 1310.31 of the Revised Code and subject to divisions (H) and (I) of this section, 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 not effective to the extent that the rule of law, statute, or regulation:

(1) 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

(2) 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.



(G) Subject to division (H) of this section, an account debtor may not waive or vary its option under division (B)(3) of this section.

(H) This section is subject to law other than this chapter 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.

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

(J) Divisions (D) and (F) of this section do not apply to:

(1) A claim or right to receive compensation for injuries or sickness as described in section 104(a)(1) or (2) of the Internal Revenue Code, as amended; or

(2) A claim or right to receive benefits under a special needs trust as described in the "Omnibus Budget Reconciliation Act of 1993," 107 Stat. 312, 42 U.S.C. 1396p(d)(4), as amended.

(K) Divisions (D), (F), and (J) of this section apply only to a security interest created on or after July 1, 2001. Nothing in this section shall supersede the provisions of sections 2323.58 to 2323.587 of the Revised Code. This section shall be interpreted consistently with sections 2323.58 to 2323.587 of the Revised Code.