

2024 Regular Session

HOUSE BILL NO. 232

BY REPRESENTATIVE MUSCARELLO

1 AN ACT

2 To amend and reenact R.S. 10:3-416(b) and (c), 3-417(b), (c), and (e), 4-207(c) and (d), and
3 4-208(b), (c), and (e), relative to warranties for negotiable instruments and bank
4 deposits and collections; to provide for breach of warranty notice requirement
5 procedures; to provide for liability of parties; to provide for attorney fees; and to
6 provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 10:3-416(b) and (c), 3-417(b), (c), and (e), 4-207(c) and (d), and 4-
9 208(b), (c), and (e) are hereby amended and reenacted to read as follows:

10 §3-416. Transfer warranties

11 * * *

12 (b) A person to whom the warranties under Subsection (a) of this Section are
13 made and who took the instrument in good faith may recover from the warrantor as
14 damages for breach of warranty an amount equal to the loss suffered as a result of
15 the breach, but not more than the amount of the instrument plus expenses and loss
16 of interest incurred as a result of the breach. If the person to whom the warranties
17 are made sends written notice by certified or registered mail or commercial courier
18 to the warrantor of its claim for breach of warranty and the warrantor fails to pay the
19 claim within thirty days after receiving the notice, the expenses of the person to
20 whom the warranties are made shall include reasonable attorney fees.

21 (c) The warranties stated in Subsection (a) of this Section cannot be
22 disclaimed with respect to checks. Unless notice of a claim for breach of warranty
23 is given to the warrantor within 30 days after the claimant has reason to know of the
24 breach and the identity of the warrantor, the liability of the warrantor under

1 Subsection (b) of this Section is discharged to the extent of any loss caused by the
2 delay in giving notice of the claim.

3 * * *

4 §3-417. Presentment warranties

5 * * *

6 (b) A drawee making payment may recover from any warrantor damages for
7 breach of warranty equal to the amount paid by the drawee less the amount the
8 drawee received or is entitled to receive from the drawer because of the payment.
9 In addition, the drawee is entitled to compensation for expenses and loss of interest
10 resulting from the breach. If the drawee making payment sends written notice by
11 certified or registered mail or commercial courier to the warrantor of its claim for
12 breach of warranty and the warrantor fails to pay the claim within thirty days after
13 receiving the notice, the expenses of the person to whom the warranties are made
14 shall include reasonable attorney fees. The right of the drawee to recover damages
15 under this Subsection is not affected by any failure of the drawee to exercise ordinary
16 care in making payment. If the drawee accepts the draft, breach of warranty is a
17 defense to the obligation of the acceptor. If the acceptor makes payment with respect
18 to the draft, the acceptor is entitled to recover from any warrantor for breach of
19 warranty the amounts stated in this Subsection.

20 (c) If a drawee asserts a claim for breach of warranty under Subsection (a)
21 of this Section based on an unauthorized indorsement of the draft or an alteration of
22 the draft, the warrantor may defend by proving that the indorsement is effective
23 under R.S. 10:3-404 or 10:3-405 or the drawer is precluded under R.S. 10:3-406 or
24 10:4-406 from asserting against the drawee the unauthorized indorsement or
25 alteration.

26 * * *

27 (e) The warranties stated in Subsections (a) and (d) of this Section cannot be
28 disclaimed with respect to checks. Unless notice of a claim for breach of warranty
29 is given to the warrantor within 30 days after the claimant has reason to know of the
30 breach and the identity of the warrantor, the liability of the warrantor under

1 Subsection (b) or (d) of this Section is discharged to the extent of any loss caused by
2 the delay in giving notice of the claim.

3 * * *

4 §4-207. Transfer warranties

5 * * *

6 (c) A person to whom the warranties under Subsection (a) of this Section are
7 made and who took the item in good faith may recover from the warrantor as
8 damages for breach of warranty an amount equal to the loss suffered as a result of
9 the breach, but not more than the amount of the item plus expenses and loss of
10 interest incurred as a result of the breach. If the person to whom the warranties are
11 made sends written notice by certified or registered mail or commercial courier to
12 the warrantor of its claim for breach of warranty and the warrantor fails to pay the
13 claim within thirty days after receiving the notice, the expenses of the person to
14 whom the warranties are made shall include reasonable attorney fees.

15 (d) The warranties stated in Subsection (a) of this Section cannot be
16 disclaimed with respect to checks. Unless notice of a claim for breach of warranty
17 is given to the warrantor within 30 days after the claimant has reason to know of the
18 breach and the identity of the warrantor, the warrantor is discharged to the extent of
19 any loss caused by the delay in giving notice of the claim.

20 * * *

21 §4-208. Presentment warranties

22 * * *

23 (b) A drawee making payment may recover from a warrantor damages for
24 breach of warranty equal to the amount paid by the drawee less the amount the
25 drawee received or is entitled to receive from the drawer because of the payment.
26 In addition, the drawee is entitled to compensation for expenses and loss of interest
27 resulting from the breach. If the drawee making payment sends written notice by
28 certified or registered mail or commercial courier to the warrantor of its claim for
29 breach of warranty and the warrantor fails to pay the claim within thirty days after
30 receiving the notification, the expenses of the person to whom the warranties are

1 made shall include reasonable attorney fees. The right of the drawee to recover
 2 damages under this Subsection is not affected by any failure of the drawee to
 3 exercise ordinary care in making payment. If the drawee accepts the draft (i) breach
 4 of warranty is a defense to the obligation of the acceptor, and (ii) if the acceptor
 5 makes payment with respect to the draft, the acceptor is entitled to recover from a
 6 warrantor for breach of warranty the amounts stated in this Subsection.

7 (c) If a drawee asserts a claim for breach of warranty under Subsection (a)
 8 of this Section based on an unauthorized indorsement of the draft or an alteration of
 9 the draft, the warrantor may defend by proving that the indorsement is effective
 10 under R.S. 10:3-404 or 10:3-405 or the drawer is precluded under R.S. 10:3-406 or
 11 10:4-406 from asserting against the drawee the unauthorized indorsement or
 12 alteration.

* * *

14 (e) The warranties stated in Subsections (a) and (d) of this Section cannot be
 15 disclaimed with respect to checks. Unless notice of a claim for breach of warranty
 16 is given to the warrantor within 30 days after the claimant has reason to know of the
 17 breach and the identity of the warrantor, the warrantor is discharged to the extent of
 18 any loss caused by the delay in giving notice of the claim.

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SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____