

2024 Regular Session

HOUSE BILL NO. 232

BY REPRESENTATIVE MUSCARELLO

CIVIL/LAW: Provides relative to warranty for negotiable instruments and depository and collecting banks

1 AN ACT

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

6 Be it enacted by the Legislature of Louisiana:

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

9 §3-416. Transfer warranties

10 \* \* \*

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

20 \* \* \*

1 §3-417. Presentment warranties

2 \* \* \*

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

17 \* \* \*

18 §4-207. Transfer warranties

19 \* \* \*

20 (c) A person to whom the warranties under Subsection (a) are made and who  
21 took the item in good faith may recover from the warrantor as damages for breach  
22 of warranty an amount equal to the loss suffered as a result of the breach, but not  
23 more than the amount of the item plus expenses and loss of interest incurred as a  
24 result of the breach. If the person to whom the warranties are made sends written  
25 notice by certified or registered mail or commercial courier to the warrantor of its  
26 claim for breach of warranty and the warrantor fails to pay the claim within thirty  
27 days after receiving the notice, the expenses of the person to whom the warranties  
28 are made shall include reasonable attorney fees.

29 \* \* \*

1 §4-208. Presentment warranties

2 \* \* \*

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

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DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HB 232 Original

2024 Regular Session

Muscarello

**Abstract:** Requires warrantors to pay expenses for failure to timely pay warranty claims under certain circumstances.

Present law (R.S. 10:3-416(b)) provides that a holder of a warranty under present law who took the instrument in good faith may recover from the warrantor damages for breach of warranty in an amount equal to the loss suffered as a result of the breach not to exceed the amount of the instrument plus expenses and loss of interest incurred.

Proposed law retains present law and requires a warrantor of a claim to pay expenses and attorney fees if the warrantor fails to pay the claim within 30 days of receiving written notice from the person to whom warranties are to be made. Proposed law also requires the notice be delivered via commercial courier or by either registered or certified mail.

Present law (R.S. 10:3-417(b)) provides that a drawee making payment may recover from any warrantor damages for breach of warranty equal to the amount paid by the drawee less

the amount the drawee received or is entitled to receive from the drawer because of the payment. Present law also provides that a drawee is entitled to compensation for expenses and loss of interest resulting from the breach.

Present law (R.S. 10:3-417(b)) establishes that a right for a drawee to recover damages under present law is not affected if the drawee fails to exercise ordinary care in making payment.

Present law (R.S. 10:3-417(b)) provides that if a drawee accepts a draft that a breach of warranty is a defense to the obligation of the acceptor. Present law also provides that an acceptor who makes a payment with respect to the draft is entitled to recover from any warrantor for breach of warranty the amounts provided by present law.

Proposed law retains present law and requires a warrantor of a claim to pay expenses and attorney fees if the warrantor fails to pay the claim within 30 days of receiving written notice from the drawee to whom warranties are to be made. Proposed law also requires the notice be delivered via commercial courier or by either registered or certified mail.

Present law (R.S. 10:4-207(c)) provides that a holder of a warranty under present law who took the instrument in good faith may recover from the warrantor damages for breach of warranty in an amount equal to the loss suffered as a result of the breach not to exceed the amount of the instrument plus expenses and loss of interest incurred.

Proposed law retains present law and requires a warrantor of a claim to pay expenses and attorney fees if the warrantor fails to pay the claim within 30 days of receiving written notice from the person to whom warranties are to be made. Proposed law also requires the notice be delivered via commercial courier or by either registered or certified mail.

Present law (R.S. 10:4-208(b)) provides that a drawee making payment may recover from any warrantor damages for breach of warranty equal to the amount paid by the drawee less the amount the drawee received or is entitled to receive from the drawer because of the payment. Present law also provides that a drawee is entitled to compensation for expenses and loss of interest resulting from the breach.

Present law (R.S. 10:4-208(b)) establishes that a right for a drawee to recover damages under present law is not affected if the drawee fails to exercise ordinary care in making payment.

Present law (R.S. 10:4-208(b)) provides that if a drawee accepts a draft that a breach of warranty is a defense to the obligation of the acceptor. Present law also provides that an acceptor who makes a payment with respect to the draft is entitled to recover from any warrantor for breach of warranty the amounts provided by present law.

Proposed law retains present law and requires a warrantor of a claim to pay expenses and attorney fees if the warrantor fails to pay the claim within 30 days of receiving written notice from the drawee to whom warranties are to be made. Proposed law also requires the notice be delivered via commercial courier or by either registered or certified mail.

(Amends R.S. 10:3-416(b), 3-417(b), 4-207(c), and 4-208(b))