

Section 9-406 in California

CAL. COM. CODE § 9406

AS ENACTED · THE COMPLETE SECTION

- (a) Subject to subdivisions (b) to (i), inclusive, and (l), 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.
- (b) Subject to subdivisions (h) and (l), notification is ineffective under subdivision (a) as follows: (1) If it 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 division. (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 any of the following conditions is satisfied: (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. (C) The account debtor knows that the assignment to that assignee is limited.
- (c) Subject to subdivisions (h) and (l), 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 subdivision (a).
- (d) In this subdivision, "promissory note" includes a negotiable instrument that evidences chattel paper. Except as otherwise provided in subdivisions (e) and (k) and in Sections 9407 and 10303, and subject to subdivision (h), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it does either of the following: (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. (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) Subdivision (d) does not apply to the sale of a payment intangible or promissory note, other than a sale pursuant to a disposition under Section 9610 or an acceptance of collateral under Section 9620.
- (f) Except as otherwise provided in subdivision (k) and Sections 9407 and 10303, and subject to subdivisions (h) and (i), 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 does either of the following: (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. (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 subdivisions (h) and (l), an account debtor may not waive or vary its option under paragraph (3) of subdivision (b).
- (h) This section is subject to law other than this division which 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) Subdivision (f) does not apply to an assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, a claim or right to receive compensation for injuries or sickness as described in paragraph (1) or (2) of subsection (a) of Section 104 of Title 26 of the United States Code, as amended, or a claim or right to receive benefits under a special needs trust as described in paragraph (4) of subsection (d) of Section 1396p of Title 42 of the United States Code, as amended, to the extent that subdivision (f) is inconsistent with those laws.

- (k) Subdivisions (d), (f), and (j) do not apply to a security interest in an ownership interest in a general partnership, limited partnership, or limited liability company.
- (l) Subdivisions (a) to (c), inclusive, and (g) do not apply to a controllable account or controllable payment intangible.

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HISTORY, AS PUBLISHED

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OFFICIAL PUBLICATION

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PUBLIC UCC RECORD

California Secretary of State

<https://www.sos.ca.gov/business-programs/ucc>

COUNSEL

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