

Section 9-406 in Delaware

6 DEL. C. § 9-406

AS ENACTED · THE COMPLETE SECTION

- (a) Discharge of account debtor; effect of notification. — Subject to subsections (b) through (i) and (k), 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) When notification ineffective. — Subject to subsections (h) and (k), notification is ineffective under subsection (a): (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 Article; 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) Proof of assignment. — Subject to subsections (h) and (k), 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 (a).
- (d) Term restricting assignment generally ineffective. — In this subsection, “promissory note” includes a negotiable instrument that evidences chattel paper. Except as otherwise provided in subsection (e) and Sections 2A-303 and 9-407, and subject to subsection (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: (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) Inapplicability of subsection (d) to certain sales. — Subsection (d) does not apply to the sale of a payment intangible or promissory note, other than a sale pursuant to a disposition under Section 9-610 or an acceptance of collateral under Section 9-620.
- (f) Legal restrictions on assignment generally ineffective. — Except as otherwise provided in Sections 2A-303 and 9-407 and subject to subsections (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: (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) Subsection (b)(3) not waivable. — Subject to subsections (h) and (k), an account debtor may not waive or vary its option under subsection (b)(3).
- (h) Rule for individual under other law. — This section is subject to law other than this Article 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) Inapplicability. — This section does not apply to: (1) an assignment of a health-care-insurance receivable; (2) a claim or right to receive compensation for injuries or sickness as described in 26 U.S.C. § 104(a)(1) or (2), as amended from time to time; (3) a claim or right to receive benefits under a special needs trust as described in 42 U.S.C. § 1396p(d)(4), as amended from time to time; (4) an interest in a trust, including any right or power of a beneficiary (including a settlor) or owner of a trust, arising under a governing instrument (as defined in Section 3301(e) of Title 12), Title 12, or other applicable law, to the extent that Delaware law governs such interest; or (5) an interest in a partnership or limited liability company. Subsection (f) does not apply to an assignment or transfer of, or the creation, attachment, perfection, or enforcement of, a security interest in, a right the transfer of which is prohibited or restricted by any of the following statutes, to the extent that the statute is inconsistent with subsection (f): Section 9011 of Title 11 (prohibiting assignment of victim awards and recoveries); Section 4915 of Title 10 (restricting transferability of benefits, rights, privileges or options accruing under certain annuity contracts); Section 6863 of Title 18 (prohibiting assignment of medical negligence compensation claims); Section 2355 of Title 19 (prohibiting assignment of workers' compensation claims or payment for compensation due or to become due); and Section 4808 of Title 29 (prohibiting assignment of lottery prizes).
- (j) Section prevails over inconsistent law. — Except as otherwise provided in subsection (i), this section prevails over any inconsistent provision of an existing or future statute, rule or regulation of this State unless the provision is contained in a statute of this State, refers expressly to this section and states that the provision prevails over this section.
- (k) Inapplicability of certain subsections. — Subsections (a), (b), (c), and (g) do not apply to a controllable account or controllable payment intangible.

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HISTORY, AS PUBLISHED

72 Del. Laws, c. 401, § 1; 73 Del. Laws, c. 236, §§ 1, 2; 73 Del. Laws, c. 330, §§ 3, 4; 79 Del. Laws, c. 15, § 13; 81 Del. Laws, c. 320, § 7; 82 Del. Laws, c. 141, § 5; 84 Del. Laws, c. 174, § 73;

OFFICIAL PUBLICATION

Delaware Code, Title 6, Uniform Commercial Code

Delaware General Assembly

<https://delcode.delaware.gov/title6/c009/sc04/index.html#9-406>

PUBLIC UCC RECORD

Delaware Department of State, Division of Corporations

<https://corp.delaware.gov/uccsearch/>

COUNSEL

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