

Section 9-406 in Georgia

O.C.G.A. § 11-9-406

AS ENACTED · THE COMPLETE SECTION

- (a) Discharge of account debtor; effect of notification. Subject to subsections (b) through (i) and (j) of this Code section, 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 (j) of this Code section, notification is ineffective under subsection (a) of this Code section: (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 (j) of this Code 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 subsection (a) of this Code section.
- (d) Term restricting assignment generally ineffective. In this subsection, the term "promissory note" includes a negotiable instrument that evidences chattel paper. Except as otherwise provided in subsection (e) of this Code section and Code Sections 11-2A-303, 11-9-407, and 53-12-80 through 53-12-83 and subject to subsection (h) of this Code 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, transfer, 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) of this Code section to certain sales. Subsection (d) of this Code section does not apply to the sale of a payment intangible or promissory note, other than a sale pursuant to a disposition under Code Section 11-9-610 or an acceptance of collateral under Code Section 11-9-620.
- (f) Legal restrictions on assignment generally ineffective. Except as otherwise provided in Code Sections 11-2A-303 and 11-9-407 and subject to subsections (h) and (i) of this Code 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 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, transfer, 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) Paragraph (3) of subsection (b) not waivable. Subject to subsections (h) and (j) of this Code section, an account debtor may not waive or vary its option under paragraph (3) of subsection (b) of this Code section.
- (h) Rule for individual under other law. This Code 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 to health care insurance receivable. This Code section does not apply to an assignment of a health care insurance receivable.

- (j) Inapplicability of certain subsections. Subsections (a), (b), (c), and (g) of this Code section do not apply to a controllable account or controllable payment intangible.

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HISTORY, AS PUBLISHED

Code 1981, § 11-9-406, enacted by Ga. L. 2001, p. 362, § 1; Ga. L. 2010, p. 579, § 6/SB 131; Ga. L. 2013, p. 690, § 8/SB 185; Ga. L. 2024, p. 817, § 5-68/HB 1240, effective July 1, 2024.

OFFICIAL PUBLICATION

Official Code of Georgia Annotated

LexisNexis

<https://www.legis.ga.gov/api/document/docs/default-source/joint-features-document-library/t11-%28v9%29-pdf.pdf>

PUBLIC UCC RECORD

Georgia Superior Court Clerks' Cooperative Authority

<https://www.gsccca.org/learn/projects-programs/ucc-system>

COUNSEL

The rule is the same in every enactment. Your counsel can confirm which state's enactment governs a particular account, and we welcome that review at liens@eastshoreequities.com

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