

Section 9-406 in Louisiana

LA. R.S. 10:9-406

AS ENACTED · THE COMPLETE SECTION

- (a) Discharge of account debtor; effect of notification. Subject to Subsections (b) through (i) and (l) of this Section and R.S. 10:9-411, 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 (l) of this Section, notification is ineffective under Subsection (a) of this 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 Chapter; 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 (l) of this 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 Section.
- (d) Term restricting assignment generally ineffective. In this Subsection, "promissory note" includes a negotiable instrument that evidences chattel paper. Except as otherwise provided in Subsections (e), (i), and (k) of this Section and R.S. 10:9-407 and 9-410, and subject to Subsection (h) of this 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 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) of this Section to certain sales. Subsection (d) of this Section does not apply to the sale of a payment intangible or promissory note, other than a sale pursuant to a disposition under R.S. 10:9-610 or an acceptance of collateral under R.S. 10:9-620.
- (f) Legal restrictions on assignment generally ineffective. Subject to Subsections (h) and (i), a 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 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 (l) of this Section, an account debtor may not waive or vary its option under Subsection (b)(3) of this Section.
- (h) Rule for individual under other law. This Section is subject to law other than this Chapter 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 an assignment of a health-care-insurance receivable. This Section further does not apply to an assignment of any pension, disability, annuity, retirement or other benefit, distribution or allowance right or payment from any governmental retirement system or pension fund or any other governmental unit, workers' compensation claims or payments, unemployment compensation benefits, public assistance payments, crime victim compensation, or lottery payments.

- (j) Section prevails over specified inconsistent law. This Section prevails over any inconsistent provisions of Civil Code Article 2653.
- (k) Subsections (d) and (f) do not apply to the assignment or transfer of or creation of a security interest in: (1) 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; or (2) a claim or right to receive benefits under a special needs trust as described in 42 U.S.C. 1396p(d)(4), as amended.
- (l) Inapplicability of certain Subsections. Subsections (a), (b), (c), and (g) of this Section do not apply to a controllable account or controllable payment intangible.

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HISTORY, AS PUBLISHED

Acts 1988, No. 528, §1, eff. Jan. 1, 1990; Acts 1989, No. 135, §7, eff. Jan. 1, 1990; Acts 1990, No. 1079, §4, eff. Sept. 1, 1990; Acts 2001, No. 128, §1, eff. July 1, 2001; Acts 2004, No. 303, §2; Acts 2012, No. 450, §1, eff. July 1, 2013; Acts 2024, No. 773, §1; Acts 2026, No. 684, §2.

OFFICIAL PUBLICATION

Louisiana Revised Statutes

Louisiana State Legislature

<https://www.legis.la.gov/legis/LawPrint.aspx?d=74452>

PUBLIC UCC RECORD

Louisiana Secretary of State

<https://www.sos.la.gov/business-services/file-financing-statements>

COUNSEL

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