

Section 9-406 in Montana

MCA 30-9A-406

AS ENACTED · THE COMPLETE SECTION

- (1) Subject to subsections (2) through (9) and (11), an account debtor on an account, chattel paper, or 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.
- (2) Subject to subsections (8) and (11), notification is ineffective under subsection (1): (a) if it does not reasonably identify the rights assigned; (b) 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 (c) 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: (i) only a portion of the account, chattel paper, or payment intangible has been assigned to that assignee; (ii) a portion has been assigned to another assignee; or (iii) the account debtor knows that the assignment to that assignee is limited.
- (3) Subject to subsections (8) and (11), 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 (1).
- (4) In this subsection (4), "promissory note" includes a negotiable instrument that evidences chattel paper. Except as otherwise provided in 30-2A-303, 30-9A-407, and subsections (5) and (10) of this section, and subject to subsection (8) 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: (a) 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 (b) 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.
- (5) Subsection (4) does not apply to the sale of a payment intangible or promissory note, other than a sale pursuant to a disposition under 30-9A-610 or an acceptance of collateral under 30-9A-620.
- (6) Except as otherwise provided in 30-2A-303, 30-9A-407, and subsection (10) of this section, and subject to subsections (8) and (9) of this 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: (a) 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 (b) 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.
- (7) Subject to subsections (8) and (11), an account debtor may not waive or vary its option under subsection (2)(c).
- (8) This section is subject to law other than this chapter that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.
- (9) This section does not apply to an assignment of a health-care-insurance receivable.
- (10) Subsections (4) and (6) do not apply to a security interest in an ownership interest in a general partnership, limited partnership, or limited liability company.
- (11) Subsections (1), (2), (3), and (7) do not apply to a controllable account or controllable payment intangible.

Reproduced from the official publication above, which controls.

HISTORY, AS PUBLISHED

History: En. Sec. 67, Ch. 305, L. 1999; amd. Sec. 12, Ch. 179, L. 2001; Sec. 30-9-446, MCA 1999; redes. 30-9A-406 by Code Commissioner, 2001; amd. Sec. 9, Ch. 75, L. 2013; amd. Sec. 77, Ch. 200, L. 2025.

OFFICIAL PUBLICATION

Montana Code Annotated

Montana Legislature

https://mca.legmt.gov/bills/mca/title_0300/chapter_009A/part_0040/section_0060/0300-009A-0040-0060.html

PUBLIC UCC RECORD

Montana Secretary of State

<https://sosmt.gov/business/ucc/>

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

TERMS FOR THIS REFERENCE

This reference reproduces the text of Section 9-406 of the Uniform Commercial Code as published by each jurisdiction's official publication when it was retrieved, with links to those publications and to each jurisdiction's public filing office. Statutes are amended, publications are revised and addresses change. The official publication of each jurisdiction, as it stands when you read it, controls over anything shown here, and before relying on any text, citation or link on these pages you are to confirm it against that publication. East Shore Equities makes no representation that any text, citation, link or other content on these pages is current, complete, accurate or free of error, and accepts no liability for any reliance on it. These pages state no position on how any enactment applies to any person, account or transaction; that is a question for your counsel.