

Section 9-406 in Pennsylvania

13 PA.C.S. § 9406

AS ENACTED · THE COMPLETE SECTION

- (a) Discharge of account debtor; effect of notification.--Subject to subsections (b) through (i) 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) When notification ineffective.--Subject to subsections (h) and (l), 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 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: (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.
- (c) Proof of assignment.--Subject to subsections (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 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 subsections (e) and (j) and sections 2A303 (relating to alienability of party's interest under lease contract or of lessor's residual interest in goods; delegation of performance; transfer of rights) and 9407 (relating to restrictions on creation or enforcement of security interest in leasehold interest or in lessor's residual interest) 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 9610 (relating to disposition of collateral after default) or an acceptance of collateral under section 9620 (relating to acceptance of collateral in full or partial satisfaction of obligation; compulsory disposition of collateral).
- (f) Legal restrictions on assignment generally ineffective.--Except as otherwise provided in subsection (j) and sections 2A303 and 9407 and subject to subsections (h) and (i), a rule of law, statute or regulation which 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 (l), 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 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) Inapplicability to health-care-insurance receivable.--This section does not apply to an assignment of a health-care-insurance receivable.

- (j) Section prevails over inconsistent law.-- (1) Except as set forth in paragraphs (2), (3), (4) and (5), this section prevails over any inconsistent provision of any existing or future statute or regulation of the Commonwealth unless the provision is contained in a statute of the Commonwealth, refers expressly to this section and states that the provision prevails over this section. (2) Subsection (f) does not apply to an account or chattel paper if the account debtor is the Commonwealth. (3) Subsection (f) does not apply to the following: (i) A claim or right to receive benefits under a workers' compensation act as compensation for personal injury or sickness, including a claim or right to receive benefits under the act of June 2, 1915 (P.L.736, No.338), known as the Workers' Compensation Act. (ii) The act of June 21, 1939 (P.L.566, No.284), known as The Pennsylvania Occupational Disease Act. (iii) Section 306 of the act of August 26, 1971 (P.L.351, No.91), known as the State Lottery Law. (4) Subsections (d) and (f) do not apply to a claim or right to receive benefits from a special needs trust described in section 1917(d)(4) of the Social Security Act (49 Stat. 620, 42 U.S.C. § 1396p(d)(4)). (5) The limitations on restrictions of assignments contained in this section are inapplicable to transfers of structured settlement payment rights pursuant to the act of February 11, 2000 (P.L.1, No.1), known as the Structured Settlement Protection Act.
- (k) (Reserved).
- (l) 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

(June 27, 2013, P.L.154, No.30, eff. July 1, 2013; July 1, 2024, P.L.450, No.41, eff. 60 days)

OFFICIAL PUBLICATION

Pennsylvania Consolidated Statutes

Pennsylvania General Assembly

<https://www.palegis.us/statutes/consolidated/view-statute?chpt=94&div=9&iFrame=true&sctn=6&subsctn=0&ttl=13&txtType=HTM>

PUBLIC UCC RECORD

Pennsylvania Department of State

<https://www.pa.gov/agencies/dos/resources/business-resources/uniform-commercial-code>

COUNSEL

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