

355.3-416 Transfer warranties.

- (1) A person who transfers an instrument for consideration warrants to the transferee and, if the transfer is by indorsement, to any subsequent transferee that:
 - (a) The warrantor is a person entitled to enforce the instrument;
 - (b) All signatures on the instrument are authentic and authorized;
 - (c) The instrument has not been altered;
 - (d) The instrument is not subject to a defense or claim in recoupment of any party which can be asserted against the warrantor;
 - (e) The warrantor has no knowledge of any insolvency proceeding commenced with respect to the maker or acceptor or, in the case of an unaccepted draft, the drawer; and
 - (f) With respect to a remotely created item, that the person on whose account the item is drawn authorized the issuance of the item in the amount for which the item is drawn.
- (2) A person to whom the warranties under subsection (1) of this section are made and who took the instrument in good faith may recover from the warrantor as damages for breach of warranty an amount equal to the loss suffered as a result of the breach, but not more than the amount of the instrument plus expenses and loss of interest incurred as a result of the breach.
- (3) The warranties stated in subsection (1) of this section cannot be disclaimed with respect to checks. Unless notice of a claim for breach of warranty is given to the warrantor within thirty (30) days after the claimant has reason to know of the breach and the identity of the warrantor, the liability of the warrantor under subsection (2) of this section is discharged to the extent of any loss caused by the delay in giving notice of the claim.
- (4) A claim for relief for breach of warranty under this section accrues when the claimant has reason to know of the breach.

Effective: July 12, 2006

History: Amended 2006 Ky. Acts ch. 242, sec. 39, effective July 12, 2006. -- Repealed and reenacted 1996 Ky. Acts ch. 130, sec. 54, effective January 1, 1997. -- Created 1958 Ky. Acts ch. 77, sec. 3-416, effective July 1, 1960.