

355.3-414 Obligation of drawer.

- (1) This section does not apply to cashier's checks or other drafts drawn on the drawer.
- (2) If an unaccepted draft is dishonored, the drawer is obliged to pay the draft:
 - (a) According to its terms at the time it was issued or, if not issued, at the time it first came into possession of a holder; or
 - (b) If the drawer signed an incomplete instrument, according to its terms when completed, to the extent stated in KRS 355.3-115 and 355.3-407.

The obligation is owed to a person entitled to enforce the draft or to an indorser who paid the draft under KRS 355.3-415.

- (3) If a draft is accepted by a bank, the drawer is discharged, regardless of when or by whom acceptance was obtained.
- (4) If a draft is accepted and the acceptor is not a bank, the obligation of the drawer to pay the draft if the draft is dishonored by the acceptor is the same as the obligation of an indorser under KRS 355.3-415(1) and (3).
- (5) If a draft states that it is drawn "without recourse" or otherwise disclaims liability of the drawer to pay the draft, the drawer is not liable under subsection (2) of this section to pay the draft if the draft is not a check. A disclaimer of the liability stated in subsection (2) of this section is not effective if the draft is a check.
- (6) If:
 - (a) A check is not presented for payment or given to a depository bank for collection within thirty (30) days after its date;
 - (b) The drawee suspends payments after expiration of the thirty (30) day period without paying the check; and
 - (c) Because of the suspension of payments, the drawer is deprived of funds maintained with the drawee to cover payment of the check,the drawer to the extent deprived of funds may discharge its obligation to pay the check by assigning to the person entitled to enforce the check the rights of the drawer against the drawee with respect to the funds.

Effective: January 1, 1997

History: Repealed and reenacted 1996 Ky. Acts ch. 130, sec. 52, effective January 1, 1997. -- Created 1958 Ky. Acts ch. 77, sec. 3-414, effective July 1, 1960.