

SENATE BILL REPORT

SB 5165

As Passed Senate, March 7, 1995

Title: An act relating to the statute of limitations for negotiable instruments.

Brief Description: Revising the statute of limitations for negotiable instruments.

Sponsors: Senator Smith.

Brief History:

Committee Activity: Financial Institutions & Housing: 1/26/95, 2/3/95 [DP].
Passed Senate, 3/7/95, 49-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar, Smith and Sutherland.

Staff: Catherine Mele (786-7470)

Background: Article 3 of the state Uniform Commercial Code (UCC) contains the provisions governing negotiable instruments. In general terms, a negotiable instrument is an unconditional promise or order to pay a fixed amount of money, such as a promissory note or a personal check, with or without interest or other charges.

Prior to 1993, Article 3 of the state UCC did not contain a specific statute of limitations, so the state limitation of actions statute was relied upon to determine statutory periods with regard to negotiable instruments. This provides that an action on a contract in writing, or liability express or implied arising out of a written agreement, must be commenced within six years.

In the last few years, the National Conference of Commissioners on Uniform State Laws completed revisions to the UCC Articles, and its recommendations were adopted by Washington in 1993. Among the changes incorporated into the state UCC was a statute of limitations for negotiable instruments. For example, legal action to enforce the obligation of a party to pay a note payable at a definite time must begin within six years after the due date. Similarly, enforcement of an obligation to pay a certificate of deposit must begin within six years after demand for payment is made.

However, an action to enforce the obligation of a party to pay an unaccepted draft, such as a personal check, must be commenced within three years after dishonor of the draft or ten years after the date of the draft, whichever period expires first.

It is suggested that the statute of limitations for unaccepted drafts be extended to allow for a longer period within which to bring an enforcement action.

Summary of Bill: The statute of limitations for enforcing the obligation of a party to pay an unaccepted draft is extended to six years after the dishonor of the draft or ten years after the date of the draft, whichever period expires first.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill will provide merchants and collections agencies with more time to find the person owing the debt. Many people move into other states and six years provides a longer period of time to find them and collect the debt.

Testimony Against: None.

Testified: Gary Gardner, Credit Union Services (pro); Mark Gjurasic, Debt Collectors.