
SENATE BILL 5444

AS AMENDED BY THE HOUSE

Passed Legislature - 1991 First Special Session

State of Washington 52nd Legislature 1991 Regular Session

By Senators Moore and A. Smith.

Read first time January 31, 1991. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to the duty of a bank customer to discover and
2 report unauthorized signatures and alterations; and amending RCW 62A.4-
3 406.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 62A.4-406 and 1967 c 114 s 1 are each amended to read
6 as follows:

7 (1) When a bank sends to its customer a statement of account
8 accompanied by items paid in good faith in support of the debit entries
9 or holds the statement and items pursuant to a request or instructions
10 of its customer or otherwise in a reasonable manner makes the statement
11 and items available to the customer, the customer must exercise
12 reasonable care and promptness to examine the statement and items to
13 discover his or her unauthorized signature or any alteration on an item
14 and must notify the bank promptly after discovery thereof.

1 (2) If the bank establishes that the customer failed with respect
2 to an item to comply with the duties imposed on the customer by
3 subsection (1) of this section the customer is precluded from asserting
4 against the bank:

5 (a) His or her unauthorized signature or any alteration on the item
6 if the bank also establishes that it suffered a loss by reason of such
7 failure; and

8 (b) An unauthorized signature or alteration by the same wrong-doer
9 on any other item paid in good faith by the bank after the first item
10 and statement was available to the customer for a reasonable period and
11 before the bank receives notification from the customer of any such
12 unauthorized signature or alteration.

13 (3) The preclusion under subsection (2) of this section does not
14 apply if the customer establishes lack of ordinary care on the part of
15 the bank in paying the item(s).

16 (4) Without regard to care or lack of care of either the customer
17 or the bank, a natural person whose account is primarily for personal,
18 family, or household purposes who does not within one year and any
19 other customer who does not within sixty days from the time the
20 statement and items are made available to the customer (subsection (1)
21 of this section) discover and report his or her unauthorized signature
22 or any alteration on the face or back of the item or does not within
23 three years from that time discover and report any unauthorized
24 indorsement is precluded from asserting against the bank such
25 unauthorized signature or indorsement or such alteration.

26 (5) If under this section a payor bank has a valid defense against
27 a claim of a customer upon or resulting from payment of an item and
28 waives or fails upon request to assert the defense the bank may not
29 assert against any collecting bank or other prior party presenting or

- 1 transferring the item a claim based upon the unauthorized signature or
- 2 alteration giving rise to the customer's claim.

Passed the Senate June 25, 1991.

Passed the House June 19, 1991.

Approved by the Governor July 2, 1991.

Filed in Office of Secretary of State July 2, 1991.