554.12402 Obligation of sender to pay receiving bank.

1. This section is subject to sections 554.12205 and 554.12207.

2. With respect to a payment order issued to the beneficiary's bank, acceptance of the order by the bank obligates the sender to pay the bank the amount of the order, but payment is not due until the payment date of the order.

3. This subsection is subject to subsection 5 and to section 554.12303. With respect to a payment order issued to a receiving bank other than the beneficiary's bank, acceptance of the order by the receiving bank obligates the sender to pay the bank the amount of the sender's order. Payment by the sender is not due until the execution date of the sender's order. The obligation of the sender to pay the sender's payment order is excused if the funds transfer is not completed by acceptance by the beneficiary's bank of the payment order instructing payment to the beneficiary of the sender's payment order.

4. If the sender of a payment order pays the order and was not obligated to pay all or part of the amount paid, the bank receiving payment shall refund payment to the extent the sender was not obligated to pay. Except as provided in sections 554.12204 and 554.12304, interest is payable on the refundable amount from the date of payment.

5. If a funds transfer is not completed as stated in subsection 3 and an intermediary bank is obligated to refund payment as stated in subsection 4 but is unable to do so because the intermediary bank is not permitted by applicable law or because the bank suspends payments, a sender in the funds transfer that executed a payment order in compliance with an instruction, as stated in section 554.12302, subsection 1, paragraph "*a*", to route the funds transfer through the intermediary bank is entitled to receive or retain payment from the sender of the payment order that it accepted. The first sender in the funds transfer that issued an instruction requiring routing through that intermediary bank is subrogated to the right of the bank that paid the intermediary bank to refund as stated in subsection 4.

6. The right of the sender of a payment order to be excused from the obligation to pay the order as stated in subsection 3 or to receive refund under subsection 4 may not be varied by agreement.

92 Acts, ch 1146, §27

Referred to in §554.12303, 554.12304, 554.12403, 554.12405