

SENATE BILL REPORT

2SHB 1182

As Reported By Senate Committee On:
Law & Justice, February 15, 1996

Title: An act relating to the uniform commercial code.

Brief Description: Modifying the uniform commercial code.

Sponsors: House Committee on Law & Justice (originally sponsored by Representatives Hickel and Appelwick).

Brief History:

Committee Activity: Law & Justice: 3/16/95 [DPA]; 2/15/96 [DP].

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass.

Signed by Senators Smith, Chair; Fairley, Vice Chair; Haugen, Johnson, Long, McCaslin, Roach and Schow.

Staff: Cynthia Runger (786-7717)

Background: The Uniform Commercial Code (UCC) governs commercial transactions. The UCC is divided into 11 articles. Several provisions in various articles contain cross-references to other provisions in other articles. In 1993, the Legislature substantially revised Articles 3 and 4 in accordance with recommendations of the National Conference of Commissioners on Uniform State Laws. The 1993 act did not amend some provisions of the UCC that contain cross-references to sections that were amended or repealed by the 1993 act.

Two conflicting provisions of law govern imposition and calculation of interest on commercial instruments. The long-standing rule in Washington is that a loan bears interest at 12 per cent per annum unless the parties agree in writing to another rate. However, a provision in the UCC that governs negotiable instruments provides that unless otherwise provided in the instrument, an instrument is not payable with interest. The provision further provides that if the instrument allows for interest but does specify the rate, the rate will be set at the judgment rate in effect at the place of payment and at the time interest first accrues.

Summary of Bill: Technical changes to the Uniform Commercial Code are made to update cross-references, delete references to repealed sections, and reflect name changes.

The two conflicting provisions of law governing imposition and calculation of interest are reconciled by repealing the section in the UCC which states that, unless otherwise provided in the instrument, a negotiable instrument is payable without interest. A reference to the

Washington rule is included. Therefore, absent an agreed interest rate, the interest rate is 12 percent per annum.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: None.

Testimony Against: None.

Testified: No one.