

**355.4A-406 Payment by originator to beneficiary -- Discharge of underlying obligation.**

- (1) Subject to KRS 355.4A-211(5), 355.4A-405(4), and 355.4A-405(5), the originator of a funds transfer pays the beneficiary of the originator's payment order:
  - (a) At the time a payment order for the benefit of the beneficiary is accepted by the beneficiary's bank in the funds transfer; and
  - (b) In an amount equal to the amount of the order accepted by the beneficiary's bank, but not more than the amount of the originator's order.
- (2) If payment under subsection (1) is made to satisfy an obligation, the obligation is discharged to the same extent discharge would result from payment to the beneficiary of the same amount in money, unless:
  - (a) The payment under subsection (1) was made by a means prohibited by the contract of the beneficiary with respect to the obligation;
  - (b) The beneficiary, within a reasonable time after receiving notice of receipt of the order by the beneficiary's bank, notified the originator of the beneficiary's refusal of the payment;
  - (c) Funds with respect to the order were not withdrawn by the beneficiary or applied to a debt of the beneficiary; and
  - (d) The beneficiary would suffer a loss that could reasonably have been avoided if payment had been made by a means complying with the contract. If payment by the originator does not result in discharge under this section, the originator is subrogated to the rights of the beneficiary to receive payment from the beneficiary's bank under KRS 355.4A-404(1).
- (3) For the purpose of determining whether discharge of an obligation occurs under subsection (2), if the beneficiary's bank accepts a payment order in an amount equal to the amount of the originator's payment order less charges of one (1) or more receiving banks in the funds transfer, payment to the beneficiary is deemed to be in the amount of the originator's order unless upon demand by the beneficiary the originator does not pay the beneficiary the amount of the deducted charges.
- (4) Rights of the originator or of the beneficiary of a funds transfer under this section may be varied only by agreement of the originator and the beneficiary.

**Effective:** July 14, 1992

**History:** Created 1992 Ky. Acts ch. 116, sec. 54, effective July 14, 1992.