



DOCDEX Decisions on Standbys



DOCDEX Decision No. 382

Parties to the query

Claimant: Beneficiary

Respondent: Issuing Bank

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- The applicant under the credit went into administration, and administrators were appointed to liquidate the applicant.
- Documents were submitted by a presenting bank, on behalf of the Claimant, to the Respondent.
- Subsequently, the Respondent issued a notice of dishonour to the presenting bank, citing four identified discrepancies.

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- At a later date, the Respondent sent a message to the presenting bank stating that the applicant did not accept the discrepancies, and separately returned the documents to the presenting bank.
- The Claimant responded by stating that the time taken to send the notice of dishonour was unreasonable and that the Respondent was, therefore, precluded from rejecting the documents.

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- In order to avoid further delay in payment, the Claimant removed the invoices that had apparently caused the stated discrepancies. The remaining documents, which were exactly the ones returned by the Respondent without any replacement or modification, were re-submitted by the presenting bank.
- The Respondent consequently sent a new notice of dishonour to the presenting bank raising three new discrepancies which had not been mentioned previously.



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- The documents were returned again by the Respondent.
- The Claimant argued that the alleged discrepancies were not valid, and that the Respondent was not allowed to raise new discrepancies

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DECISION

- It was concluded that the timing of both presentations was not unreasonable.
- For the second presentation, the Respondent was not allowed to raise new discrepancies. On this basis, the second presentation was compliant, and the Respondent was obligated to honour the re-presentation.



DOCDEX Decision No. 373

Parties to the query

Claimant: Beneficiary

Respondent: Issuing Bank

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- A demand was made by the Claimant, including a draft and the beneficiary's written statement.
- A number of days later, the Respondent rejected the presentation claiming “SBLC overdrawn”.
- Pursuant to an extensive exchange of communications between the Respondent and the Claimant, the Respondent requested the Claimant to represent the draft and written statement.

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- The Claimant complied accordingly, and the Respondent then again rejected the presentation, this time stating that the standby credit had expired.
- It was queried, amongst other questions, whether the notice of refusal from the Respondent for the initial presentation was sent to the Claimant within a reasonable time.

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DECISION

- It was agreed that, given the simple nature of the demand, a refusal sent on the 5th business day was not timely and was unreasonable.
- As the Respondent did not provide a timely notice of dishonour it was obligated to pay the Claimant for the value available under the credit.



DOCDEX Decision No. 367

Parties to the query

Claimant: Issuing Bank, local Standby Credit

Respondent: Issuing Bank, counter Standby Credit



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- The Claimant issued a local standby credit based upon the instructions and language contained in a counter standby credit issued in their favour by the Respondent. Both credits were subject to the ISP98.
- The Claimant made a claim against the Respondent's counter standby. Accordingly, upon receipt of the complying demand, the Respondent became obligated to honour. However, the Respondent received a court order stopping 2/3 of the demand, subsequently notified the Claimant and paid the available 1/3 portion.

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- The Claimant paid the amount received to the beneficiary of their local standby. Once the court order was lifted, the Claimant contacted the Respondent for payment of the outstanding amount together with interest from date of original settlement to the date of payment of the outstanding amount. The Respondent declined, stating that their counter standby had expired.



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DECISION

- The Respondent honoured to the extent permitted by a court order but, under the ISP98 rule 2.01, remained obligated for the balance of the original complying demand upon the lifting of the court order.
- Furthermore, the Respondent was in breach of the ISP98 rule 2.01 (b) by effecting a smaller amount rather than the sum demanded.

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