Week 3 Discussion

Student’s Name

Institution

Date

**Scenario 2 - Negotiable Instruments**

Under section 30, 32, 35 and 42 the negotiation instrument is clearly defined to provide guidance on the way liberty if treated. However, the holder in due course changes when the bank Sun Trust bank transferred the debt to the First bank in New York City. Holder in due course referred to as the subsequent holder of the negotiated instrument. Therefore, the loan of $30,000 was a negotiated instrument between Ginny DeWitt and Sun Trust Bank. The holder in due course is the new holder of the instrument who has accepted in good faith for the exchange with something valuable. It is also important to point that when Ginny took the note from SunTrust Bank, Ginny became the holder on the due course; it is because by the time Ginny accepted a loan from he negotiated and accepted terms of the condition of such a loan. This means that he had no choice due to section (30) of the negotiation instrument; Ginny had accepted the responsibilities and must pay the loan.

But when the loan was transferred to First Bank, the bank accepted the responsibilities to get the loan paid by the Ginny to the bank. It is also significant to note that when Ginny failed to pay the debts has agreed and signed by him, the bank had all the rights under section 32 of the liability of Acceptor of the Bill and Maker of Note. It means that the SunTrust Bank has hired First Bank of New York to collect the said amount from Ginny (Philips, 2015). However, under section 36 of liability of prior Parties, the original issuer of the loan or the instrument has the liability towards the holder in due course, until the instrument negotiated is fully paid (Lean, 2018). In the case of dishonor, the holder in due course can declare all or any prior parties to be liable and should pay for the amount. It means that if any case, Ginny declined to clear off the loan, SunTrust bank can decide to declare that First Bank and Ginny are responsible or either of them is liable for the lost.

The argument of Ginny is not valid and it is not supported by the liability act or any other law. It is noted that Ginny signed a note with SunTrust Bank and therefore, it makes her the legal holder in due course of the loan. It means that it owes the bank a total of $30,000 as agreed and signed by him as required under section 36, and 35 of the liability parties. In this case, she became a drawer and became liable for the loan repayment. However, the argument of Ginny that the loan is not valid because she did not sign any note with First Bank could be valid if the bank does not have an appointment letter stating that it is supposed to collect a certain check on behalf of the SunTrust Bank. It is required for the banks to sign a transfer of due in course for it to be recognized and applicable. And if the two banks signed a note it is bidding and it has all the rights to coming for the amount from Ginny. Ginny would be forced to pay, the sum of $30,000 to the First Bank New York. Despite that that First Bank did not sign the statement or note with the Ginny. Under section 1-201 (20) the instrument is still payable to the identified party. However, the identity part is First Bank which has been appointed by the SunTrust to get the loan paid by Ginny. And therefore, Ginny would be required to pay the loan to First Bank of New York as required under section 1–201 (20) of Uniform Commercial Code.

The case might end in favor of the First Bank. The court is likely to run in the favor of the bank since it was endorsed by the issuer of the instrument. Under Liability Act section 32 to 35, the issuer of the instrument has the power under the law to appoint an identified person to collect the instrument form the holder in due course.

Part b

**Prevention of forgery (internal employees)**

The company intends to work with employees and the stakeholders to improve the trust among employees. Forgery is one of the issues, which affect the profitability of the company. Therefore, the company deploys ICT within its system to countercheck every process especially signature and other forms, which can be forged. It should also install anti-forgery systems to safeguard financial files and other information which might be targeted (Michael, 2015).

Gift cards

The gift card can also be protected by ensuring that security features are used when making the card. Gift cards without security features can easily be stolen and then used by any third party. It is, therefore, the responsibilities of the company to protect their servers from any authorized entry into the system, which can compromise the security of gift cards (Benjamin, 2015). Access to the information related to gift cards or any electronic materials can compromise the security of the company

**Acceptance of payment by electronic means, such as PayPal**

The electronic mode of payment can be protected using strict policies and string passwords, which can prevent any unauthorized access to the payment or any electronic payment which a company has.

# References

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Philips, R. (2015). Holder in Due Course and Defenses. *https://2012books.lardbucket.org/pdfs/the-law-corporate-finance-and-management/s24-holder-in-due-course-and-defen.pdf*, 12-38.