

How does the uniform
commercial code
treat goods that are
fraudulently obtained
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Business

The American Law Institute and the National Conference of Commissioners on Uniform State Laws joined together on a project known as the Uniform Commercial Code; it is merely a recommendation for the states to adopt uniform laws. Under the UCC, if a seller obtained the good by fraud, then he has a voidable title. A possible way of obtaining through fraud could be by paying through a check which was dishonored later or purchasing from a minor or even purchasing on credit when he was actually in an insolvent condition. In such a case, the voidable title would give the power to the seller to transfer the title of the good to a purchaser in good faith (Unknown, 1963). The good faith purchaser is that person who has no knowledge of the whole situation and is unaware of the fraud so cannot inquire the validity of the title of the seller. There is no way that the real owner can recover the goods from someone who has purchased in good faith.

If someone acquired the goods through theft, he gains the void title; but someone who acquired the good through fraud does not get void title. And when a good faith purchaser for value buys the good from the defrauder, a clear title is transferred and there is no claim at all of the fraud (Smith, 1968). The UCC section 2-402 clearly states that unless good value is given by the buyer and has purchased in good faith, there is no chance of fraudulent transaction at all. As compared to the Sales Act, the Code protects the good faith purchaser for value only when he takes the good from the defrauder while being face-to-face (King and King et al., 2011). So a good that has been obtained fraudulently gives the defrauder the right to sell

it and transfer its title until and unless the buyer makes a good faith purchase with value.

References

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