

# Seigel v. merrill lynch analysis

Law



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Titus Rock Manickam Order No. 264221 23 December 2008

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Introduction

Merrill Lynch accidentally paid checks amounting to \$143, 000 to various casinos in Atlanta City, New Jersey, in spite of instructions from their client, Seigel, to stop payment against these checks. The payments were made to these casinos for the losses suffered by Seigel on account of gambling.

Seigel dragged Merrill Lynch to court for the lapse. The court, however, ruled in favor of Merrill Lynch since the plaintiff was indebted to the casinos. Seigel owed the casinos monies for the losses incurred by him in gambling.

Analysis and Evaluation of Key Concepts of the Case

Under UCC 4-403 and 4-407, Seigel did not suffer actual loss from Merrill Lynch mistakenly making payments to the order of \$ 143, 000. As a matter of fact, Seigel was obliged to make these payments anyway. There was no reason for him to stop making these payments. It is also a fact that he had given instructions to Merrill Lynch to stop payment against the checks issued by him to the casinos against gambling chips. However, the court ruled that since Seigel had not suffered any actual loss and the checks were payments rightfully made in view of his gambling dues, Merrill Lynch could not be convicted for any wrong doing.

Prima facie, Merrill Lynch erred in not adhering to the instructions to stop payments against the checks. It was a mistake on the part of Merrill Lynch to pass the checks after having received instructions from their client, Seigel, to stop making payments against these checks. In fact, Merrill Lynch did stop payments against many checks issued to the casinos by Seigel. However,

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they did not fully adhere to instructions and cleared certain checks amounting to \$143, 000 issued by Seigel to these casinos.

#### Discussion of the Case

The court's view that since Seigel abrogated his rights to these monies after losing them to the casinos, he could not seek legal reprieve even if Merrill Lynch had overlooked his instructions to stop payment against these checks appear proper and fair. The casinos would have dragged Seigel to court in case they did not get their money. Of course, there is the possibility of Seigel allowing the payments to be made at a later date. But this is only a surmise and does not merit legal scrutiny.

One fails to understand what Seigel expected from the court. The losses must have rattled him. An organization of the level of Merrill Lynch does keep itself inured against such lapses and they have the legal departments to fight these cases. It must also be said in favor of Merrill Lynch that they did not clear many checks after having received Seigel's instructions to stop payments.

#### Conclusion

It is difficult to understand Seigel's plan. He instructed Merrill Lynch to stop payments against the checks issued to the casinos and liquidated his account. If he has liquidated his account, there is no chance for the casinos to recover the amounts owed to them by Seigel except to write off the amounts or to recover them through some other means. The casinos are capable of mounting pressure on Seigel.

#### Source:

West Case Update, [http://www. swlearning.](http://www.swlearning.com/blaw/cases/negotiable/0401_negotiable_01.html)

[com/blaw/cases/negotiable/0401\\_negotiable\\_01. html](http://www.swlearning.com/blaw/cases/negotiable/0401_negotiable_01.html)

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