Chp 26 dis

Law

Chapter 26 discussion Sears sold a lawn tractor to Cosmo Fiscante for 481. Fiscante paid with his personal credit card. Sears kept a valid security interest in the lawnmower but did not perfect. Fiscante had the machine delivered to his business, Trackers Raceway Park, the only place he ever used the machine. When Fisante was unable to meet his obligations, various creditors attempted to seize the lawnmower. Sears argued that because it had a Purchase Money Security Interest (PMSI) in the lawnmower, its interest had perfected automatically. Is Sears correct?

In the above case, Sears was therefore correct to say that its PMSI had automatically perfected once they sold the lawnmower to Cosmo Fiscante on credit. This is because the lawnmower by Sears was a non-inventory collateral because the debtor (Cosmo Fiscante) retained the good. This therefore automatically perfects the PMSI of Sears and hence the Sears have the legal obligation to regain the lawnmower and take it back and not the other creditors who claim it.

A Purchase Money Security Interest (PMSI) is a type of legal guarantee for a seller against other creditors in case the debtor becomes bankrupt or is unable to meet his or her obligation. The PMSI is only considered valid if it is perfected by the seller. Perfecting of the PMSI depends on whether the good sold is an inventory or non-inventory collateral. Inventory collateral has to be followed by a notification to the debtor in order for the PMSI to be considered perfected. In the case of non-inventory collateral, no notification is required and once the good is given to the debtor, then the PMSI is considered to be perfected (Miller and Jentz, 454).

Works Cited

Miller, Roger and Jentz, Gaylord. Business Law Today: The Essentials. New York: Cengage Learning, 2010.