

Interpret the law of secured transactions

Law



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Interpret the law of secured transactions. Jennifer Reed Prof Muller Applied Business Law September 6, Metro bank in accordance to personal securities act 1999 the main rule for priority of financial statements is present in section 66; whereas a perfected security interest has an advantage over unperfected security interest in the same (Miller, 2011). The party that undergoes the perfection first has the priority on the collateral regardless of whether the perfection was by registration or possession. However, an exception exist where there is purchase money security interest. In its existence, a Purchase Money Security Interest has a priority over general security interest. Article nine of the Uniform Commercial Code states that security interests are termed as personal property.

According to the case, the first party to present the financing statement has priority to the collateral. Therefore, by filing the financing statement in advance, a party can perfect a security interest in the collateral. Therefore, this makes the party a secured creditor; in addition, the secured party creditors' interest is also protected through the collateral (Miller, 2011).

The creditor who acquired the security interest later also has a valid claim towards the collateral. Nevertheless, the later creditor is considered a junior creditor therefore; his security interest has less priority than the first creditor. Even though the later creditor had no prior knowledge of the collateral, the first creditor has priority over the collateral. The first creditor filed the notice first thus creating a useful knowledge for all future creditors (Miller, 2011).

With regard to article 9 of the Uniform Commercial code, the interests are referred to as personal property. This is well to reveal the fact that according to the case, Metro Bank does not offer a quantitative statement to ensure
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that it receives as collateral if any as it claims (Duncan, Lyons, & Wilson, 2011). It is also the law according to the article that any other auxiliary shareholders or creditors should file statements that are clear to reveal the financial position of the company. In the given case, it is expressed that Metro Bank did not carry out enough survey to find out the source of the assets in terms of financial statements that Agile Corporation borrowed. Had Metro Bank carried out a full analysis of the assets without rushing out to offer the amount of Money that it did to the corporation, it would have found out that Agile Group had borrowed 1 million dollars from Hi Finance Company. The security interest that Metro Bank bore at this point, where Agile breached the contract leaves the bank at a point where it does not bear enough evidence to build up a strong case defaulting Agile for their actions. However, Hi Finance has a rather strong case because almost all the securities that Agile bore for them would be repaid. This is done again with reference to article 9 where Hi Finance as advantage would take in the assets belonging to Agile Corporation (Mann & Roberts, 2012).

Hi finance company (HFC) through the financial statement they filed with the state had perfected their security interest in the collateral first. Metro bank also have a claim because they had perfected their security interest. However, they are considered juniors to Hi finance company. Therefore, HFC has better collateral to the claim in discussion.

References

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