

Business law: the written agreement

Law



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Frank can only have an enforceable security interest if three conditions are fulfilled: the written agreement includes the value of the car that has been given as collateral, Eddie has rights over the car or has the ability to have rights over that car and also Eddie must have authenticated the security agreement with a description of the car or Frank is in control of the car. If the above three conditions have been included in the agreement, then Frank can say that he has security interests and this is enforceable by law, if not, then he has no security interests and just has to depend on Eddie to pay back the loan as per their agreement.

How can Frank let other creditors know of his interest in the car?

If Frank has an enforceable security interest under the Uniform Commercial Code (UCC) Article 9, then he can be granted perfection of the security agreement. This means that he can file a notice in the public office. This notice is for other creditors to be notified of the security interest Frank has in that car. In order for this notice to be enforceable, Frank has to provide Eddie's name, description of the car and his name or the name of his representatives (if he has security interests already). This notice (also called a financial statement) is valid for a period of five years from the time it is filed, but that period can be extended (Sepinuck 90).