

§ 25-12-106. Discharge of account debtor on controllable account or controllable payment intangible.

(a) Discharge of Account Debtor. – An account debtor on a controllable account or controllable payment intangible may discharge its obligation by paying either of the following persons:

- (1) The person having control of the controllable electronic record that evidences the controllable account or controllable payment intangible.
- (2) Except as provided in subsection (b) of this section, a person that formerly had control of the controllable electronic record.

(b) Content and Effect of Notification. – Subject to subsection (d) of this section, the account debtor shall not discharge its obligation by paying a person that formerly had control of the controllable electronic record if the account debtor receives a notification that satisfies all of the following requirements:

- (1) The notification is signed by a person that formerly had control or the person to which control was transferred.
- (2) The notification reasonably identifies the controllable account or controllable payment intangible.
- (3) The notification notifies the account debtor that control of the controllable electronic record that evidences the controllable account or controllable payment intangible was transferred.
- (4) The notification identifies the transferee, in any reasonable way, including by name, identifying number, cryptographic key, office, or account number.
- (5) The notification provides a commercially reasonable method by which the account debtor is to pay the transferee.

(c) Discharge Following Effective Notification. – After receipt of a notification that complies with subsection (b) of this section, the account debtor may discharge its obligation by paying in accordance with the notification and shall not discharge the obligation by paying a person that formerly had control.

(d) When Notification Ineffective. – Subject to subsection (h) of this section, all of the following apply to a notification under subsection (b) of this section:

- (1) The notification is ineffective unless, before the notification is sent, the account debtor and the person that, at that time, had control of the controllable electronic record that evidences the controllable account or controllable payment intangible agree in a signed record to a commercially reasonable method by which a person may furnish reasonable proof that control has been transferred.
- (2) The notification is ineffective to the extent an agreement between the account debtor and seller of a payment intangible limits the account debtor's duty to pay a person other than the seller and the limitation is effective under law other than this Article.
- (3) The notification is ineffective at the option of the account debtor, if the notification notifies the account debtor to do any of the following:
 - a. Divide a payment.
 - b. Make less than the full amount of an installment or other periodic payment.
 - c. Pay any part of a payment by more than one method or to more than one person.

(e) Proof of Transfer of Control. - Subject to subsection (h) of this section, if requested by the account debtor, the person giving the notification under subsection (b) of this section seasonably shall furnish reasonable proof, using the method in the agreement referred to in

subdivision (d)(1) of this section, that control of the controllable electronic record has been transferred. Unless the person complies with the request, the account debtor may discharge its obligation by paying a person that formerly had control, even if the account debtor has received a notification under subsection (b) of this section.

(f) What Constitutes Reasonable Proof. – A person furnishes reasonable proof under subsection (e) of this section that control has been transferred if the person demonstrates, using the method in the agreement referred to in subdivision (d)(1) of this section, that the transferee has the power to do all of the following:

- (1) Avail itself of substantially all the benefit from the controllable electronic record.
- (2) Prevent others from availing themselves of substantially all the benefit from the controllable electronic record.
- (3) Transfer the powers specified in subdivisions (1) and (2) of this subsection to another person.

(g) Rights Not Waivable. – Subject to subsection (h) of this section, an account debtor shall not waive or vary its rights under subdivision (d)(1) and subsection (e) of this section or its option under subdivision (d)(3) of this section.

(h) Rule for Individual Under Other Law. – This section is subject to law other than this Article that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes. (2025-25, s. 57.)