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Letter of Credit: Notice of Refusal Must Comply with Art 16 UCP 600

Malayan Banking Berhad v Punjab National Bank^[1]

On 28.1.2014, Maybank, as negotiating bank, brought a claim against Punjab National Bank, the issuing bank, for reimbursement of the sums paid to a beneficiary under a letter of credit issued by Punjab National Bank. The letter of credit was governed by the Uniform Customs and Practice for Documentary Credits, 2007 Revisior International Chamber of Commerce Publication 600 (UCP 600).

Punjab National Bank disputed its obligation to reimburse Maybank primarily on the grounds that the documents required under the letter of credit (LC Documents) presented to it were discrepant and a notice of refusal was given to Wells Fargo Bank, New York, to reject the LC Documents. Wells Fargo Bank was the agent appointed by Maybank to trace and receive payment under the letter of credit.

In allowing Maybank's claim, the High Court held:

- (a) To avoid liability and the obligation to pay and reimburse Maybank on the ground of discrepancy, Punjab National Bank must give a notice of refusal which strictly complies with Art 16(c) & (d) of UCP 600, failing which it would be precluded by Art 16(f) from claiming the LC Documents were discrepant.
- (b) The notice of refusal given by Punjab National Bank to Wells Fargo Bank was invalid as it was not given to Maybank, the presenter of the LC Documents, and it did not state Punjab National Bank was refusing to honour or negotiate, as required under Art 16(c) of UCP 600.
- (c) Maybank, as the negotiating bank, was entitled to determine its own manner of negotiation of documents.
- (d) The opinions published by the International Chamber of Commerce on documentary credit should be given substantial weight as they represent the views of considerable experts on the subject matter.

This decision emphasised the requirements to comply strictly with the UCP 600 in order for the issuing bank to refuse reimbursement under a letter of credit transaction.

The grounds of judgment of the High Court may be viewed [here](#). Punjab National Bank has appealed to the Court of Appeal.

Maybank was represented by partner, Mong Chung Seng, and senior associate, Chia Oh Sheng, of [Lee Hishammuddin Allen & Gledhill](#).

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