

# COLLECTED **DOCDEX** DECISIONS

2013-2016



Decisions by ICC experts on Documentary Credits,  
Collections, Reimbursements and Demand Guarantees

# Contents

## Foreword

## Contents

### **DOCDEX Decision No. 321**

#### **URR 725 sub-article 8 (a) and article 4**

Was the issuing bank liable to honour the drawings made under the L/C when it had accepted all of the presented documents? Was the reimbursing bank liable to pay after it had been instructed by the issuing bank to stop all payments under the L/Cs until further notice and when it had not issued any reimbursement undertaking?

### **DOCDEX Decision No. 322**

#### **UCP 600 articles 18 and 24; sub-articles 14 (d) and (f); and ISBP 681 paragraph 20**

When a standby letter of credit was issued under UCP 600 and required the presentation of an unpaid commercial invoice and copies of one or more CMRs, was a bank required to examine such documents according to UCP 600 articles 18 or 24? Were assertions that the name of the carrier(s) on CMRs were not stated or incomplete or lacked a country name valid discrepancies? Did silence by the Initiator (as beneficiary under the credit) or the presenting bank constitute an agreement or acceptance of the discrepancies asserted by the Respondent?

### **DOCDEX Decision No. 323**

#### **UCP 600 article 14; sub-articles 16 (c) and (d), 12 (c)**

Did Respondent 1 fail to indicate to the Initiator the discrepancies in the documents, within the stipulated period under article 14 and did it also fail to issue a notice of refusal as stipulated under sub-article 16 (c)? Did Respondent 2 fail to indicate to the Initiator the discrepancies in the documents within the stipulated period under article 14 and also did it fail to issue a notice of refusal as stipulated under sub-article 16 (c)?

### **DOCDEX Decision No. 324**

**This Decision was withdrawn.**

### **DOCDEX Decision No. 325**

#### **UCP 600 article 18; sub-article 18 (a) (ii) and 38 (g)**

Whether, according to UCP 600 article 18, it was necessary to include “to applicant” on the commercial invoice

### **DOCDEX Decision No. 326**

#### **URC 522 sub-articles 2 (d) (i), 4 (a) (i), 19 (b) and 1 (c)**

When the collections remained unpaid and the Respondent never returned the original documents, did the Respondent act in accordance with the provisions of URC 522? Was the Respondent bound to pay the outstanding amount? Was the matter of illegality of the goods relevant to the case?

### **DOCDEX Decision No. 327**

#### **UCP 600 sub-articles 14 (a), 14 (b), 16 (c), 16 (f) and articles 14 and 16; UCP 600 sub-article 4 (a); URDG 758 sub-articles 15 (c), 15 (b), 15 (a) and 5 (b)**

Whether the issuing bank had complied with UCP 600 article 16? Whether the issuing bank had acted within the terms of the credit? Whether claims under two associated counter-guarantees were justified?

### **DOCDEX Decision No. 328**

#### **UCP 500 sub-article 14 (e)**

Given a court order, was it justified for an issuing bank to withhold documents and not return them to the negotiating bank? Was the issuing bank obligated to pay the negotiating bank?

### **DOCDEX Decision No. 329**

#### **ISBP 681 paragraph 25; UCP 600 sub-article 14 (d)**

Was a missing credit number and date sufficient justification to refuse documents? Could a mistyping be considered as a discrepancy?

### **DOCDEX Decision No. 330**

#### **UCP 600 articles 4 and 5 and sub-articles 14 (a) and (d); UCP 600 sub-article 18 (b) and (c) and ISBP 745 paragraph C12 (b); ISBP 745 paragraph A6, UCP 600 sub-articles 14 (f) and (d); UCP 600 article 19 and sub-article 14 (d)**

Whether discrepancies were invalid once they presented no obstacle to successful performance by the beneficiary? Whether, in any event, the discrepancies were valid?

### **DOCDEX Decision No. 331**

#### **UCP 600 article 14 (d)**

Whether a certificate of origin showing FOB value and an invoice showing CIF value for the same amount were conflicting?

### **DOCDEX Decision No. 332**

#### **UCP 600 article 10 (a)**

Whether a beneficiary could revoke its consent to the cancellation of a documentary credit? Whether an advising bank could demand payment from the issuing bank following the cancellation and removal of a documentary credit from its records?

### **DOCDEX Decision No. 333**

#### **URC 522 sub-articles 2 (a) (ii), 1 (c), 5 (a), 16 (a), 26 (c) (iii) and 1 (a), articles 26 and 6**

Whether a collecting/presenting bank had the right not to pay, nor return original documents, based on the argument that the collecting/presenting bank had filed a police report.

### **DOCDEX Decision No. 334**

#### **URDG 758 articles 5 and 6, sub-articles 15 (a), 19 (a), 20 (a), 24 (d) and 24 (f)**

Whether a claim lodged by the beneficiary was in strict compliance with the terms and conditions of the guarantee and met the requirements of URDG? Did the issuing bank reject the demand in due time?

### **DOCDEX Decision No. 335**

#### **UCP 600 sub-articles 14 (a), 14 (b), 16 (c) (i), 16 (c) (iii) and 16 (f)**

Whether an issuing bank was precluded from claiming that the documents did not constitute a complying presentation in accordance with UCP 600 sub-article 16 (f)?

### **DOCDEX Decision No. 336**

#### **URDG 758 sub-articles 14 (a) and 25 (b) (i), article 2**

Whether it was correct for an issuing bank to refuse a claim under a demand guarantee issued subject to URDG 758 on the basis that the demand was not presented within the time for presentation as provided by the guarantee?

### **DOCDEX Decision No. 337**

#### **ISBP 745 paragraph C8 and UCP 600 article 1**

Was it correct for an issuing bank to refuse revised drafts and insurance certificates on the basis that an amendment under the credit had stated that all documents must comply on first presentation?

### **DOCDEX Decision No. 338**

**URDG 758 sub-article 15 (b) and article 22; URDG 758 sub-article 20 (b); URDG sub-articles 24 (d), 24 (h) and 5 (b); URDG articles 34 and 35**

Was there a requirement for the Initiator to present a copy of beneficiary's claim? Was the alleged discrepancy made by the Respondent a valid discrepancy? Could the Respondent raise further discrepancies at a future date in respect of the copy of the beneficiary's claim? Could the counter-guarantor withhold payment from or reimbursement to the Initiator pending receipt of presentation documents under the local guarantee of the Initiator? What was the governing law of the local guarantee, which was issued by the Initiator subject to URDG 758 as requested and authorised by the Respondent?

### **DOCDEX Decision No. 339**

**URC 522 articles 4, 1 and 2**

Whether or not the presenting bank was obligated to pay a collection in view of the fact that the documents had been released to the drawee, and the drawee had obtained delivery of the goods using the bill of lading?

### **DOCDEX Decision No. 340**

**This Decision was withdrawn.**

### **DOCDEX Decision No. 341**

**UCP 600 sub-articles 14 (b), 14 (d), 14 (f) and 16 (c), ISBP 745 paragraph A39**

Was the Respondent precluded from claiming that the documents did not constitute a complying presentation, since they had not quoted a valid discrepancy and provided a single notice of refusal in accordance with UCP 600 sub-articles 14 (b) and 16 (c)? Did the inspection certificate comply?

### **DOCDEX Decision No. 342**

**URDG 758 sub-articles 14 (a) and 28 (a), article 28**

Was a statement by the beneficiary that a postal delay was caused by a missing postal code a valid excuse for insisting that the guarantor was still obligated to pay?

### **DOCDEX Decision No. 343**

**URDG 458 sub-article 20 (b), articles 10 and 20; sub-articles 10 (a), 10 (b) and 2 (b)**

Had the Respondent failed to honour a valid claim? Given the court order, was it justified for the Respondent to delay payment? Did the Respondent allow an unreasonably long time enabling the applicant to obtain a court order? Was the Respondent obligated to pay?

### **DOCDEX Decision No. 344**

**URDG 458 sub-article 20 (b), articles 10 and 20; sub-articles 10 (a), 10 (b) and 2 (b)**

Had the Respondent failed to honour a valid claim? Given the court order, was it justified for the Respondent to delay payment? Did the Respondent allow an unreasonably long time enabling the applicant to obtain a court order? Was the Respondent obligated to pay?

### **DOCDEX Decision No. 345**

**URC 522 sub-articles 1 (a), 1 (b), 1 (c) and 4 (a) (i); URC 522 sub-article 4 (a) (iii); URC 522 sub-article 1 (c) and article 9**

A collection instruction given by a remitting bank to a collecting bank stated that documents were to be delivered against payment. The documents were released to the drawee without payment being obtained. Did the collecting bank breach URC and the collection instructions?

### **DOCDEX Decision No. 346**

**UCP 600 articles 6 and 1**

An issuing bank refused documents presented under a standby credit on the basis of two discrepancies: expiry of the credit and required supporting documents not being presented. Did the wording of the credit make this a valid refusal?

### **DOCDEX Decision No. 347**

**UCP 600 sub-articles 14 (b) and 16 (d); UCP 600 sub-article 14 (a); UCP 600 sub-articles 16 (c) and 16 (c) (iii)**

Whether the advices of refusal sent from the Respondent to the presenting bank and from the presenting bank to the Claimant were in compliance with UCP 600?

Whether the Issuing Bank was justified to refuse the presentation the words 'steel grade' not being shown on the packing list? Whether the Issuing Bank had given a single notice to the Claimant in accordance with of UCP 600?

### **DOCDEX Decision No. 348**

**URC 522 sub-article 1 (c), article 4 and sub-article 26 (c).**

Whether the Collecting Bank had been responsible in following the instructions of various collection orders in accordance with URC 522?

### **DOCDEX Decision No. 349**

**UCP 600 sub-article 14 (d); UCP 600 article 16, sub-articles 16 (c) and 16 (f)**

An issuing bank refused documents presented under a standby credit on the basis that the LOI omitted 'plus or minus 10%' in second paragraph. Whether or not this was valid? Whether the refusal notice was valid?

### **DOCDEX Decision No. 350**

**URC 522 sub-articles 4 (b) (vi), 12 (a), 1 (a), 1 (b), 1 (c), 2 (a) and 26 (c) (iii) and article 6**

Whether the Respondent breached the provisions of URC 522 and was precluded from claiming non-receipt of documents? Whether the Respondent was liable for payment by not returning the documents?

### **DOCDEX Decision No. 351**

**UCP 600 sub-article 14 (a), sub-article 18 (c), sub-article 14 (d), ISBP 745 paragraphs A23 and C5**

Whether additional wording in an invoice caused a discrepancy? Whether such additional wording created a conflict of data?

### **Index**

UCP 600  
UCP 500  
URR 725  
ISBP 681  
ISBP 745  
URC 522  
URDG 458  
URDG 758

### **Keyword Index**

### **About the Editors**

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### **Appendix 1**

### **DOCDEX RULES**

Contents

ICC Rules for Documentary Instruments Dispute Resolution Expertise  
[In force as from 1 May 2015](#)

## Appendix 2

### **ICC Uniform Customs and Practice for Documentary Credits (UCP 600)**

Contents

ICC Uniform Customs and Practice for Documentary Credits

Supplement for Electronic Presentation  
Version 1.1

## Appendix 3

### **International Standard Banking Practice for the Examination of Documents under UCP 600 (ISBP)**

Contents

General principles

Drafts and calculation of maturity date

Invoices

Transport document covering at least two different modes of transport (“multimodal or combined transport document”)

Bill of lading

Non-negotiable sea waybill

Charter party bill of lading

Air transport document

Road, Rail or Inland Waterway transport documents

Insurance document and coverage

Certificate of origin

Packing list, note or slip (“packing list”)

Weight list, note or slip (“weight list”)

Beneficiary’s certificate

Analysis, Inspection, Health, Phytosanitary, Quantity, Quality and other certificates (“certificate”)

## **Trade Finance Publications**

### **ICC at a glance**

# DOCDEX Decision No. 321

## URR 725 sub-article 8 (a) and article 4

Was the issuing bank liable to honour the drawings made under the L/C when it had accepted all of the presented documents? Was the reimbursing bank liable to pay after it had been instructed by the issuing bank to stop all payments under the L/Cs until further notice and when it had not issued any reimbursement undertaking?

### Parties

Initiator: Bank S (Nominated Bank)  
Respondents: Bank C (Issuing bank)  
Bank G (Reimbursing bank)  
Company E (Applicant)  
Company C (Beneficiary)

### Background

Respondent 1 has not filed an Answer, while Respondents 2, 3, and 4 did in response to the Initiator's Request. This dispute, between the Initiator and the Respondents, relates to the following letters of credit (the "L/Cs"):

	L/C number	L/C issuing date	Amount (US\$)
1.	2008.WO.0001234	15/08/2008	8,411,946.40
2.	2008.WO.0000567	14/11/2008	2,817,926.83
3.	2008.WO.0008910	14/11/2008	14,877,759.24

- > The L/Cs are all subject to UCP 600, URR 725 and are all available by deferred payment. From 17 June 2009 to 14 December 2009, the beneficiary presented discrepant documents to the Initiator, which was the nominated bank under the credit. The Initiator refused to prepay the discrepant documents, and the beneficiary requested the Initiator to send the documents on a collection basis to the issuing bank. The Initiator acted in accordance with the beneficiary's instructions.
- > The issuing bank accepted the presented documents and advised the Initiator of the respective due dates of payment. The Initiator alleges that the issuing bank subsequently released the presented documents to the applicant, who then took delivery of the goods.
- > The reimbursing bank advised the Initiator that the issuing bank had informed it that the Initiator was authorized to seek reimbursement from the reimbursing bank in respect of the drawings accepted by the issuing bank. However, the reimbursing bank expressly stated in the above message that it had not been requested to add its confirmation to the reimbursement authorization, and such advice was given without any engagement on its part. The reimbursing bank honoured all reimbursement claims made by the Initiator until 15 June 2011.
- > Upon enquiry made by the Initiator as to the reason the reimbursement ceased, the reimbursing bank advised the Initiator that it had been instructed by the issuing bank to stop all payments under the L/Cs until further notice. Therefore, the reimbursing bank had no authorization to honour any outstanding reimbursement claims.
- > No reimbursement claims were honoured after 15 June 2011. The claims outstanding amounted to US\$12,283,447.96 (as of 2 July 2012), and the total for transactions maturing in December 2012 is US\$3,846,901.89.

### Issues

#### Initiator's claim

The issuing bank and the reimbursing bank have jointly and severally defaulted in payment to the Initiator after the issuing bank accepted the presented documents under the L/Cs, and the reimbursing bank's suspension of reimbursement under instructions of the issuing bank constituted a contractual breach.

#### Respondents' replies

The reimbursing bank contends that the authorization to reimburse the Initiator was withdrawn by the issuing bank, and the reimbursing bank ceased to have any payment obligations towards the Initiator.