

HOUSE BILL REPORT

SB 5444

*As Reported By House Committee on:
Financial Institutions & Insurance*

Title: An act relating to the duty of a bank customer to discover and report unauthorized signatures and alterations.

Brief Description: Extending the time for a bank customer to discover and report unauthorized signatures and alterations.

Sponsor(s): Senators Moore and A. Smith.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, April 5, 1991, DP.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *Do pass.* Signed by 11 members: Representatives Dellwo, Chair; Zellinsky, Vice Chair; Broback, Ranking Minority Member; Mielke, Assistant Ranking Minority Member; Anderson; Inslee; R. Johnson; R. Meyers; Paris; Schmidt; and Winsley.

Staff: John Conniff (786-7119).

Background: A bank customer must exercise reasonable care and promptness in examining a statement of his or her account to discover an unauthorized signature or other alteration. If the customer identifies such an alteration, he or she must promptly notify the bank.

Regardless of the customer's care, he or she is prohibited from asserting such an alteration against the bank unless the customer discovers and reports the alteration to the bank within 60 days. The 60-day period is measured from the time the statement is made available to the customer.

Summary of Bill: The period of time in which a bank customer must discover and report an unauthorized signature or other alteration is changed.

A customer must discover and report any such alteration within one year in order to assert the alteration against the bank.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Washington should join the 44 other states which follow the Uniform Commercial Code in permitting bank customers to notify the bank of unauthorized check alterations for a period of up to one year. Only one other state has as short a reporting period as Washington.

Testimony Against: Washington has limited the reporting of check alterations for decades. The law should not be changed now because of isolated problems. A short period of time protects financial institutions and forces customers to diligently and promptly review their bank statements.

Witnesses: Jon G. Schneidler, attorney for Carl Wagner Estate (Pro); and Joe Brennon, Seattle First National Bank and Trevor Sandison, Washington Bankers Association (Con).