

Corporate Banking

top@doc Newsletter

Contract number, reference number, job number – is any designation possible within the credit documents?



In addition to the credit reference number, which often has to be specified on one or more documents in accordance with credit requirements, other numbers and references, such as job number, order number, contract number, etc., frequently appear on credit documents. Depending on the structure of the documents and the credit conditions, it is not always obvious whether these are cases of contradictions within the documentation or even contradictions of the credit conditions. In this top@doc we explain the problems by means of a case study.

WellDone Ltd. has entered into an agreement with Cheap and Plentiful Corp. concerning the purchase of textile goods. In connection with this, a Letter of Credit in favour of WellDone Ltd. is issued by order of Cheap and Plentiful Corp..

Amongst other things, the credit contains the following requirement for the documents to be presented:

- Signed commercial invoice in duplicate, indicating LC no. and contract no. AB2143YZ.
- Beneficiary's signed copy of fax dispatched to the applicant within 5 working days after shipment advising name of vessel, shipment date, quantity and value of goods shipped.

Free and Easy Bank, acting as advising and nominated bank, receives an appropriate presentation of documents from WellDone Ltd. for drawings under the credit. In accordance with the credit conditions, the invoice shows "contract no. AB2143YZ". In addition, it contains the indication "reference 567CP2017". This reference number is also on the packing list and the bill of lading. The requested copy of the fax message contains the indication "contract no. 567CP2017".

Free and Easy Bank finds the documents compliant with the credit, takes them up and passes them on to the issuing bank, Careful Bank. A few days later, it receives a SWIFT message from Careful Bank regarding the refusal of the documents. The reason given for non-acceptance is that the contract number on the fax message differs from the contract number stated in the invoice.

Free and Easy Bank sticks to its opinion that the documents are compliant with the credit and that the refusal of the documents by Careful Bank is thus unfounded. It argues that the contract number of Cheap and Plentiful Corp. is stated on the invoice, as required in the credit. If other documents contain the reference number of WellDone Ltd., or such number appears in the fax message as the contract number, that is acceptable. For, after all, it is quite understandable that the two contracting parties record the same commodity

transaction under their respective, and of course different, reference numbers.

So which of the two banks is right?

What is Commerzbank's position in this question?

We consider the refusal of the documents by Careful Bank to be justified. The reason for this is that there is an infringement of article 14 d of the "Uniform Customs and Practice for Documentary Credits UCP 600" here. Under this article, data in a document must not conflict with the data in another document. If the invoice shows a contract number "AB2143YZ" and the fax message states "567CP2017" as the contract number, this is contradictory and consequently not acceptable.

Free and Easy Bank is indeed right that the exporter and importer record the same commodity transaction under their own reference numbers respectively, and these numbers are not identical. But the credit does not refer especially to the reference number of the importer or exporter. If, for example, the credit condition specified

- Signed commercial invoice in duplicate, indicating LC no. and applicant's contract no. AB2143YZ

and if the fax message of WellDone Ltd. stated "WellDone Ltd. contract no. 567CP2017", it would be an entirely different story. In this case it is quite clearly a matter of two different statements of reference numbers which can be allocated unambiguously to the contracting parties. There is no contradiction.

The International Chamber of Commerce (ICC) in Paris incidentally shares the view adopted by Commerzbank. The contract number stated in the fax message does not comply with the credit requirements. If data are provided in a document, these data are examined by the banks against the requirements of the respective credit and the UCP – and in this case the data concerning the contract number in the fax message are simply contradictory to those in the credit and the invoice.

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