

Corporate Banking

top@doc Newsletter

Partial shipment, date of shipment – and applicability of UCP 600, article 31 b



What is meant by “partial shipment” in connection with documentary letters of credit? We look into this question in the current issue of top@doc. In addition, we show by means of a case study that it is not always easy to judge whether a certain regulation of UCP is actually applicable to a specific question – even if this regulation at first seems to refer to the subject matter concerned:

Our case study is based on a letter of credit which was opened in favour of WellDone Ltd. and contains, amongst other things, the following conditions:

Field 43P: Partial Shipment: Not Allowed
 Field 44E: Port of Loading: Any European Port
 Field 44F: Port of Discharge: Jeddah Seaport
 Field 44C: Latest Date of Shipment: 2018, Feb. 25th
 Field 46A: Documents Required:

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+ Full set of clean on board ocean bill of lading made out to order, blank endorsed, marked “freight prepaid”

+ Insurance Policy/Certificate in duplicate, blank endorsed for 110 pct of value of goods, showing claims payable at destination, covering All Risks and War Risks according ICC

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To draw upon the credit, WellDone Ltd. presents to its principal banker, Free and Easy Bank, the documents required, including:

- An insurance certificate which is issued in accordance with the credit conditions and evidences February 14, 2018, as the issuance date/date of commencement of insurance,
- A full set of bills of lading which covers a third of the quantity of goods, which is presented according to the credit conditions and contains the following details:

Port of Loading:	Hamburg Seaport
Port of Discharge:	Jeddah Seaport
Ocean Vessel:	Sea Flower
Shipped on Board Date:	February 11, 2018

- A full set of bills of lading which covers a third of the quantity of goods, which is presented according to the credit conditions and contains the following details:

Port of Loading:	Hamburg Seaport
Port of Discharge:	Jeddah Seaport
Ocean Vessel:	Sea Flower
Shipped on Board Date:	February 14, 2018

- A full set of bills of lading which covers a third of the quantity of goods, is presented according to the credit conditions and contains the following details:

Port of Loading: Antwerp Sea Port
 Port of Discharge: Jeddah Seaport
 Ocean Vessel: Sea Flower
 Shipped on Board Date: February 16, 2018

Two days after presentation of the documents, Free and Easy Bank informs WellDone Ltd. that it has examined the documents and found them to be non-compliant as a result of the following discrepancies:

Discrepancy no. 1:

The bills of lading evidence different dates of shipment and various ports of loading – but partial shipment is not allowed according to the credit conditions.

Discrepancy no. 2:

The insurance certificate is issued too late; shipment dated February 11 is not covered by this insurance.

WellDone Ltd. disagrees with the rejection of the documents; it refuses to accept the discrepancies specified by Free and Easy Bank and counters with the following arguments:

Ad discrepancy 1:

This is not a case of partial shipment. Pursuant to article 31 b of the “Uniform Customs and Practice for Documentary Credits UCP 600”, several sets of bills of lading may be presented, even under a documentary credit which prohibits partial shipment, in so far as the beginning of shipment takes place on the same ship and for the same journey and the same destination is indicated. It does not matter here if the bills of lading evidence different dates of shipment or different ports of loading.

Ad discrepancy 2:

WellDone Ltd. uses article 31 b of UCP 600 as an argument here too. Pursuant to this article, if the presentation of documents consists of more than one set of bills of lading, the latest date of shipment as shown on any of the sets of bills of lading will be regarded as the date of shipment. In this case, February 16, 2018, is the latest date of shipment, and consequently an insurance certificate issued on February 14, 2018 covers all three shipments.

Is WellDone Ltd. right in its argumentation?

In Commerzbank’s view, WellDone Ltd. is only partly right. Regarding discrepancy no. 1, we share the point of view of WellDone Ltd. – this is not a case of partial shipment, despite the different dates of shipment and ports of loading.

In respect of the second discrepancy, Commerzbank takes a different view from WellDone Ltd.. In our opinion, article 31 b of UCP 600 is not applicable here. This article defines what is meant by partial shipment, and it specifies which date of shipment is to be applied in the case of a document presentation with several sets of transport documents, for example, to calculate maturities. However, the purpose of this article is not to regulate also the validity of the insurance coverage.

If the goods which were shipped on board on February 11, 2018 are damaged before February 14, 2018, they are not insured, since there is only insurance coverage from February 14 2018 (unless the insurance document expressly evidences another date for the commencement of insurance). In Commerzbank’s view, the insurance certificate is thus not acceptable. Free and Easy Bank decided correctly.

Do you have any questions or suggestions regarding top@doc?

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