

COMPARATIVE NEGLIGENCE and DUE DILIGENCE

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A GENERAL OVERVIEW.....

Prior to the 1990 UCC (Uniform Commercial Code) revisions, a single party--frequently the bank--was held responsible for losses when both the bank and the customer were negligent in check fraud cases. Since 1990, however, liability for fraudulent checks can be shared by both the bank and the check customer. This principle is called *COMPARATIVE NEGLIGENCE*.

Under this doctrine, when both the bank and the customer are negligent, the 1990 UCC provides guidelines for allocating losses between both parties according to their respective levels of fault, rather than imposing the entire loss upon either the bank or the customer. Although each case is different, the bottom line for check issuers is that if their documents are forged or altered, they can be found liable for some of the financial losses incurred.

This makes it important for companies to exercise *DUE DILIGENCE* to protect their documents. Not only will security features such as INFLOWTECH® Safety First program reduce the odds of check fraud, they also lessen the issuer's risk under *COMPARATIVE NEGLIGENCE*.

By exercising *DUE DILIGENCE*, the issuer gains peace of mind while reducing risk of financial loss.

Lastly, banks are no longer responsible for signature verification on every check that they accept. This, in turn, places a greater burden on corporations to protect against incidences of check fraud. ***Check 21 incorporates these provisions of the UCC.***

This information is provided in the hope of generating interest on your part to consider the subject of COMPARATIVE NEGLIGENCE and DUE DILIGENCE.

We encourage you to discuss this subject with your legal counsel, bankers, auditors and internal security personnel.

We hope to be of service to your company, if our check safety products, document design services and usage systems ENHANCE the Quality and Security of your operations.

THANKS!!