

§ 25-3-202. Negotiation subject to rescission.

(a) Negotiation is effective even if obtained (i) from an infant, a corporation exceeding its powers, or a person without capacity, (ii) by fraud, duress, or mistake, or (iii) in breach of duty or as part of an illegal transaction.

(b) To the extent permitted by other law, negotiation may be rescinded or may be subject to other remedies, but those remedies may not be asserted against a subsequent holder in due course or a person paying the instrument in good faith and without knowledge of facts that are a basis for rescission or other remedy. (1899, c. 733, ss. 22, 58, 59; Rev., ss. 2180, 2207, 2208; C.S., ss. 3012, 3039, 3040; 1965, c. 700, s. 1; 1995, c. 232, s. 1.)