

NB: Unofficial translation

THE PROMISSORY NOTES ACT

(31 July 1947/622)⁽¹⁾

⁽¹⁾ As last amended by Act of 8 May 1987/486.Government Bill 283/86

CHAPTER 1

General provisions

1 § The maker of a promissory note shall be liable for his obligation; this shall, however, not prevent him from invoking a defense based on the transaction underlying the promissory note unless otherwise agreed upon or stipulated.

2 § If a promissory note has been made by two or more makers and if they have not agreed on the distribution of liability, they shall all be jointly and severally liable for the note.

When one of the debtors has paid the debt, he shall be entitled to collect from each of the joint debtors his share. If one of them is evidently insolvent or if his whereabouts are unknown, each of the other debtors shall be liable to pay his share of the deficiency. The same shall apply when the person who has paid the debt has claimed the share of another debtor from said person or, by appropriate means, sent a notice of his claim and payment has not been made within one month thereafter.

3 § If the place of payment has not been specified, payment shall be made at the home of the creditor. If the creditor carries on a trade or other business, payment shall be made at his place of business. If the creditor has moved to another country or if the claim has been transferred to a creditor resident in another country, payment shall, however, be made at the former place of payment.

In the country where the payment shall be made, the creditor shall have the right to specify the place of payment or other than stipulated above unless this causes material inconvenience or costs to the debtor

When a creditor has moved to another place or the claim has been transferred to another and the debtor does not know where the payment shall be made, the debtor shall not be liable for a delay in payment caused thereby; and the creditor shall be liable for costs and damage incurred by the debtor for not knowing of said change.

4 § When a considerable number of bonds or other promissory notes are issued which are evidently meant for the public, payment shall, unless otherwise agreed, be made at the place of business of the debtor. The same shall apply to a memorandum of deposit issued by a bank or other financial institution authorized to accept deposits.

5 § If the date of the maturity is not specified in the note, the debtor shall be obliged to pay the debt at the demand of the creditor and entitled to pay it as soon as he wishes. Interest on undue capital shall be paid annually on the date corresponding to the date of the promissory note.

If a due day falls on a Sunday, the Independence Day or the First of May, on Christmas Day or Midsummer Eve or on a Saturday, the following business day shall be deemed to be the due date. The same shall apply when a debt is to be paid within a specified period of time ending on a Sunday, the Independence Day or the First of May, on Christmas Day, or Midsummer Eve or on a Saturday. (29 March 1968/188)

6 § (20 August 1982/635) Interest payable on a debt and interest on delayed payments shall be

governed by the provisions of the Interest Act (633/82).

- 7 § When a promissory note has been made payable in a currency which is not legal tender at the place of payment, payment may, unless otherwise agreed, be made in the currency of the place of payment calculated according to the exchange rate in force on the day of payment.
If a promissory note made payable in a currency which is not legal tender at the place of the payment is not paid in due time and if the exchange rate for said currency has fallen, the creditor shall have right to demand the payment in legal currency at the place of payment calculated according to the exchange rate in force on the date when payment was to be made. If the circumstances result in an exchange loss being incurred by the creditor which justifies the method of calculation, the payment shall be calculated accordingly. If it can be assumed that the creditor has not suffered any loss due the fall in the exchange rate, the provisions of paragraph 1 shall be applied. If the delay is due to the creditor or a statutory provision, interruption in public transportation or other event of force majeure which the debtor could not have foreseen when he made the promissory note, the provisions of paragraph 1 shall likewise be applied.
- 8 § (17 December 1982/957) The adjustment of an unconscionable term in a promissory note shall be governed by the provisions of the Contracts Act.
- 9 § When a promissory note is transferred and the transfer is not a gift, the transferor shall be liable for the validity of the claim except when the transferee knew or should have known that the claim was invalid.

A transferor shall not be liable for the solvency of the debtor unless he has undertaken such liability.
- 10 § The provisions of this chapter on the transfer of promissory note shall be applied also to the pledging of said document.

CHAPTER 2

Negotiable Promissory Notes

- 11 § A promissory note made payable to bearer or to the order of, a specified payee shall be a negotiable promissory note.

A promissory note which does not specify the payee shall also be deemed payable to bearer.
- 12 § If an endorsement is made on a promissory note made out to bearer according to which the promissory note shall be deemed a note made payable to, or to the order of, a specified payee, the promissory note shall, nevertheless, be deemed a note made payable to bearer unless the endorsement has been made by the debtor or unless it is apparent from the promissory note that the endorsement has been made with his consent.
- 13 § If a promissory note has been made payable to bearer, the holder of the note shall be deemed a holder in due course.

When a promissory note made payable to, or to the order of, a specified payee is in the possession of someone other than the payee, the holder shall likewise be deemed a holder in due course if he can base his right on an uninterrupted chain of written endorsements even if an endorsement has been made to bearer or left blank.
- 14 § If a promissory note made payable to bearer has been transferred by a person who had possession of it and if the promissory note is in the possession of transferee, the rights of the transferee shall not be affected by the fact that the transferor did not have the right of disposition regarding the promissory note except when the transferee knew or should have known thereof.

The same shall be applied to a promissory note made payable to, or to the order of, a specified payee if the note was transferred by a person who, under section 13, was to be deemed a holder in due course or who could, on a reasonable grounds, be considered a holder in due course. Provided there are no special reasons, the transferee shall not be under an obligation to examine whether a previous transfer was correct and otherwise valid.

15 § A debtor shall not have the right to invoke the following defenses against a new creditor who has acquired a negotiable promissory note in good faith by negotiation:

that the promissory note is null and void due to duress referred to in section 29 of the Contracts Act of 13 June 1929 (228/29), or fraudulent inducement referred to in section 30, or due to grounds referred to in sections 31 through 33 of said Act:

that no consideration was received for the promissory note or other factors related to the transaction underlying the promissory note; and that the debt had, prior to the negotiation, been discharged or changed due to payment, agreement, set off, notice, judgment or other comparable reason.

The new creditor shall not be deemed to have been in good faith if he knew or should have known of a matter upon which the defense is based.

If an endorsement which has not been easily removable, has been easily removable, has been made on a promissory note regarding payment, notice or other matter referred to in this section and the endorsement has, nevertheless, been removed, the entry may, however, be invoked in spite of the good faith of the creditor.

A defense asserting that a promissory note was made as a simulated document or that its maker lost possession thereof against ever, his will shall be governed by the provisions of the Contracts Act.

16 § A defence regarding the payment of interest or partial payment of capital on a date specified in the promissory note may, notwithstanding the provisions of the section 15, be invoked also against the new creditor who acquired the note in good faith after the due date of such a payment. Also other defenses referred to in section 15 may be invoked against a claim for payment referred in this section.

17 § The debtor shall have the right to invoke the following defences also against a creditor in good faith :

that the promissory note is forgery or it has on behalf of the debtor, been made by someone not legally authorized thereto or that it is null and void due to grave duress referred to in section 28 of the Contracts Act or it has been made by a person who has lacked legal capacity or been mentally disturbed; or

that the promissory note has been cancelled or that the debt has been discharged by depositing the amount of debt with the competent public authority or that the creditors action has been barred due to lapse of time or a public summons or that the debt transaction has been changed due compulsory composition.

18 § If the promissory note has, through negotiation, come into the possession of the a new creditor, the debtor shall not be entitled to set off the debt by a claim against a previous holder, unless denial of a set-off would be likely to endanger the collection of said claim and it is likely that the new creditor knew this when he acquired possession of promissory note.

If the claim is based on the transaction underlying as the promissory note, the provisions of section 15 on such defenses shall be applied.

19 § If a promissory note made payable to bearer has been paid to a person who had possession of the

note and if it is later established that he did not have the right to receive the payment, the payment shall, nevertheless, be valid unless the debtor knew or should have known that the payment

20 § Even if a new creditor has acquired possession of negotiable promissory note, a payment of interest to the transferor no longer was entitled to receive the payment. The above provisions on interests shall also be applied to a partial payment of capital to be made on a date specified in the note.

If the payment was made by guarantor or by a person who was not liable for the debt or whose mortgaged or otherwise pledged property was the sole security for the debt, the payment shall not be valid except when both the payer and the payee were in good faith under paragraph 1.

21 § A debtor shall not be liable to pay a negotiable promissory note unless the note is delivered to him; upon request, the creditor shall also give a separate receipt for the payment.

For the payment of interest of capital the debtor shall be entitled to demand a separate receipt or an entry to be made on the note; said right to demand an entry to be made shall, however, not apply to a payment of interest or to a capital payment on a due date specified in the note if said payment is made to the first holder specified in the note or to a subsequent holder who specified in the note to knowledge of debtor.

Renunciation of the promissory note shall be entered on the note when so requested by the debtor.

22 § A transfer of negotiable promissory note shall not be binding upon the creditors of the transferor unless the transferee has acquired possession of the note.

23 § If the payment are issued together with bonds or other promissory notes referred to in section 4, a holder of such warrant shall, even if the principal instrument is not in his possession be entitled against the warrant, to collect the interest or partial payment to which the warrant relates; and provided that the principal instrument has created a legal obligation to pay, the warrant shall be governed by the provisions on negotiable promissory notes made to holder. If it is established that a warrant was acquired together with the principal instrument, the holder shall, however, acquire no better title thereto than he has to the principal instrument. The general provisions on the face of principal instrument shall be applied also to the payment warrants.

Payment may not be claimed under a warrant which under the provision of the principal instrument, did not become due until after the principal instrument, on the basis of drawing lots or otherwise was due for the payment.

If it is established that a warrant has been negotiated without the principal instrument earlier than one month prior the due date, the provisions of sections 14 and 15 shall not be applied; the provisions of section 19 shall likewise not be applied if payment is made prior to said date to someone other than the holder of the principal instrument

24 § (8.5.1987/486) The holder of a dividend warrant issued on an ordinary share shall have the right against the warrant, to collect the dividend even if he is not the holder of the share of stock or the share in a unit trust referred to in the Act of on Unit Trusts (480/87). After a resolution on a dividend payment has been made, a dividend warrant shall, provided that the right created by the share of stock or a share in the unit trust is valid, be governed by the provisions on negotiable promissory notes. If it is established that a dividend warrant was acquired together with the share certificate, the holder shall, however, have the better right than under the share certificate. The holder of such warrant will be under the obligation to comply with the provisions of articles of association or the trust deed of the unit trust on dividend warrants.

If it is established that a dividend warrant was acquired separately from a share certificate and before to the resolution on dividend was made, the provisions of sections 14 and 15 shall not be applied.

25 § If a period of five years, or longer period of time agreed upon or stipulated for redemption of the warrant, has passed since the due date of a payment or dividend warrant referred to in section 23 or section 24 and the warrant has not been presented to the debtor for redemption, the payment or dividend warrant shall no longer be valid.

Separate stipulations shall apply to the right of the credit or receive payment for a payment or dividend warrant that has been lost or destroyed, by notifying the debtor thereof, as well as to cancellation of such warrant.

CHAPTER 3

Non-negotiable Promissory Notes

26 § A non-negotiable promissory note is one made to a payee specified on the note,

27 § When a non-negotiable promissory note is transferred or assigned, the transferee shall not have a better right against the debtor than the transferor had unless expressly otherwise stipulated.

28 § The debtor may set a claim that he has against the credit or unless he acquired said claim after he had been notified of a transfer of non-negotiable promissory note or after he has reason to assume that it had been transferred. If his claim did not become due until thereafter and later than the promissory note, the debtor shall not have the right to set-off.

29 § A payment made by debtor after a transfer of non-negotiable promissory note to the transferor shall, however, be valid unless the debtor knew or should have known that the transferor no longer was entitled to the payment.

30 § If a payment is made to a person who relies on a written transfer of non-negotiable promissory note and if it is thereafter established that the transfer was not valid, the payment shall, nevertheless, be valid unless the debtor knew or should have known of the grounds for the invalidity of the transfer; the debtor is, however, not discharged from the payment if the transfer was based on forgery or other defect that, under section 17, renders a promissory note null and void.

31 § The transfer of non-negotiable promissory note shall not be valid against the creditors of the transferor unless the debtor has been informed of the transfer by either the transferor or the transferee; if the transfer was a gift, it shall be governed by the provisions of gifts.

If a non-negotiable promissory note is transferred to more than one person, an earlier transfer shall prevail over later one; a later transfer shall, however, prevail if the debtor has been notified thereof in accordance with the above provisions and if the transferee was in good faith.

If, in connection with the transfer of a business under obligation to keep books on account, the claims of business are also transferred, the provisions of paragraph 1 shall not be applied. (10 August 1973/658)

CHAPTER 4

Specific Provisions on Deposit Documents Issued by Financial Institution

32 § If a bank book or other certificate issued by bank or other financial institution for deposits carries an express term under which the funds may not be without withdrawn without returning the document or making an entry of the payment there on, the right of institution to invoke against a new holder of the document defence based on between the institution and the holder shall be governed by the provisions on negotiable promissory notes; the provisions of section 22 on the

effect of the transfer on the creditors of the transferor shall likewise be applied. If said document has been transferred to more than one person, the right of the person who acquired in good faith shall prevail.

(paragraph 2 repealed by Act of 29 August 1969/550)

33 § If a bank book or other document issued by a bank or other financial institution for a deposit carries a term under which a payment may be made only to a person holding the book or other document, payment made to a holder shall, nevertheless, be invalid if he was not the right creditor or authorized by the right creditor to collect the payment and if reasonable care, as determinate by the circumstances, was not exercised in connection with the payment in order to ensure that the payment was not collected by the wrong person.

CHAPTER 5 lisätty 9.8.1993/746