

Nature and Legal-Social Implications of Documentary Credits (Comparative Study)

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Abstract

The increasing expansion of international trade, especially after World War II, on the one hand, and the interest of countries with free economic system to liberalize their commercial rules, on the other hand, have made law scholars to find ways to adapt with these changes. The result of this effort is called "International Trade Law." The necessity of economic and commercial cooperation between governments and the necessity of the cooperation of traders at the international arena as well as the uniformity of the laws and regulations governing documentary credits led the International Chamber of Commerce to for the first time introduce and approve this commercial customs and practice as a legal entity in 1933; these regulations were published under the title of Uniform Customs and Practice for Documentary Credits (UCPDC) and were made available to traders. These regulations have been adapted to the changing commercial customs in line with the rapid changes in the world economy. The regulations are revised every ten years, and its latest revisions were published in 1993 under the title of the Publication 500. This paper will review the Iranian, US, and international law approaches bank documentary credits in order to explain the nature and legal implications of these international trade mechanisms in the light of the studies conducted, and, ultimately, make a comparison between the three legal sources mentioned.

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1. Introduction

Today, we are witnessing the growing use of documentary credits in transactions, especially in international transactions. It is while the nature of this payment instrument is still unknown or misunderstood. There is also no legal conception of this instrument so that various definitions have been provided for documentary credits. However, in general, the uniform customs and practices of documentary credits (UCP) constitute a set of standard conditions included in the majority of documentary credits opening around the world. The reasons for misunderstanding the legal nature of this payment instrument is twofold. The first reason is that documentary credit is complex and unknown in legal terms. On the other hand, documentary credits are a type of contract and entail the terms and conditions of a contract.

Also, the rules governing contracts are not fully compatible with this instrument. The second reason is that there are very few judges and lawyers working in the field of documentary credits, so the first time a lawyer or judge hears about documentary credits is when facing a case in this regard. On the other hand, banks today play a very important role in facilitating domestic and international business transactions. In the international trade scene, it can be argued that there are a few international agreements that can be concluded and implemented without the intervention and assistance of the banks.

The development and use of various banking tools such as documentary credits and bank guarantees have resolved many of the problems caused by distance and lack of direct contact between international traders. It is also worth mentioning the rights to documentary credits that these rights have largely been developed by the custom. Many of the most effective and efficient rules of documentary credits, irrespective of the geographical area or a particular legal system, arose from the banking customs and practices used by the importers and exporters as well as shipping and insurance companies.

These customs are largely gathered in the form of Uniform Customs and Practice for Documentary Credits (UCP), which is the result of the efforts of the International Chamber of Commerce. In addition to the UCP, the International Chamber of Commerce has prepared uniform rules of the contractual letter of credit, uniform rules of the on-demand letter of credit, and the customs and procedures of international standby letters of credit. Aside from the rules of the International Chamber of Commerce, the United Nations Commission on International Trade and Law (UNCITRAL) has attempted to establish a global legal framework for independent guarantees and standby letters of credit. Due to the international character of the documentary credits, few countries in the world have laid down specific rules for documentary credits. In countries where such a law has been passed, with the exception of Article 5 of the Uniform Commercial Code in the United States of America, the law merely contains few provisions on the general contents.

2. Literature Review

The Concept of Documentary Credits: The documentary credit is a kind of "commercial letter of credit" and one of the most important means of international trade, which was invented by the International Chamber of Commerce. The documentary credit is a contract under which the importer or buyer, called an applicant, asks the issuing bank to pay the price to the seller (beneficiary). The issuing bank pays the money to price to the beneficiary directly or through another bank (nominated bank) located in its country once the documents have been provided (T. Laria, 2006, p. 165).

The beneficiary of a documentary credit can be a mediator who buys a good from a producer and sells it to another. In this case, the transfer of documentary credits to the producer can be in the interests both of the buyer and of the intermediary (first beneficiary) (Hans, 1995, p268). In addition, the beneficiary of documentary credits may also represent the buyer, in which case the buyer will open a letter of credit in

favor of the beneficiary who is considered a broker and has purchased the good for him. Whether the beneficiary is the buyer's representative or when it acts independently, the beneficiary's profit comes from the difference between the price paid to the final supplier and the amount received from the buyer (applicant) (Ellinger, Peter and Dora Neo., 2010: p.265). Therefore, it can be said that the documentary credit, as the prevailing method in international trade, is the technique of exchanging goods or services based on bank credits (Zamani Farahani, 2000, p. 50).

Documentary credit has become a very important aspect of international trade due to the nature of international transactions, including factors such as the distance and differences between the laws of the countries and etc. The bank also does not pay the price on behalf of the buyer as the holder of the documentary credits until the shipment confirmation of the purchased goods. This kind of payment in international trade, fortunately, is so diverse and comprehensive that make it possible to take advantage of the world's financial resources and can minimize the foreign trade risk. A significant increase in the volume of foreign trade is doubtful without knowledge and mastery of this important technique (Zamani Farahani, 2000, p. 6); therefore, documentary credit is a written obligation issued by a bank (known as the opening bank) upon the request and orders of the buyer for payment of a certain price within a certain period of time (Zamani Farahani, 2000, p. 6).

In other definitions, it is stated that documentary credits are irrecoverable obligations guaranteed by the issuing bank in order to pay the shipping documents required by the applicant and the beneficiary's claims in a certain due date in accordance with the terms of credit (Alizadeh, 2012, p. 21).

Legal Nature of Documentary Credits in International Law: In general, lawyers, including judges, usually have a false image of the legal nature of documentary credits. The false image of the legal nature of this payment instrument is not uncommon among writers. There are two common reasons for misunderstanding the legal nature of the payment instrument. The first reason is that documentary credit is complex and unknown in legal terms. On the other hand, documentary credits are a type of contract and entail the terms and conditions of a contract. Also, the rules governing contracts are not fully compatible with this instrument. The documentary credit is a certain instrument created by the traders; it is not actually a contract. The second reason is that there are very few judges and lawyers working in the field of documentary credits, so the first time a lawyer or judge hears about documentary credits is when facing a case in this regard. Such a case is usually required to be resolved immediately because speed and urgency are the basis and essence of documentary credits. In documentary credit claims, the issuance of a temporary order is requested, and thus the context for judicial unluckiness is provided. The subject of litigation is an emerging legal instrument that is not legally what it appears, while requires quick and immediate analysis.

The documentary credit is a western trade law institution that has been widely accepted through the International Chamber of Commerce. The origin of the documentary credits is a bill of exchange. Today, the authors of the international trade law agree unanimously that documentary credit is somewhat similar to the bill of commercial documents in its specific sense and takes on its important characteristics; accordingly, some of the rules governing the bill of exchange are applied to this bank-commercial document to analyze the legal nature of this commercial paper.

The question that arises here is whether the customer's will to open a documentary credit alone creates a commitment to the bank, or can the bank, unilaterally and without the consent of the customer, make a commitment on its own? In response, it can be said that, according to the definition of documentary credit and procedures of the banks, the obligation contained in the documentary credits require consensus and compromise and contract. In this case, the applicant offers the above contract by going to the bank and declaring the desired conditions. The bank also accepts the offer with regard to the legal conditions, foreign exchange regulations and its facilities. Obviously, neither party alone can make a commitment. The set of the above actions is an agreement requiring the will of the parties (the bank and the customer)

and depends on the agreement on the conditions and how to create and fulfill the obligation. The aforementioned legal acts can be clarified by drawing out the actions that ultimately lead to the issuance of the letter of credit. As noted above, by accepting the offer from the buyer, a contract between the bank and the buyer is concluded by the issuing bank. However, accepting the customer's offer and the opening of credit when the letter of credit is issued and notified in favor of the beneficiary requires independent nature from one another; it means that the bank will be committed to the buyer after accepting the offer for opening the letter of credit. So the bank shall fulfill this commitment when the letter of credit is opened. Finally, the bank will issue another letter of credit in favor of the beneficiary (seller) whose nature and obligee are different from the previous commitments to the customer. Thus, the bank is obliged to fulfill its recent commitment toward the beneficiary by presenting the documents required in the letter of credit (Bahrami, 1999, p. 38).

In the agreements on the opening of letter of credit, in addition to the essential requirements of the transaction's validity, the legislator has also laid down certain conditions that must be observed. For example, setting the contract on a specific bank form, attaching documents including the form of the clearance of goods and putting order, and depositing a percentage of the letter of credit are considered necessary for opening the letter of credit, and failure to comply these requirements would result in a failure to conclude a contract between the parties. But, given the rapid technological growth of international trade in light of the use of new scientific achievements, the people are increasingly tended toward eliminating these volatile situations and helping to facilitate more transactions. For example, Fax, Telex, computer, and satellite play the role of documents and provide the context for an agreement involved in a credit (bank, customer, and seller) at the same time and in simple terms.

The acceleration and facilitation of trade and exchanges, especially at the international level, requires to avoid clauses and conditions that are in conflict with its objectives. In principle, it is forbidden to include clauses and conditions that somehow disrupt the possibility of claiming a document or letter of credit due to conflict with the nature and essential characteristics of the LCs, especially the exchange nature, and the essence of appearance. What is permitted according to the UCPDC and common customs of banks in terms of inserting some provisions in documentary credits will damage the outstanding feature of the letters of credit; because the observance of such provisions is needed for the clarity of letter of credit. Otherwise, the banks and beneficiaries, or even the applicant, will be in trouble to detect the legal limits of their rights and responsibilities. Accordingly, contrary to legal traditional civic and jurisprudential norms, it is not possible to issue a suspended letter of credit so that the suspension against the beneficiary's rights to the credit or the applicant's rights to the documents is established. Article 48 of the UCP-500 has predicted the regulations for the transfer of credit. The most basic distinction is that, unlike commercial documents, the possibility to transfer credit is inherent in the nature of the letter of credit, and it can be transferred to the independent secondary beneficiary (paragraph B) only if the issuing bank specifies the transferability of the letter of credit. On the other hand, the transferability of documentary credits is justified based on commercial customs and practices and that the payment of the letter of credit is only possible by providing certain specified documents predicted under the terms of credit and if the authenticity of these documents is also assessed by the bank. Therefore, this process is in conflict with the characteristics of decisiveness and independence of the letter of credit. According to the letter of credit, the beneficiary will be unconditionally entitled to use the credit and its transferability, even if it is not included in the credit (Liaghat, 2007: pp. 101 and 100).

Joint responsibility is an inherent quality and characteristic of a letter of credit that an agreement and condition can eliminate or weaken it. This is a characteristic that derives from Cambiaire Law. However, in the documentary credits, the individuals' will is effective at the stage of creating and realizing the joint responsibility and determines whether the beneficiary's rights are guaranteed or not. It is not possible to withdraw after the creation and in the implementation phase, so multiple signatories of the letter of credit

as the first obligator (the issuing bank) will have joint responsibility for payment of the credit. Obviously, if the intermediary banks are solely responsible for communicating or checking documents and not being liable for paying the letter of credit, they will not be held liable in this regard. Since the letters of credit are issued by banks and may be approved by the same bank or other banks, it is rarely possible to make exceptions and objections to their payment. It is due to the fact that the letter of opening the credit and its contract is kept by the issuing bank, and all actions related to the issuance, validation, and notification of the credit are made by the bank and safe from the access of individuals, it is less possible to interfere and forge signature in them. In the case of the documents relating to the ownership of the goods provided by the seller, because the bank matches their appearance with the terms of the credit only at the payment stage and do not play a role in the provision and presentation of them, it is still possible to make objection and exception like commercial documents.³

Legal Nature of Documentary Credits in Iran's Law: In the following section, the legal nature of opening a letter of credit will be discussed which forms the legal relationship between the applicant and the issuing bank and will undoubtedly entail special legal effects. It is necessary to recall that a credit transaction is made up of several different legal relationships and there are several separate contracts in this payment mechanism, which are created before or after the conclusion of the contract for opening the letter of credit. In the first review, this contract will be compared with permissive contracts; then the contract will be compared with the partnership contracts; and finally, the contract for opening the letter of credit will be analyzed in accordance with Article 10 of the Civil Code.

The Nature of Documentary Credits in the United States' Law: Basically, the only country where documentary credits are always opened outside UCP is the United States, and this is only due to the fact that a comprehensive collection of national law on the documentary credits has been incorporated in Article 5 of the uniform commercial code (UCC).

Uniform Commercial Code (UCI) is a collection of laws that are compiled and recommended by the National Conference of Commissioners on Uniform State Laws and the American Law Institute for the establishment by the Legislature of the United States. The Uniform Commercial Code consists of eleven different articles; each contains a different dimension of commercial code. Article 5 of the Uniform Commercial Code is a uniform law governing documentary credits (Yang & Buckley, 2006, p. 335).

When Article 5 of the Uniform Commercial Code was formulated in the 1950s, this article, unlike some other provisions of this law, was not a complete "code," but it was intended to provide an independent theoretical framework for the further development of documentary credits in the future. The authors of this article asserted that no law does not develop documentary credits effectively and reasonably, without hindering the development of this instrument. According to Paragraph 2 of the official description of Article 5 of the former Uniform Commercial Code, Article 5 should be implemented in accordance with the principle of free interpretation as set forth in paragraph (1-102), so that the objectives of Article 5 are achieved. Article 5 of the Uniform Commercial Code was reformed after about forty years of difficult and laborious use in 1995 in order to eliminate the deficiencies, gaps, and errors in the first text of this article that compromises the significance and validity of the law. In the end, it fits the changes made as a result of the development and evolution of the documentary credits. Before determining the Editorial Committee to revise this article, a special investigative committee was set up consisting of prominent and leading experts of documentary credits to review the "judicial process, new technologies and changes in commercial customs and practices." The investigative committee identified and reviewed many issues and presented recommendations to revise this article. The revision process of Article 5 was completed in October 1995. This revision represents a significant improvement over former Article 5 " (1999, p123). By May 30, 2002, Revised Article 5 has been accepted by almost all US states (Legislation Report, 2002, p148).

Despite the existence of Article 5 in the Uniform Commercial Code, UCP still has great influence in the United States. At the international level, Article 5 of the Uniform Commercial Code governs only over a limited scope. The vast majority of documentary credits are international transactions, and most of these transactions are subject to Uniform Customs and Practices of Documentary Credits (UCP). So, for many, UCP is an important legal reference rather than the Uniform Commercial Code (1995).

Anyway, UCP was more effective in the compilation process of the Revised Article 5 rather than the former Article 5. This effect is particularly evident with regard to the following points:

Revised Article 5 of the Uniform Commercial Code was part of a global effort to internationalize the rights and procedures for documentary credits, and ...

A number of participants in the revision process of Article 5 of the UCC have also participated in the amendment or drafting of the UCP, the Uniform Rules of On-Demand Guarantees, or the UNIRAL Convention on the independent guarantees and standby letters of credit. They have also tried to exchange information with their colleagues throughout the world as the strong supporters of the harmonization of international laws of documentary credits".

Therefore, Article 5 of the Uniform Commercial Code was in complete harmony with UCP in many cases. While Article 5 of the Uniform Commercial Code is mainly related to the terms of obligations and responsibilities, UCP It provides a means by which international banking lawyers can become familiar with the practical and procedural aspects of documentary credits.

However, when the credit is just opened, without inserting the U.S.P in the credit, the documentary credit is considered to be internal for commercial transactions that are wholly within the United States without an external element. If both UCC and UPC govern a documentary credit, Clause 5-16 (c) of the Uniform Commercial Code stipulate that the UCP is preferable in the event of any conflict between these two sets of rules; unless otherwise, the provision of the UCC have rules that could not be disputed.

Those rules of the Uniform Commercial Code that can be agreed upon include: Clause 5.102 (a) (9) "On the inapplicability of Article 5 on consumer transactions." Clause 5.102 (a) (10) "Only financial and credit institutions issuing bilateral documentary credits." Clause 5.103 (a) "The applicability of Article 5 on LC transactions." Clause 5.103 (c) on the invalidity of the general conditions of non-liability " Section 5-103 (d) "On the Principle of Credit Independence." Clause 5-106 (d) "On the (Permanent) Documentary Credit." Clause 5-114 (d) "On the applicant's agreement with the transfer of revenues." Clause 5-117 (d) On the Representation Rights" Clause 1-102 (3) "On Good Faith Commitment."

Interestingly, in the New York State Uniform Commercial Code, it is stipulated in Article 5.102 (4) that Article 5 of the Uniform Commercial Code is not applicable to the documentary credit that is subject to the UCP in whole or part. This exception was requested by a number of New York Banks who believed that the UCC might be in conflict with known banking practices based on UCP (J. Ortego & H. Krinick, 1988, p. 492).

First Speech: Comparative Study of the Transfer of Letters of Credit: As stated above, Article 38 of the UCP Uniform Principles of Credentials is devoted to the transfer of documentary credits; the Islamic Republic of Iran also obeys the rights defined in this regard. In addition, Article 5-110 of the U.S. Uniform Commercial Code also contains provisions for documentary credit.

A comparative study between the three legal references (Iranian, US, and International law) suggests that there is a controversy over the transfer of credit between lawyers in terms of the nature of private law. Some argue that the relationship between the first beneficiary and the issuing bank vanishes in the transfer of credit, and the first beneficiary can still deliver its own list to the bank. They consider the transfer of credit equivalent to the transfer of the benefits derived from credit and equal to the transfer of the applicant's legal entity.

In contrast, another group believes that considering that the contractual position of the transferor is transferred to the transferee along with all its rights and obligations, this institution can be considered equivalent to the transfer of contract.

Given that the transferee receives new rights and obligations in front of the transferring bank (credit revenues), the transferee has no obligation to the first owner and may also require him to execute the contract. The transfer of credit should also be differentiated from the transfer of the contract. In the transfer of contract, without the contract being damaged, its structure will change by the substitution of the transferee with one of the parties to the contract. Therefore, the rights and obligations that the transferee undertakes are the same as previously existed in the relationship between the transferor and the main party. However, upon the transfer of the credit, the obligations of the original credit are abolished, and new obligations are developed, albeit they are similar to those given in the original credit in many respects.

There is no doubt that the documentary credit is an obligation, especially in irrecoverable documentary credits. Based on the fact that the limitation of documentary credits is the definitive commitment of a bank, the banks' obligation toward the beneficiary is generally different from documents, such as cheque, because the conditions used in the cheque are not effective. However, there are binding conditions in documentary credits. In addition, there are conditions in the documentary credits that shall be observed by the beneficiary and the buyer is committed to clear and finance the credit value both during opening and endorsement. Also, the word "arrangements" in the definition of documentary credits negates the contractual nature of the documentary credit. Documentary credits, both in terms of order and demand, are the buyer's application to the bank, and how it may appear while the banks refused to open credit. Therefore, there is little difference between the contracts. Although the rules and regulations of public law, such as the rules of currency and banking, are influential in the documentary credit, these rules and their involvement in documentary credits and the reduction of the conditions of private law prevent the use of documentary credits as an agreement or contract. Finally, it is recalled that each of the opinions, the nature of establishment and its rules will change and such discussions have become less clear in Incoterms. It is due to the dignity of the rules that must be observed in all countries and must be generalized. The development of more detailed but important contents should be carried out by the member states and, as far as important, they have to uniformize the contents in all countries.

Second Speech: A Comparative Study of Fraud in Documentary Credits: In the Uniform Commercial Code of America, Paragraph 12 of Article (114-5) has predicted the rules of fraud and stated the rights and obligations of the issuing bank in cases of fraud, with the distinction of different assumptions. The second paragraph of Article (5-114) is divided into two parts:

In the first part, those people against whom the assumption of fraud cannot be cited. In Section (b), the status of the issuing bank is stipulated in relation to other persons not included in the persons protected by law. This section reads: "If the presented documents appear to be in accordance with the terms of the documentary credit, but one of the documents is fraudulent, if the presentation and the payment are performed with good faith, the issuing bank is obliged to pay the credit. In other cases, the issuing bank can pay the draft with good faith; despite the fact that the applicant informs the issuing bank about fraud, forgery or trickery, or other invisible defects in the appearance of the submitted documents, the competent court can prohibit the reception of documents and payment.

Iran's civil law in matters relating to non-contractual obligations follows French civil law and provides the provisions indicating the adoption of this rule without mentioning the aforementioned rule. The basis of this theory is that no one should gain an asset upon the loss of another without legal cause. Therefore, according to the rule, nobody should increase his assets illegally and gain profit for other losses without legal causes, and where this profit is gained in return for other's losses without legal cause, the property

should be returned. The concept of this rule exists in the articles (301), (306), (336) and (337) of the Civil Code (Katouzian, 2008, p. 228).

Therefore, the issuing bank, which has paid the credit to the fraudulent beneficiary or the holder with good faith, can refer to him and ask for payment due to insolvency and bankruptcy of the applicant. The bank can ask for a refund of money from the beneficiary who has gained the credit with fraud and forgery, due to his misconduct and ineligibility (Shirazi, 1985, p. 64).

Clause 4 of Section G of Article 5-108 of the Universal Commercial Code in the United States stipulates that the payment made is final and the exceptions to it are as follows:

Except for the provisions of Articles 5-110 and 5-117, which have been prescribed another warrant, the issuing bank shall be prohibited from refunding the money." This expression, while describing the final nature of the payment, declares that the provisions of the Articles (5-110) and (5-117) are exceptions to this principle. Article (5-110) is subject to the guarantees of the beneficiary, and the article (5-117) of this section is related to the representation of payment. On the basis of the foregoing, it can be summarized that, in the assumption that the issuing bank is obliged to pay the credit in spite of the existence of a fraud due to claiming money from one of the sponsored persons, and also in the assumption that the issuing bank pays the credit to the beneficiary with good faith despite the claim of the applicant for fraud, the issuing bank is not only entitled to reimburse credit from the applicant, but also has the right to refer to the beneficiary for reimbursement on the basis of liability arising from a breach of the beneficiary's commitment to the issuing bank and also based on the right to payment representation (Shirazi, 1985, p. 64).

3. Discussion

Documentary credits that play a key role in international trade are considered to be the most commonly used payment method for goods. At present, in most international contracts, payment of goods is made through documentary credits and in accordance with the Uniform Regulations for Documentary Credits. Since the Uniform Regulations for Documentary Credits covers all economic activities, including trade, industry, banking, and transportation, it can be considered the most important document in international trade. As a result, almost all existing banks in the world, including Iran and the United States, have expressed their readiness to join and have actually joined.

Documentary credit as a means of guaranteeing payment is appropriate for matching the conflicting interests of the issuer (seller) and the importer (buyer). In general, compared to other methods including cash on order, at sight payment and so on, it can be said that the payment system in the documentary credit almost balances interests and can protect the interests of both parties.

Essentially, any other alternative mechanism for documentary credit prevents a potential buyer who does not have the necessary funds to pay for the goods before delivery from entry into international trade.

It can be said that documentary credit has a dual nature: on the one hand, it is a banking document and also a commercial document in the final analysis; on the one hand, it is a contractual relationship which, in fact, strengthen the validity of the documents with legal effects.

With regard to the effects of fraud in documentary credit, it is worth noting that the guarantee of speed and security is an essential element of today's trade; It is a crucial issue of commercial documents that are supported in most legal systems of the world by enforcing the principle of the independence of commercial documents from the basic transactions. The principle of the independence of commercial documents in relation to the documentary credit means that the deficiencies of basic contracts are not related to the obligation arising from the documentary credit, and the issuing bank of credit can also refer to the above deficiencies. In fact, these deficiencies obliterate the commitment of the issuing bank to the beneficiaries. In accordance with the agreement made between the applicant and the bank, the beneficiary must provide

the bank with the documents specified in the contract for the opening of the documentary credit; and, he pays the credit if the issuing bank recognizes their credit.

But if the beneficiary falsifies the presentation of the documents, the issuing bank has the right to refuse payment. If the beneficiary's fraud has not been discovered before the payment or if the issuing bank faces a creditor with good faith, then it must pay the credit and then return the applicant to refund the money. In the assumption of the beneficiary's insolvency, it is not possible for the issuing bank to refer to the applicant, because the applicant is not able to compensate for the loss of the issuing bank. Meanwhile, the issuing bank faces an irreparable loss that has been incurred by a person with malicious intent. In American law, it is predicted that the issuing bank will be the representative of the applicant in all the rights that the applicant has toward such a beneficiary. The most important of these rights is the referral for reimbursement of the amount received by the beneficiary on the basis of fraudulent documents.

As to the above relation, it should be noted that the beneficiary of the documentary credit ensures the applicant and its issuing bank that the submitted documents are correct and in accordance with the terms and conditions of the documentary credit. Therefore, in the case of counterfeiting or fraud, the issuing bank can refer to the beneficiary by reference to the breach of the obligation. Since the guarantor, after paying the money as a secondary obligator, is considered the representative of the creditor's rights to the major debtor, the issuing bank will be entitled to obtain such a right after payment of the credit. The relationship between the issuer of credit and the beneficiary is independent of the relationship between the issuer and the applicant; the only thing that should not be left out is that the principle of the independence of the documentary credit expires after the payment of the credit because the purpose of this principle is to protect the beneficiary until it receives the amount of credit so that the principle of independence of the documentary credit will not remain upon the payment by the issuer. Also, the fraudulent beneficiary has obtained a property without a legitimate justification, and the impossibility of reimbursement from such a person is a matter that leads to his unduly possession; This case is rejected and condemned in all legal systems of the world, especially the legal system of Iran, the United States and the international system.

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