

4-301.

[(1)](A) [Where an authorized settlement] IF A PAYOR BANK SETTLES for a demand item [(other than a documentary draft)] received by a payor bank PRESENTED otherwise than for immediate payment over the counter [has been made] before midnight of the banking day of receipt, the payor bank may revoke the settlement and recover [any payment] THE ITEM if, before it has made final payment [(subsection (1) of § 4-213)] and before its midnight deadline, it

[(a)](1) Returns the item; or

[(b)](2) Sends written notice of dishonor or nonpayment if the item is [held for protest or is otherwise] unavailable for return.

[(2)](B) If a demand item is received by a payor bank for credit on its books it may return [such] THE item or send notice of dishonor and may revoke any credit given or recover the amount thereof withdrawn by its customer, if it acts within the time limit and in the manner specified in [the preceding] subsection (A).

[(3)](C) Unless previous notice of dishonor has been sent, an item is dishonored at the time when for purposes of dishonor it is returned or notice sent in accordance with this section.

[(4)](D) An item is returned:

[(a)](1) As to an item [received] PRESENTED through a clearing house, when it is delivered to the presenting or last collecting bank or to the clearing house or is sent or delivered in accordance with CLEARING-HOUSE [its] rules; or

[(b)](2) In all other cases, when it is sent or delivered to the bank's customer or transferor or pursuant to [his] instructions.

4-302.

(A) [In the absence of a valid defense such as breach of a presentment warranty (subsection (1) of § 4-207), settlement effected or the like, if] IF an item is presented [on] TO and received by a payor bank, the bank is accountable for the amount of:

[(a)](1) A demand item, other than a documentary draft, whether properly payable or not, if the bank, in any case [where] IN WHICH it is not also the depository bank, retains the item beyond midnight of the banking day of receipt without settling for it or, [regardless or] whether OR NOT it is also the depository bank, does not pay or return the item or send notice of dishonor until after its midnight deadline; or

[(b)](2) Any other properly payable item unless, within the time allowed for acceptance or payment of that item, the bank either accepts or pays the item or returns it and accompanying documents.

(B) THE LIABILITY OF A PAYOR BANK TO PAY AN ITEM PURSUANT TO SUBSECTION (A) IS SUBJECT TO DEFENSES BASED ON BREACH OF PRESENTMENT WARRANTY (§ 4-208) OR PROOF THAT THE PERSON SEEKING ENFORCEMENT OF THE LIABILITY PRESENTED OR TRANSFERRED THE ITEM FOR THE PURPOSE OF DEFRAUDING THE PAYOR BANK.