

# Rule 3

If a cut off exception applies then T gets clear title even if SP has a perfected SI and whether or not SP has authorised the dealing

S 46

Mainly as consumer protection provision.

G is a furniture retailer. SP has a perfected SI in its inventory. Authorisation in the security agreement permits G to sell in the ordinary course of business.

SP serves a notice on G withdrawing authority

G sells an armchair to T, a retail customer.

Does T get clear title?

If Rule 3 applied the answer is no.

SP is perfected and has not authorized the dealing.

But s 46 displaces the rule provided that T did not know that the sale was in breach the Security agreement.

T should not be at risk of unpublished restrictions on the right to sell.

Buyer

G is a furniture retailer and SP1 has an SI in G's inventory.

G gives SP2 a security interest in one of its armchairs

If SP2 is a purchaser (includes a SP) he wins.

Hence use of term buyer which does not include a secured party s 42

Priority dispute between SP1 And SP2 is resolved by the priority rules in s 55(4) – first in time wins

- If T is a retail customer and rents a computer from G, s 46 also applies because it includes a lessee.

# Interest given by the seller

Interest given by the seller or lessee

G is lawyer. SP has a perfected SI in his office furniture and equipment

G sells the furniture and equipment to a secondhand dealer X. X resells it to T.

X takes subject to SP's SI

S 46 doesn't apply because not in the OCB of G's business.

T bought from X but SI give by G.

# Motor car

If G a lawyer and SP has a perfected SI in G's car.  
G sells car to T.

T needs to search by VIN and/or ABN of business

If no SI revealed by the search from the time commencing at the start of the day before and the time of payment, T takes free of SP's SI.

Also if VIN incorrect or error in G's ABN.