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**One-Year Statute of Limitations Applies to
Claims by Depositors for Payment of Forged Checks**

When a depositor sues a bank for paying a forged check, which statute of limitations applies: the one-year limitations period in section 340(c) of the Code of Civil Procedure, or the three-year statute in section 4111 of the Commercial Code? According to the Court of Appeal in San Diego, the *one-year* statute applies. *Chatsky & Associates v. Superior Court*, 04 C.D.O.S. 3166 (April 12, 2004).

Below, the plaintiff companies notified Bank of America that some checks written on their accounts had been forged. One year and one day later, they sued the Bank. The trial court granted the Bank's motion for summary adjudication because the plaintiffs failed to bring their action within one year after being provided with bank statements. The plaintiffs appealed, claiming that the trial court should have applied the three-year limitations period.

The Court of Appeal affirmed, recognizing that in deciding an issue of first impression, it was "required to harmonize ... two seemingly inconsistent statutes." The Court of Appeal found that the one-year period in section 340(c) should control because it was more specific than Commercial Code section 4111, which generally applies to other actions between banks or a bank and its customers "to enforce an obligation, duty, or right" under that Division. According to the Court, when construed in this fashion, the "statutes work in harmony and do not contradict each other."

At least for now. Perhaps the California Supreme Court will have the last word.

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