



Multimodal transport document

Different modes of transport, different opinions

When issuing a letter of credit, it is imperative to select a suitable transport document for the way in which the goods are actually transported. This not only applies to the place of departure and the place of final destination, but also to the choice of the correct type of document. Otherwise, difficulties may arise, as the example in the current issue of top@doc illustrates.

WellDone Ltd. concludes a contract with Stock & Import Inc. on a delivery of goods. The contract stipulates that the transaction shall be covered by a letter of credit. While it is certain at the time of concluding the contract that the goods shall be delivered to Tashkent, it is not yet clear from where the goods will come and whether the transport to Tashkent will be handled by sea and/or land and/or air. Therefore, the parties intend to arrange the credit terms as flexibly as possible in this point to keep several options open.

The credit which is issued in favour of WellDone Ltd. contains the following terms and conditions, among others:

Field 44 A (Place of Taking in Charge/Dispatch from .../Place of Receipt):

Amsterdam and/or Geneva and/or Japan and/or Greece

Field 44 B (Place of Final Destination/For Transportation to .../Place of Delivery):

Tashkent, Uzbekistan

Field 46 A (Documents required):

- ...
- *Multimodal Transport Bill of Lading*
- ...

In fact, the goods are finally transported by railway from Amsterdam to Tashkent. For utilisation of the credit, WellDone Ltd. presents, among others, a transport document to its bank, Free and Easy Bank, with which the credit is available by negotiation. The transport document contains the following details:

Title of the document: FIATA Multimodal Transport Bill of Lading

Place of receipt: Amsterdam, NL

Ocean vessel: Rail Way

Port of loading: Amsterdam, NL

Port of discharge: Tashkent, UZ

Place of delivery: DDP Tashkent, UZ

The other documents presented by WellDone Ltd. together with this transport document show that the goods were apparently transported by truck from the production site in Haarlem, NL, to the freight terminal in Amsterdam to be further shipped by railway from there to Tashkent. However, nothing can be seen in the multimodal transport document about the preceding transport of the goods by truck.

After careful examination of the set of documents, Free and Easy Bank informs WellDone Ltd. that it does not consider the presented transport document to be compliant and will therefore not meet the request for negotiation. This refusal meets with incomprehension by WellDone Ltd. – the document in question evidences the place of dispatch and the place of final destination in accordance with the terms and conditions of the credit, and transport by railway is not prohibited under these terms and conditions. So WellDone Ltd. wants to know where the problem is.

Free and Easy Bank explains its refusal of the transport document in question as follows:

While the presented transport document evidences the places of departure and final destination as called for in the credit, an essential item of information is missing in the document: The credit calls for a multimodal transport document. In accordance with Article 19 of the “Uniform Customs and Practice for Documentary Credits UCP 600”, such a document covers at least two different modes of transport. However, the transport document presented by WellDone Ltd. fails to show that more than one mode of transport was used. Only a transport by railway can be seen from this document. Even if it is titled “Multimodal Transport Bill of Lading” – the title is not relevant in this case – the presented document, by its nature, does not correspond with a multimodal transport document because it fails to evidence at least two different modes of transport.

This point of view is also expressed by the International Chamber of Commerce in the “Opinion R 353” published by it under the UCP 500.

The explanations by WellDone Ltd. that the goods were transported by truck before being shipped by freight train are of no help here. This is due to the fact that, pursuant to UCP 600, Article 14 a, banks must examine on the basis of the information alone that appears from the presented documents whether the documents constitute a complying presentation.

Any additional information which is not part of the documents requested in the credit is irrelevant for this examination.

This explanation is plausible to WellDone Ltd. Nonetheless, WellDone Ltd. inquires how the transport document in question should have been made out in this case to avoid a refusal.

The easiest solution would have been if the multimodal transport document had evidenced the preceding transport by truck to Amsterdam. For this purpose, however, the credit should have been made out differently. Instead of “Amsterdam” as “place of receipt”, “Netherlands” should have been stated here since this broad wording would have also allowed transport from Haarlem.

WellDone Ltd. further wants to know whether, instead of a “multimodal transport bill of lading”, they could not have simply presented a rail waybill which evidences shipment by railway from Amsterdam to Tashkent. According to the UCP 600, Article 24 a, a rail transport document may be “however named”, i.e. also have the title “FIATA Multimodal Transport Bill of Lading”.

This would be no option because the credit in fact calls for a “multimodal transport bill of lading”, i.e. a document covering at least two different modes of transport. And this condition is not complied with by a rail waybill.

In the present case, the problem arises due to the fact that the credit was not made out correctly. Stock & Import Inc. – as applicant of the credit – intended to give WellDone Ltd. maximum scope with respect to the choice of the modes and ways of transport. As can be seen, the demand for a multimodal transport document is not necessarily the appropriate way here.

It would have been better if the credit had called for presentation of a “transport document” quite generally without specifying the type of document more precisely. Alternatively, though more complex, the listing of several transport documents would also have been possible, for instance:

- Bill of Lading or
- Multimodal Bill of Lading or
- Air Waybill or
- Rail Waybill

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