



“House air waybill/House bill of lading/ House multimodal transport document is acceptable”

What does this actually mean for the processing of letters of credit?

In letters of credit, the condition “House air waybill/House bill of lading/House multimodal transport document is acceptable” now and then appears, depending on the intended mode of transport.

What exactly does this mean, how is the corresponding document to be issued and signed? Which article of the “ICC Uniform Customs and Practice for Documentary Credits UCP 600” is applied when examining such a document under a letter of credit? With the current issue of top@doc, we want to clarify these questions based on the example of an air freight consignment and also explain how to deal with such a letter of credit condition.

The terms and conditions of a letter of credit issued by Careful Bank in favour of WellDone Ltd. provide for the following, among others:

*Field 44E (Port of Loading/Airport of Departure)
Frankfurt airport*

*Field 44F (Port of Discharge/Airport of Destination)
London airport*

*Field 46A (Documents required)
AIR WAYBILL CONSIGNED TO THE APPLICANT SHOWING
,FREIGHT PREPAID' AND CONTRACT NUMBER 123456*

*Field 47A (Additional Conditions)
House air waybill is acceptable.*

A House air waybill is understood as meaning an air waybill usually issued for consolidated transports by a freight forwarder in the capacity of a freight forwarder or also as carrier.

To prevent problems which may arise with the later processing of the letter of credit, WellDone Ltd. provides its freight forwarder ShipAll Ltd. with a copy of the letter of credit. ShipAll Ltd. examines whether it will be able to comply with the conditions of the letter of credit when issuing the requested air waybill. Afterwards, it confirms back to sign the air waybill as “House air waybill” **in its capacity as freight forwarder**. This would be allowed on account of the condition in Field 47A.

After comparison with its own records, WellDone Ltd. notices that no contract with the applicant of the letter of credit has been concluded, contrary to what is mentioned in the letter of credit, but that only an order with the order number 123456 is available.

Based on freight forwarder’s statement to sign the air waybill in its capacity as freight forwarder and therefore not as carrier or named agent for or on behalf of the carrier, as provided for in article 23 of the UCP 600 in relation to air transport documents, one would have to assume that the “House air waybill” to be presented is not a transport document. It would rather be regarded as a document which is described in article 14 (f) of the UCP 600 as “a document other than a transport document”.

In accordance with UCP 600, article 14 (f), banks will accept a document which is not a commercial invoice, transport or insurance document as presented. This is on the condition that the letter of credit does not stipulate by whom it is to be issued or the data content of the document and that the content appears to fulfil the function of the required document and otherwise complies with article 14 (d) of the UCP.

Since the letter of credit allows the presentation of a “House air waybill” without providing more detailed information on the content of the document, the above point of view would lead to the result that the conditions stipulated specifically for the document required in Field 46A do not have to be observed for the presentation of a “House air waybill”. The “House air waybill” could be presented in a credit-compliant manner, for instance, without naming the contract number, without the need to amend the letter of credit. And what about the requirements with respect to the consignee and the freight clause – would the indications in the “House air waybill” be allowed to actually differ from these requirements then?

WellDone Ltd. is uncertain as to whether this point of view and the resulting conclusion are correct. In order to dispel any remaining doubts, WellDone Ltd. consults Free and Easy Bank which has advised the letter of credit to it.

And in fact:

WellDone Ltd. receives a different opinion which is also identical with the opinion of both Commerzbank and the International Chamber of Commerce (ICC).

Free and Easy Bank explains that, according to the international standard banking practice, the term “House air waybill” used in a letter of credit only relates to the manner in which the document is to be signed. The signing of the “House air waybill” by ShipAll Ltd. in its capacity as freight forwarder would be acceptable. However, the examination of the “House air waybill” under the letter of credit is made subject to article 23 of the UCP 600. Accordingly, the conditions stated in field 46A have to be observed also in case of the presentation of a “House air waybill”.

Therefore, the term “House air waybill” used in a letter of credit ultimately concerns the question whether a freight forwarder is allowed to sign the document in its capacity as freight forwarder. The freight forwarder differs from a carrier insofar as the freight forwarder is not obliged to perform a transport itself but only to arrange the transport.

The ISBP (“International Standard Banking Practice for the Examination of Documents under UCP 600”) states in paragraph H 3 b.:

“When a credit indicates ‘Freight Forwarder’s air waybill is acceptable’ or ‘House air waybill is acceptable’ or words of similar effect, an air transport document may be signed by the issuing entity without it being necessary to indicate the capacity in which it has been signed or the name of the carrier.”

It can therefore be summarized that, when a letter of credit requires or allows the presentation of a “House air waybill”, the document must comply with the terms and conditions of the letter of credit and the requirements under article 23 of the UCP 600, with the exception that the document may be signed by a freight forwarder in its capacity as freight forwarder and need not show the name of the carrier.

As mentioned in the introduction, the current issue of top@doc describes the outlined topic based on the example of an air freight consignment. The above explanations also apply to all other modes of transport, provided that they fall under the regulations of the transport articles 19, 20, 21 or 23 of the UCP 600.

Do you have any questions or suggestions regarding top@doc?

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