**Letters of Credit – Reconciling legal rules with commercial realities**

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**Abstract:**

Letters of credit have been described as the life blood of international trade, amongst other things. However, in recent times there has been a decrease in its use as a *trade finance* instrument – especially in intra-EU trade. On the other hand, finance engineers have been devising clever ways of using the letter of credit as an alternative to *conventional finance* tools. My seminar will examine some of the possible *legal* factors to explain these developments. To a significant extent, the letter of credit as a payment instrument does not sit very well with English contract law. Commentators have long debated over whether the letter of credit lacks consideration, for example. However, its use has been so widespread that English law has little choice but to recognise it as *sui generis*. I argue that by treating it as *sui generis* and I accept that that may be the best solution to overcome the issue of its legal basis in English law, it does have the effect of encouraging ever more creative (some might consider pernicious) ways of using the letter of credit. There has certainly been a degree of “bad press” especially from law academics about the letter of credit’s pliability to fraudulent and sharp practice. These critics consider that the respect accorded to the principle of autonomy by English law is unacceptable. I hope to examine some of developments in relation to the principle and suggest that some of the criticisms seem to have overemphasised the risk of fraud and underplayed the importance of commercial or business autonomy.

**Biography**

Jason is Head of Academic Law at the City Law School. He is a graduate of Cambridge University with awards from Barclays Bank, the UK Overseas Development Authority, the Cambridge Commonwealth Trust and the Cambridge Commonwealth Fellowship. He also has a Certificate in Export with Distinction from the Institute of Export, winning the Clive Schmitthoff Commercial Law prize and the Sweet & Maxwell book prize. He is an Executive Director of the London Universities Maritime Law and Policy Research Group. He is a peer reviewer on the Arts and Humanities Research Council. Jason is on the Editorial Board for *Journal of International Maritime Law, Shipping and Trade Law, The European Commercial Contract Law, International Company and Commercial Law Review, International Trade Law and Regulation* and *Finance and Credit Law*. He has authored and co-authored several books including, “*Law of International Trade”, “Encyclopaedia of Banking Law”, “Commercial Law”,* and “*Butterworths Banking Law Guide”*. He has written well above 200 articles in various journals. His works have been cited by tribunals in the US, the EU and England, including the Court of Justice of the EU.