

**UNIFORM COMMERCIAL CODE (EXCERPT)**  
**Act 174 of 1962**

**440.2954 Liquidation of damages; reasonableness; restitution; setoff.**

Sec. 2A504. (1) Damages payable by either party for default, or any other act or omission, including indemnity for loss or diminution of anticipated tax benefits or loss or damage to lessor's residual interest, may be liquidated in the lease agreement but only at an amount or by a formula that is reasonable in light of the then anticipated harm caused by the default or other act or omission.

(2) If the lease agreement provides for liquidation of damages, and such provision does not comply with subsection (1), or such provision is an exclusive or limited remedy that circumstances cause to fail of its essential purpose, remedy may be had as provided in this article.

(3) If the lessor justifiably withholds or stops delivery of goods because of the lessee's default or insolvency (section 2A525 or 2A526), the lessee is entitled to restitution of any amount by which the sum of his or her payments exceeds either of the following:

(a) The amount to which the lessor is entitled by virtue of terms liquidating the lessor's damages in accordance with subsection (1).

(b) In the absence of those terms, 20% of the then present value of the total rent the lessee was obligated to pay for the balance of the lease term, or, in the case of a consumer lease, the lesser of such amount or \$500.00.

(4) A lessee's right to restitution under subsection (3) is subject to offset to the extent the lessor establishes any of the following:

(a) A right to recover damages under the provisions of this article other than subsection (1).

(b) The amount or value of any benefits received by the lessee directly or indirectly by reason of the lease contract.

**History:** Add. 1992, Act 101, Eff. Sept. 30, 1992.