

The use of goods as security are mostly made by way of pledge but since goods has its specific characters, therefore, the delivery and possession of goods to be pledge cannot be made in the same manner as other property and thereby causes problems on the validity and termination of pledge thereof.

This thesis focuses on the analysis of the problems concerning the use of goods as security for credits especially by way of pledge and the solution to such problems and also focuses on other method that would be appropriate and proper for the use of goods as security.

The analysis hereof is based on documentary research and interview with professionals in order to find problems that practically arise, the legal theories and opinions of learned lawyers in respect of such problems and the suitable solution thereof.

The analysis finds that the problems concerning the use of goods as security are as follows:

1. The use of goods as security is restricted by laws because the only way accepted by laws as perfect security is "pledge". As for other ways, though there might be indirectly used or adapted, the legal effect thereof could neither be so preferential, nor could it be so appropriate security, as pledge.

2. The use of goods as security has major legal problems as follows:

(a) Problems on delivery. Due to its considerable large quantity, delivery by the same manner as other property would consume too much time and expense and to have the pledgor hold the pledged goods on behalf of the pledgee would leads to legal problems as to whether there is delivery of the goods.

(b) Problems on possession. Due to difficulty in delivery and due to the nature of goods that its stock is always changed for portion thereof must be from time to time sold, therefore, it is necessary that the pledgor holds possession of the pledged goods on behalf of the pledgee. Unfortunately, it is not clear whether the current law accepts that, and moreover, such might cause the pledge to terminate.

This thesis proposes some solution to such problems as follows:

1. The current laws in respect of delivery and possession of pledged property and termination of pledge should be amended whereby suitable substance of "FLOATING CHARGE" rule be taken into consideration.

2. Specific laws should be enacted to specifically govern the pledge of goods in the same manner as those governing the pledge of goods stored in warehouse.