

proportion to the amount of stock held by them. The Bank had a capital limited by statute which it was not authorized to increase. Lord Chancellor Rosslyn held that the annuities so distributed were capital money in the hands of the stockholders and that the dividends upon them alone were to be paid to the life-tenants. The principle upon which this case was decided, as stated by Lord Herschell, in *Bouch v. Sproule*, was that the accumulated profits paid to the Government had become part of the floating capital of the bank, and consequently the annuities received in return were capital money in the bank's hands.

The next case is a decision of the House of Lords *Irvine v. Houstoun* (1803) 4 Paton, Sc. App. 521, in which stock in the Bank of Scotland was in question. Lord Eldon puts the point for decision thus :—"The case therefore comes to be purely that of a tenant for life and of those interested in remainder in the stock in question ; and the point for our decision is which of these parties should be entitled to an extraordinary dividend declared by the bank . . . which is known in both countries by the name of a bonus." As in the case of *Brander v. Brander* the bank in this case was not authorized to increase its capital but had been in the habit of investing its surplus profit annually in exchequer bills and other readily convertible securities which became in this way part of its actual capital fund spoken of in the judgment as its "floating capital." Speaking of this floating capital Lord Eldon says :—"Every person who buys bank stock is aware of this, and if he gives the life interest of his estate to any one it can scarcely be his meaning that the liferenter should run away with a bonus that may have been accumulating on the floating capital for half a century." And he declared the bonus to be capital. These two cases were followed in *Paris v. Paris* (1804) 10 Ves. 185, where the bonus was paid in money and not in stock, as in the earlier cases, and was also shewn to have been earned during the lifetime of the testator ; Lord Eldon holding these circumstances to be insufficient to distinguish it.

The next case is *Witts v. Steere* (1807) 13 Ves. 363, where a bonus dividend was again declared to be capital. Lord Erskine however expressed the opinion that if instead of declaring a special bonus, the bank had merely increased its ordinary dividend there would have been nothing to shew that the whole was not the ordinary fruit of the stock and therefore income for the life tenant. This