

ENGLISH CASES.

EDITORIAL REVIEW OF CURRENT ENGLISH
DECISIONS.

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COMPANY—DEBENTURES—FLOATING CHARGE—EQUITABLE INCUMBRANCES—
NOTICE—PRIORITY.

In re Valletort, Ward v. Valletort (1903) 2 Ch. 654, was a contest for priority between the creditors of a joint stock company. Debentures were issued under which one set of creditors claimed, which constituted a floating charge on the assets of the company and the terms of which precluded the company from creating any prior charge, but the manager of the company, in forgetfulness of this provision, deposited the title deeds of the company with a bank to secure the present and future overdraft of the company's current account. The bank knew that debentures had been issued and held some of them as security for another customer's account, but made no inquiry in the matter. It was contended by the debenture holders that the possession of the debentures as security affected the bank with notice of their contents so as to preclude them claiming priority in respect of their equitable mortgage by deposit. But Eady, J., held that the possession of the debentures as security for another customer's account did not affect the bank with notice of the contents of the debentures in their dealings with the company; and that the fact of the company's managing director making the deposit of the title deeds was an implied representation that the company could give a valid first charge, and though the bank was aware of the debentures it was not put on inquiry as to their terms. Subsequent to the deposit of the deeds the company issued a debenture as further security to the bank which was expressly made subject to the first issue of debentures, but it was held that this fact did not put the bank on inquiry as to the terms of the first issue, so as to postpone their equitable mortgage in respect of advances subsequently made.