

542 Interest. The legal rate of interest in Canada is now five per cent., but we have no usury law. A note drawn where nothing is said about interest will not draw interest until maturity, but if not paid at maturity it will then commence to draw five per cent. A note drawing a higher rate than five per cent., if not paid at maturity will drop to five, and a note drawing a lower rate than five, if not paid at maturity will rise to five per cent.

If the rate is over or under five per cent., and it is desired that it should remain at that rate after maturity also, a clause must be added like the following: "With interest at (the rate desired) until maturity, and thereafter at the same rate until paid."

Any rate of interest that a man agrees to pay and is written in the note, mortgage or other instrument, will be collected, provided that if the rate of interest agreed to be paid per day, week, month, or any period less than a year exceed five per cent. *per annum* no more than five per cent. can be recovered, unless the contract states the yearly rate of interest to which such other rate is equivalent. This paragraph does not apply to mortgages on real estate.

Compound interest cannot be collected unless it is agreed in the contract to be paid.

Book Accounts differ from Notes. A book account overdue will not draw interest, unless the merchant has it printed on his invoices and bills he gives with the goods that interest will be charged after a certain date. Then it can only be five per cent., unless the debtor is willing to pay more. Simply having eight or ten per cent., as the case might be, printed on the invoices does not make the charge legal, and the debtor may refuse to pay anything over five.

Judgments also draw five per cent. interest. Chartered banks are allowed seven per cent., and collect it; but there is no penalty if they charge more.

In Newfoundland the legal rate is still six per cent.