The History of Bills of Exchange and Promissory Notes shows how the usages of merchants, bankers, and traders became the Common Law in regard to these instruments. When disputes arose in connection with them, the courts simply required that the general usage among merchants and bankers should be proved, and this being judicially ascertained, it received the sanction of legal decision, and consequently became incorporated into the Common Law. These legal decisions, again, as precedents, became the basis of other decisions. This Law-making power of merchants is known as the

Law-Merchant (Lex Mercatoria),

which the courts of justice are bound to know and recognize. The controlling effect of the Law-Merchant is well illustrated in the transfer of Notes and Bills from one person to another. By the rule of the ancient Common Law, no property that was not actually in possession (or that could be reduced into possession) could be transferred. Bills and Notes only express the legal right to possession of money in the future. But merchants had established the custom of transferring Bills of Exchange by delivering from hand to hand, or by writing a name on the Bill, which not only transferred the right of action, but created an unwritten conditional contract of guarantee to any one who might be the lawful holder. Not only did the Law-Merchant thus overcome the general principles of the Common Law, but to some extent the Statute of Frauds (explained further on) was surmounted.

Another illustration of the Law-Merchant is seen in the exemption of Bills and Notes from the ordinary rules that apply to contracts and the Law of evidence.

Contracts.

Promissory Notes and Bills of Exchange are the commonest forms of Contracts. They enter more than any other into the daily commercial life of the people of any civilized country, and into the transactions between the various nations of the world.