

TENANT FOR LIFE—REMAINDERMAN—INTEREST ON CHARGES—ARREARS PAID OFF BY SALE OF ESTATE.

In *Honywood v. Honywood* (1902) 1 Ch. 347, there was a contest between tenant for life and remainderman under a settlement as to the liability for payment of interest on charges upon the settled property. Byrne, J., holds that where, by the same settlement, several estates are settled, the tenant for life is bound, out of the aggregate rents and profits of the whole, to keep down the interest on the aggregate charges on all the estates; and where arrears of interest are paid off by a sale of any of the charged estates, he is bound out of future accruing rents and profits of the rest of the settled estate to recoup the capital the amount of such arrears.

COMPANY—PREFERENCE SHARES—DIVIDENDS—LOSS OF CAPITAL.

Bond v. Barrow Hematite Steel Co. (1902) 1 Ch. 353, was an action by certain preference shareholders of the defendant to compel the payment of dividends on their shares. It was contended that the plaintiffs were entitled to payment of dividends on their shares out of the balance standing to the credit of profit and loss, and that in the case of preference shares no declaration of dividend by the directors is necessary as a condition precedent to an action for such dividends. Farwell, J., however, negatived this contention. As no dividends had been declared, this, of course, was sufficient to dispose of the case; but Farwell, J., also deals with other questions argued. It was admitted that the company had lost capital to the extent of £250,000, and the sum appearing as profit amounted to only £240,000. The defendants contended that the lost capital must be made good before any dividends could be payable. Farwell, J., was of opinion that the company was not necessarily bound to apply the profits to making good the lost capital, that the proposition that "dividends must not be paid out of capital," is not identical with the proposition that "dividends may only be paid out of profits," and that where dividends are paid out of a balance of profit, that is not a payment out of capital, though capital to a larger amount than the profit may have been lost, because the balance standing to the credit of profit and loss does not automatically become part of the capital assets to the extent of losses which have been incurred of capital. The question of whether these are profits available for distribution is in his opinion