ing interest on the whole debt, treating the money accruing from the sale as money which they were not bound to deduct from their debt.

The chief clerk took the account on this footing, but on appeal to the Master of the Rolls the contrary was determined, and that for reasons entirely applicable to the present case. Sir Roundell Palmer and Sir R. Baggally, arguing for the mortgagees, insisted that "the principle is that a mortgagee is not bound to receive payment of his debt by driblets." The observations of the Master of the Rolls have a direct bearing upon the contention of the bank in the case before us, viz., that it is entitled to hold the money it has derived from the collaterals as a reserve fund put in a suspense account, whilst the money itself, as we are entitled to presume, is mixed with the general funds of the bank and used in carrying on its banking business, a presumption which the device of book-keeping resorted to does not remove.

Lord Romilly, M. R., says:

> The railway company had then in hand upwards of £20,000, after all interest and costs had been paid, which was the property of Hudson. What were they to do with it? They might pay it over to him; they were not bound to do so; but I think it impossible that they can contend that they are entitled to keep this money, to make interest upon it for ten years, and still to charge interest on the whole amount due to them on the larger sum . . . It is a case of this description: A mortgagee in possession with a power of sale sells a large portion of the estate, say over half, and receives purchase money sufficient to pay all interest and costs and half the principal due. Can the mortgagee say, I will charge interest in future on the whole debt and only allow the mortgagor the rents received for the unsold moiety and nothing in respect of interest on the money received and employed by the mortgagee? I think not. I am of opinion therefore that the third exception must be allowed and that the proper mode of adjusting the account in such a case is to wipe off so much of the principal as the surplus of the purchase money, after payment of interest and costs, will discharge, and then go on with the account as against a mortgagee in possession with an altered and diminished debt. See what injustice a different rule would inflict. . . . It is true, as said by counsel for the railway company, that a mortgagee is not obliged to accept payment of part of the debt, and that the whole must be paid if any, but then why do they retain £20,000 belonging to Mr. Hudson? If they merely kept down the interest and paid the balance over to Mr. Hudson I should assent, but not when they actually keep in their hands and make interest on the sums received at a rate if employed in the conduct of the railway, as I assume it to have been, at least as great as they are able to charge Mr. Hudson on this account.

The order made by the Master of the Rolls was that the purchase money received by the mortgagees should be deducted from the capital secured by the mortgage.

This case in all essential principles appears to me to be an authority for the appellants in the present case, and to show conclusively that if the bank purposes (as of course it does) to retain the moneys coming into their hands as the proceeds of