

Pearson Vs. Bank of the Metropolis

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Court : US Supreme Court

Decided On : 1828

Appeal No. : 26 U.S. 89

Appellant : Pearson

Respondent : Bank of the Metropolis

Judgement :

Pearson v. Bank of the Metropolis - 26 U.S. 89 (1828)

U.S. Supreme Court Pearson v. Bank of the Metropolis, 26 U.S. 1 Pet. 89 89 (1828)

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26 U.S. (1 Pet.) 89

SYLLABUS

In an action against the endorser of a promissory note Made "negotiable in the Bank of the Metropolis," the declaration averred a demand of the same at that bank. No other notice of the nonpayment of the note was sent to the endorser but that left for him at the Bank of the Metropolis, and it was proved that there was an agreement by parol with the endorser as to other notes discounted previously by

the bank for his accommodation, that payment and demand of payment should be made at the bank, the endorser residing a considerable distance from the bank.

The court held that parol evidence was admissible to show the agreement relative to the place where payment of the note was to be demanded, although the agreement did not appear on the face of the note. Such an agreement is a circumstance extrinsic to the contract made by the note, and its proof by parol is regular.

The endorser of such a note is himself bound by the contract made by the drawer and by the established and known usage of the bank.

Where it was omitted to allege in the declaration on the note a demand of payment on the person of the maker, but it averred a demand at the bank "where the note was negotiable," such averment in the declaration could not be true unless there was an agreement between the parties that the demand should be made there, and the averment must have been proved at the trial or the plaintiff could not have obtained a verdict and judgment, and after a verdict the judgment will be sustained.

This action was instituted in the Circuit Court for the County of Washington by the Bank of the Metropolis on a promissory note dated May 26, 1819, drawn by George A. Carroll and endorsed by W. Carroll and Robert Brent, for \$1,100, payable at sixty days and negotiable at the Bank of the Metropolis. The declaration set out the note and averred a demand of payment at the Bank of the Metropolis. In support of the issue on the part of the plaintiffs in error evidence was offered that the accommodation given by the said bank to George A. Carroll on a note similarly drawn and endorsed with the present was given by the bank about three years before the date of the note, on which the suit was brought and was given with the knowledge of the endorsers thereon and in consequence of their solicitation, and for the purpose of proving that it was the agreement and understanding of the bank and W. Carroll at the time of agreeing to give him this accommodation that the note to be discounted should be payable at the Bank of the Metropolis, and the notes severally taken for the renewal of such notes and for

the continuance of the said accommodation should be in like manner

Page 26 U. S. 90

payable and demanded at the bank; they offered to prove by parol evidence that the said Carroll did not reside in the District after the winter in which W. Carroll lived in the City of Washington, and that that winter was the winter of 1817, and that after such time, said George A. Carroll occasionally visited the city and resided at Washington, in Maryland, about twenty miles from the city, and at Port Tobacco, and that many of the notes taken for the continuance of the said accommodation were expressed to be payable at the bank, and that all notes previous to the one now sued on were there demanded and such demand acquiesced in as sufficient, and subsequent notes given in renewal of the notes so demanded; that it was the custom of the said bank to require in all cases where the drawer was a nonresident that there should be such an agreement to pay such notes at the bank; that the bank never would have agreed to discount the notes except upon such a condition, and this was the understanding of the bank, and necessarily presumed to be known to W. Carroll and the endorsers at the time of making such accommodation or at the time of his removal from the City of Washington.

The counsel for the defendants objected to the evidence, but the court overruled the objection and admitted the evidence to be given. And the counsel for the defendants prayed the court to instruct the jury that to enable the plaintiffs to sustain their action aforesaid against the defendants, it was necessary that a personal demand should have been made upon the maker of the note for the money in the said note mentioned, but the court refused to give the instruction, but instructed the jury that if from the evidence given as aforesaid the jury should be satisfied that it was agreed by all parties whose names appear on the notes and the plaintiffs that the payment should be demanded at the Bank of the Metropolis and that it was so demanded at the bank, then a personal demand of the maker was not necessary. To which several refusals and opinions of the court the defendants by their counsel excepted and sued out this writ of error.

MR. CHIEF JUSTICE MARSHALL delivered the opinion of the Court:

This was a suit brought in the Circuit Court of the United States, for the District of Columbia on a note made by G. A. Carroll and endorsed by William Carroll and Robert Brent, the testator of the plaintiffs in error and made negotiable in the Bank of the Metropolis.

The declaration set out the note and averred a demand of the same "at the Bank of the Metropolis," where the said note was payable.

At the trial, the plaintiffs below proved that the accommodation given by the bank to said G. A. Carroll on a note similarly drawn and endorsed with the present was given by the bank about three years before the date of the note on which this suit was brought, and was given with the knowledge of the endorsers thereon, and in consequence of their solicitation.

For the purpose of showing an agreement between the bank and the maker of the note that the note to be discounted and those thereafter to be made for its renewal should be payable at the Bank of the Metropolis and there demanded, the bank proved by parol testimony that the said G. A. Carroll did not reside in the District after the winter of 1817, in which W. Carroll lived in Washington, but resided at Port Tobacco, in Maryland, about twenty miles from the city, which he occasionally visited; that many of the notes taken for the continuance of the accommodation were expressed to be payable at the said bank; and that all the notes previous to that on which this suit was brought were there demanded, which demand was acquiesced in as sufficient and subsequent notes given in renewal of those so demanded. The bank also proved that it was its custom in all cases where the maker was a nonresident to require an agreement to pay such notes at the bank, and that they never would have agreed to discount the said notes but on this condition.

The counsel for the defendants below objected to this testimony, but the court permitted it to go to the jury. The counsel for the defendants below then prayed the court to instruct the jury that to enable the plaintiffs to sustain their action, it was necessary to prove that a personal demand had been made on the maker of the note. The court refused to give this instruction, but did instruct the jury that if it

Page 26 U. S. 92

should be satisfied from the evidence that it was agreed by all the parties whose names appear on the notes that the payment should be demanded at the Bank of the Metropolis and that it was so demanded, then a personal demand on the maker was not necessary. An exception was taken to these opinions of the court, and their correctness is now to be examined.

The plaintiffs in error contend that the testimony ought not to have been admitted, because it is an attempt by parol proof to vary a written instrument. But this is not an attempt to vary a written instrument. The place of demand is not expressed on the face of the note, and the necessity of a demand on the person, when the parties are silent, is an inference of law which is drawn only when they are silent. A parol agreement puts an end to this inference and dispenses with a personal demand. The parties consent to a demand at a stipulated place instead of a demand on the person of the maker, and this does not alter the instrument so far as it goes, but supplies extrinsic circumstances which the parties are at liberty to supply.

No demand is necessary to sustain a suit against the maker. His undertaking is unconditional, but the endorser undertakes conditionally to pay if the maker does not, and this imposes on the holder the necessity of taking the proper steps to obtain payment from the maker. This contract is not written, but is implied. It is that due diligence to obtain payment from the maker shall be used. When the parties agree what this due diligence shall be, they do not alter the written contract, but agree upon an extrinsic circumstance and substitute that agreement for an act which the law prescribes only where they are silent. We think, then, that there was no error in admitting the parol evidence which was offered to sustain the action.

If the testimony was admissible, there is no error in the instruction given by the court. It was that if the jury believed from the evidence that it was agreed by all the parties that the demand should be made at the Bank of the Metropolis and that it was so made, then a demand of the maker was not necessary.

This point is, we think, involved in the question respecting the admissibility of parol testimony to establish the agreement. Had the note purported on its face to be payable at the Bank of the Metropolis, that express agreement would undoubtedly have dispensed with a personal demand. If that agreement can be made by parol (and unless it can, the testimony was inadmissible), the effect of the parol contract is the same on this point as if it had been in writing. The only

Page 26 U. S. 93

inquiry, therefore, is whether the testimony was sufficient to be submitted to the jury for the purpose of proving the agreement. We think it was.

The circumstances that the endorsers were themselves active in procuring the accommodation for the maker of the note, that the accommodation had been continued for years without a demand on the person of the maker, that it was the invariable usage of the bank, when the maker of an accommodation note resided out of the city, to require, as the condition of the loan, a stipulation that a demand at the bank should be sufficient, that this accommodation would not have been continued after the removal of the maker out of the city but on this condition, that the note purports on its face to be negotiable at the Bank of the Metropolis, are facts from which the jury might justifiably infer the agreement of the parties to dispense with a demand on the person of the maker.

A verdict having been rendered for the bank, the defendants in the court below filed errors in arrest of judgment.

The error alleged is that the first count in the declaration neither charges a personal demand on the maker of the note nor excuses the omission to make such demand. The declaration certainly does not charge a demand on the person of the maker, but this was not necessary if the parties had agreed that a demand

at the bank should be substituted for a demand on the maker.

The plaintiffs in error contend that the agreement is not alleged in the declaration, and we admit that the omission to make this averment would be fatal. In that event, the plaintiff below would have shown no cause of action. But the declaration avers a demand of the note "at the Bank of the Metropolis," where the said note was payable. The note is set out in the declaration, and does not purport on its face to be made payable at the bank. But the averment in the declaration that it was payable there cannot be true unless there was an agreement of the parties to that effect. It is an averment which must have been proved at the trial or the plaintiff below could not have obtained a verdict and judgment.

After a verdict, it is, we think, sufficient to sustain the judgment.

There is no error, and the judgment is affirmed with costs.