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Griffith Vs. Connecticut

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Court : US Supreme Court

Decided On : Dec-12-1910

Appeal No. : 218 U.S. 563

Appellant : Griffith

Respondent : Connecticut

Judgement :

Griffith v. Connecticut - 218 U.S. 563 (1910)
U.S. Supreme Court Griffith v. Connecticut, 218 U.S. 563 (1910)

Griffith v. Connecticut

No. 514

Motion to dismiss or affirm

Submitted November 28, 1910

Decided December 12, 1910

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ERROR TO THE SUPREME COURT OF ERRORS

OF THE STATE OF CONNECTICUT

SYLLABUS

Fixing maximum rates of interest on money loaned within the state by persons subject to its jurisdiction is clearly within the police power of the state, and the details are within legislative discretion if not unreasonably and arbitrarily exercised.

Classification, on a reasonable basis of subjects, within the police power,

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is within legislative discretion and a reasonable selection which is not merely arbitrary and without real difference does not deny equal protection of the laws within the meaning of the Fourteenth Amendment.

The statute of Connecticut of 1907, limiting interest on loans is not unconstitutional as denying equal protection of the laws because it excepts loans made by national and state banks and trust companies and *bona fide* mortgages on real and personal property: the classification is a reasonable one.

The contract clause of the federal Constitution does not give validity to contracts that are properly prohibited by statute.

If the validity of the particular subject of classification assailed has not been so foreclosed by prior decisions as to render discussion frivolous, the motion to dismiss will be denied, but if, as in this case, it is manifest that the contention is, in view of prior decisions, without merit, the motion to affirm will prevail.

83 Conn. 1 affirmed.

Upon a prosecution originating in the Police Court of the City of Hartford, in Hartford County, Connecticut, the plaintiff in error was tried and convicted in the superior court of the county upon an information alleging, in six counts, the commission of offenses against chapter 238 of the Public Acts of Connecticut of 1907. The offenses charged were the exacting on certain loans of money a rate of

interest greater than fifteen percent per annum, contrary to the provisions of the first section of the act, and in accepting notes for an amount greater than that actually loaned with intent to evade the provisions of said first section, contrary to the provisions of the second section of the act. During the course of the trial, the accused, in various forms, assailed the validity of the statute referred to because of repugnancy to the contract clause of the Constitution of the United States and to the equal protection clause of the Fourteenth Amendment. From a judgment imposing a fine as to the conviction upon each count, an appeal was taken to the Supreme Court of Errors. The judgment of the superior court was affirmed (83 Conn. 1), and the case was then brought here.

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Since the filing of the record of the State of Connecticut has moved that the writ of error be dismissed, or, in the alternative, that the judgment be affirmed.

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MR. JUSTICE WHITE, after making the foregoing statement, delivered the opinion of the Court.

The motion to dismiss or affirm is in effect based upon the claim that the assignments of error present no substantial federal question. As the contentions urged required for their elucidation a consideration of the provisions of the statute charged to have been violated, we excerpt the first and second sections of the act. They are as follows:

"SEC. 1. No person, firm, or corporation, or any agent thereof, other than a national bank or a bank or trust company duly incorporated under the laws of this state, or a pawnbroker, as provided in chapter 235 of the Public Acts

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of 1905, shall, directly or indirectly, loan money to any person, and directly or indirectly charge, demand, accept, or make an agreement to receive therefor

interest at a greater rate than fifteen percentum per annum. The provisions of this section shall not apply to loans made to any national bank, or any bank or trust company duly incorporated under the laws of this state, or to any *bona fide* mortgage of real or personal property."

"SEC. 2. No person, firm, or corporation, with intent to evade section one hereof, shall accept a note for a greater amount than that actually loaned."

The claim that the statute operates to deny the equal protection of the laws is based upon the provision exempting from the operation of the terms of 1 "any national bank, or any bank or trust company duly incorporated under the laws of this state," and "any *bona fide* mortgage of real or personal property." The contentions elaborated in the assignments of error find succinct expression in the following proposition set out in the brief filed in opposition to the motion to dismiss:

"It is claimed by the plaintiff in error that the statute in question is an arbitrary, unjust, and unreasonable selection, favoring a class; is detrimental to the public, stifles competition, and that no good reason exists for the granting of the privilege of loaning money at any rate of interest without taking a mortgage on real or personal property to the favored class, to the exclusion of all others."

" * * * *"

"It is not a police regulation; there is no care imposed or restriction in the loan of money by the favored few -- simply an arbitrary, unreasonable limitation upon all except those privileged under the statute."

" * * * *"

"The regulation of interest charges is undoubtedly the proper subject of state legislation, but, in the first place, this statute is not a regulation of interest charges. It is

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in effect a special statute permitting only certain favored individuals or corporations to do an act or conduct a business."

" * * * *"

"There is 'no fair reason for the law that would not require with equal force its extension to others it leaves untouched.'"

It is elementary that the subject of the maximum amount to be charged by persons or corporations subject to the jurisdiction of a state for the use of money loaned within the jurisdiction of the state is one within the police power of such state. The power to regulate existing, the details of the legislation and the exceptions proper to be made rest primarily within the discretion of the state legislature, and

"unless such regulations are so unreasonable and extravagant as to interfere with property and personal rights of citizens unnecessarily and arbitrarily, they are within the power of the state, and that the classification of the subjects of such legislation, so long as such classification has a reasonable basis, and is not merely arbitrary selection without real difference between the subjects included and those omitted from the law, does not deny to the citizen the equal protection of the laws."

Watson v. Maryland, ante, p. 218 U. S. 173 , and cases cited. In the case at bar, the Supreme Court of Errors ruled that the statute was not repugnant to the Fourteenth Amendment, following a prior ruling to that effect made in *State v. Hurlburt,* 82 Conn. 232.

In the *Hurlburt* case, discussing contentions similar to those here urged against the validity of the Connecticut statute of 1907, based upon the exemption clause in question, the court said:

"The exception from its operation of loans by national banks was merely a recognition of the legal effect, in excluding state legislation on the same subject, of the statutes of the United States which regulate their right to

make such contracts. The further exception in favor of loans by trust companies chartered by this state was fully justified by the peculiar character of these institutions, each created by a special act of legislation, and subject to the inspection of the bank commissioners. Gen.Stat. 1902, ch. 199, 202. There was also reasonable cause for the exception as to pawnbrokers. Their business can only be carried on by those found by public authority to be suitable persons to engage in it, and its character is such as to make it not improper to allow a charge of interest beyond the limit of 15 percent a year. Pub. Acts 1905, c. 235, p. 438. There was also sufficient reason for restricting the statute so that it should not apply to loans made to any bank or to any trust company chartered by this state. Such institutions, managed by those accustomed to financial operations and familiar with the worth of money in the market from day to day, might well be deemed to require no statutory protection against being forced by their financial necessities to pay excessive interest for moneys borrowed. Nor is the act invalidated by the exception of mortgages."

"Publicity is one of the best safeguards against the making of unconscionable contracts. Under our recording system, it is rare that any *bona fide* mortgage, either of real or personal property, fails to be promptly spread upon the records of the town in which is situated the property which is its subject. So far as concerned chattel mortgages also, our General Statutes of 1902 (4132, 4134) had already made other and reasonable provision as to the rate of interest which might be charged, or which, in case of foreclosure, could be allowed. The general assembly, in respect to the matter of usury, had the right to deal with different classes of money lenders or money borrowers in a different way, provided there were nothing apparently unreasonable in creating such distinctions and all the members of each class were treated

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in the same manner. *Heath & Milligan Co. v. Worst,* 207 U. S. 338 , 207 U. S. 354 ; *Home Telephone Co. v. Los Angeles,* 211 U. S. 265 , 211 U. S. 281 . The enactment of the statute now in question fell within this right. *Norwich Gas & Electric Co. v. Norwich,* 76 Conn. 565, 573."

In the argument on behalf of the plaintiff in error, no attempt is made to meet the force of the foregoing statements of the court below; and, clearly, in the light of such declarations, it is impossible to conclude otherwise than that the classification complained of has a reasonable basis, and that the exemption of national banks, etc., was not a mere arbitrary selection.

In the argument for plaintiff in error, no reference is made to the claim urged below of the protection of the contract clause of the Constitution. The claim appears to have had reference to a provision contained in 5 of the Act of 1907, forbidding the enforcement of contracts made in violation of the act, thereby operating to deny validity to such contracts when made by those not within the exempted classes. There was power to enact the provision (*Missouri, Kansas &c.; Trust Co. v. Krumseig,* 172 U. S. 351 , 172 U. S. 358 -359), and, as said by the court below, the contract clause of the Constitution of the United States "does not give validity to contracts which are properly prohibited by statute."

The Supreme Court of Errors of Connecticut did not err in its judgment of affirmance. As, however, the particular classification here assailed has not been the subject of express consideration in any prior decision of this Court, and hence the power to make it cannot be said to have been so explicitly foreclosed as to cause contention on the subject to be obviously frivolous, the motion to dismiss cannot prevail. *Louisville & N. R. Co. v. Melton, ante,* p. 218 U. S. 36 . It is, however, manifest from the analysis which has been made of prior decisions, that applying the principles settled by the cases which have

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gone before, the contentions now advanced against the correctness of the judgment are so wholly without merit as not to require further argument. The motion to affirm must therefore prevail.

Affirmed.

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