

MAINE STATE LEGISLATURE

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January 6, 1925

To Hon. Fred F. Lawrence, Bank Commissioner
Re: Deposit toward Purchase of Automobile

Answering your inquiry about the right of the Sills-Chevrolet Company to issue contracts similar to the one annexed to your letter and to receive from prospective purchasers partial payments on deposit, the transaction after to be consummated by the purchase of an automobile or the return of the money at the option of the depositor, I submit the following:

In my opinion the sale of such certificates as a regular business is in violation of Section 2 of Chapter 144, Public Laws of 1923. Under a similar statute, the Attorney General of Wisconsin ruled that the following advertisement was of necessity a bankers' advertisement:

"Deposit your savings on first mortgage that yields 6% to 7%.

"In order to give all an opportunity to deposit their savings to the greatest benefit we have inaugurated a system of selling mortgages on a monthly installment plan.

"Deposit of savings on first mortgage may be started with \$5.00 Further deposit can be made of \$1.00 per week. First mortgages bringing high rate of interest payable semi-annually and giving you greatest security for money invested.

"First mortgages on real estate give the safest security and guarantee on earth.

"For further information write or call, etc."

The Economical*Chevrolet Company proposes to sell an automobile but the offer includes an invitation to deposit money with an official of the company as trustee, which money can be later withdrawn without interest by the depositor or applied with the interest on the purchase price of an automobile.

It seems clear to me that the transaction is a deposit of money for which the company issued a certificate and that it is a regular business of the company to accept money from the customers and to hold the same on deposit to be later paid to the depositor just the same as a bank does and under the statute referred to is a banking business.

There is an exception in the statute but the proposed business of the Sills-Chevrolet Company does not come within the exception in my opinion. The contract seems to be well guarded and favorable to the customer and is probably only a technical violation of the banking law, but I am unable to arrive at any other conclusion than that stated above.

Raymond Fellows
Attorney General

*No such company mentioned in the correspondence; probably an intrusion.