

SCHOOLS - BONDS - Interest after default in payment of principal.

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July 12, 1935.

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Mr. H. Sam Jones,
Secretary-Treasurer,
Senath Consolidated Schools,
Senath, Missouri.

Dear Sir:

A request for an opinion has been received from you under date of July 2, 1935, such request being in the following terms:

"We have several outstanding bonds which are past due and I am just wondering if, under the law, we would be required to pay default interest since the bonds were coupon bonds and all the coupons have been paid. We are planning to refund these bonds and I would like to have your opinion as to what we should do about the default interest."

We have no specimen of these bonds and, therefore, we do not know what they provide as to interest, which, under R. S. Missouri, 1929, Section 9199, is "to be agreed upon by the parties", nor whether the bonds are in proper form, or valid obligations, but assuming that they are valid, if there is a provision fixing the rate of interest after default in payment of the principal, such interest must be paid for the period of such default. If there is no such provision in the bonds, interest from maturity would be payable at the legal rate of 6%, which is fixed by R. S. Missouri, 1929, Section 2832, for obligations on which no other rate is agreed upon.

There are no coupons to cover interest after default in payment of the principal, for the obligation of the bond is such that if it is complied with, the obligation will be satisfied on its maturity date. Consequently, the fact that all the interest coupons have been paid, has no relevance to the obligation to pay interest after maturity of the principal, nor would an intention to refund such bonds have any effect on the obligation to pay interest.

Mr. H. Sam Jones,
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In conclusion, it is our opinion that when there is a default in the payment of the principal amount of a valid school bond at its maturity date, such bond would bear interest from that date at the rate provided in the bond, if any, and in the absence of such a provision, at the legal rate of 6%.

Very truly yours,

EDWARD H. MILLER
Assistant Attorney General

APPROVED:

ROY McKITTRICK
Attorney General