Case No. 505

DISPUTE BETWEEN TWO COMPANIES BELONGING TO TWO COUNTRIES IN THE CONTINENT OF EUROPE REGARDING PAYMENT FOR A QUANTITY OF COLONIAL PRODUCE SOLD IN POUNDS STERLING BEFORE THE SUSPENSION OF THE GOLD STANDARD BY GREAT BRITAIN.

Extract of the award made on June 2nd, 1932, by Mr. Emile Jottrand, former Legal Adviser to, H. M. the King of Siam, Director of the Institut Commercial et Industriel of Hainaut, Honorary Adviser to the International Chamber of Commerce, Mons, Belgium:

"...The only really controversial point between the two parties is whether the price of £ 2,842.0.8. to be settled on September 28th, 1931, should be paid in gold pounds (as claimed by the defendant) or (as claimed by the plaintiff) in ordinary pounds Sterling, depreciated at that time in relation to the gold Standard, £ 2,842.0.8. gold being worth £ 3,587.12.1 paper.

"I, the said arbitrator, cannot admit as well founded in fact or in law the defendant's claim in this connection. The defendant can only claim pounds sterling, and this expression has no two interpretations. The defendant says that the dealers in this colonial produce (who are not always English) were in the habit of stipulating pounds sterling only because they considered that sterling was equal to gold. Evidently fit was; but fit is on that point that the whole world was mistaken. Gold pounds were never stipulated because nobody ever contemplated at that time the inconceivable possibility of a weakening of English solvency. Now that this has occurred the loss falls on the creditors who receive the amount of their claims in depreciated pounds sterling. It is an arbitrary act of Government for which nobody can be called upon to make restitution. It would indeed be untrue to say that the purchases of this colonial produce are always made in English currency for the sole purpose of indicating a gold value. Transactions in this colonial produce were always effected in Sterling, long before the war, at a time when the franc of the Latin Union was stronger than anybody ever suspected. Sterling was employed because the colonial produce in question was English and dealt in principally by English sellers in English markets.

"Consequently and for these reasons, I, the said arbitrator:

"1. Award and find that the defendant is not justified in demanding more than the payment he received, i.e. 2,842.0.8 ordinary paper pounds.

"2. Award and direct that the defendant give the necessary instructions to the X... Bank in order that the plaintiff may receive the entire 72,815.70 French francs which he deposited (the parties had agreed that this sum, to be paid into a blocked account by the plaintiff and representing the difference between the value of gold pounds and paper pounds, would belong to that one of the two parties who established his case in the arbitration).

"3. The defendant must bear the whole of the costs and expenses of the entire procedure, which amount to the sum of 3,000 French francs including the fees allowed to the arbitrator, - and also the taxes, legal dues or fines which might be payable in connection with the present award if fit were necessary to have fit enforced in law."
Referring Principles:

V.2.3 - Nominal-value principle