

1975 WL 29689 (S.C.A.G.)

Office of the Attorney General

State of South Carolina

April 11, 1975

*1 Honorable Ramon Schwartz, Jr.
Member of House of Representatives
Law Range
Sumter, South Carolina 29150

Dear Mr. Schwartz:

Mr. McLeod has forwarded your recent inquiry to my attention.

You have asked if the interest on a \$125,000, line of credit is the correct computation or should the rate of interest be computed on the amount of each note executed. The borrower intends to execute seven notes at different time intervals. The total of the seven notes would be \$125,000, the total amount of credit extended to the borrower by the lender's letter of commitment.

'Interest is money charged or paid for the hiring, lending or use of money.' [Long Realty Co. v. Breedin 175 S.C. 233 at p. 244, 179 S.E. 47 \(1934\)](#). A contract for the payment of interest, like any other contract must be supported by consideration. 46 CJS § 7. Case law decisions have held that the withholding of money from use constitutes sufficient consideration to support a contract for the payment of interest. [40 ALR 819](#).

The lender's letter of commitment must constitute a withholding of the use of the money by the lender for the benefit of the borrower if the rate of interest is to be computed on the total amount of the loan. If, however, the lender's letter of commitment is only a contingent commitment of funds and not as to preserve the lender's right to refuse to extend such monies to the borrower, the letter of commitment is insufficient consideration and the rate of interest would have to be computed on each executed note.

If I may provide assistance in this matter do not hesitate to call upon me.

Very truly yours,

Patricia O. Brehmer
Assistant Attorney General

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