SUPREME COURT OF IOWA

Chrysler Financial Company v. Bergstrom

703 N.W.2d 415 (Iowa 2005) · No. No. 04-0582 · Decided September 9, 2005

SUMMARY

The Iowa Supreme Court considered whether Chrysler Financial could invoke the bona fide error defense under the Iowa Consumer Credit Code after filing a deficiency action in the wrong county. The court held that the filing was unintentional and resulted from a bona fide error despite a procedure reasonably adapted to avoid venue errors. It vacated the court of appeals' decision and affirmed the district court's denial of Bergstrom's counterclaim.

CASE DETAILS

COURT	Supreme Court of Iowa
WRITING FOR THE COURT	Cady, Justice; Cady; Streit; Ternus; Wiggins
JURISDICTION	Iowa
DECIDED	September 9, 2005
DOCKET	No. 04-0582
DISPOSITION	vacated
PROCEDURAL POSTURE	Bergstrom appealed from a district court judgment denying his counterclaim for statutory damages under the Iowa Consumer Credit Code. The Iowa Court of Appeals reversed and remanded for determination of statutory damages and attorney fees. The Supreme Court of Iowa granted further review.
STANDARD OF REVIEW	A judgment following a bench trial in a law action is reviewed for correction of errors at law. District court fact findings have the force of a special verdict and are binding if supported by substantial evidence; evidence is viewed in the light most favorable to the district court judgment.
PRECEDENTIAL VALUE	Published Iowa Supreme Court opinion; precedential
PARTIES	Jon Bergstrom v. Chrysler Financial Company

TOPICS

consumer protection · venue · fair debt collection · statutory interpretation · standard of review

PRACTICE AREAS

consumer protection | consumer credit | civil procedure | appellate procedure | debt collection

QUESTIONS PRESENTED

1. Whether filing a consumer credit action in the wrong county violated the Iowa Consumer Credit Code and could support statutory damages through the code's unfair-debt-collection provisions.
2. Whether Chrysler established the bona fide error defense under Iowa Code section 537.5201(7).
3. Whether Chrysler's procedure of consulting the USPS city-county directory was a procedure reasonably adapted to avoid filing consumer actions in the wrong county.
4. Whether the district court's findings supporting the bona fide error defense were supported by substantial evidence.

HOLDINGS

1. A creditor avoids liability under the Iowa Consumer Credit Code's bona fide error defense by proving by a preponderance of the evidence that the violation was unintentional, resulted from a bona fide error, and occurred notwithstanding the maintenance of procedures reasonably adapted to avoid the error.
2. For purposes of the bona fide error defense, the relevant intent is whether the violator intended to perform the act that constituted the violation, not whether the violator intended to violate the law.
3. The procedure must be reasonably adapted to avoid the statutory violation at issue generally—filing a consumer action in the wrong county—not to avoid only the particular factual variation that produced the violation.
4. Whether a creditor's procedures are reasonably adapted to avoid the statutory error is ordinarily a fact-intensive question for the fact finder, and a procedure need not be perfect or foolproof.
5. The word 'maintenance' in Iowa Code section 537.5201(7) means having a procedure in place; it does not require proof that the procedure was followed 'time in and time out.'

KEY QUOTATIONS

> *“The application of this standard requires that three questions be answered.”* (703 N.W.2d at 419)

> *“The inquiry is simply whether the violator intended to do the act that constituted a violation of the act, not whether the violator intended to violate the law.”* (703 N.W.2d at 420)

> *“This means the procedure designed to avoid this particular error need not be highly stringent in order to be deemed “reasonably adapted to avoid the error.””* (703 N.W.2d at 423)

> *“We conclude substantial evidence exists to support the district court's findings that the petition in this case was filed in the wrong county unintentionally, as the result of a bona fide error.”* (703 N.W.2d at 423)

FACTUAL BACKGROUND

Bergstrom leased a vehicle from Chrysler, defaulted on the lease, and incurred a deficiency after Chrysler repossessed and sold the vehicle. Chrysler filed its deficiency action in Howard County, although Bergstrom resided in Mitchell County and Iowa law required the action to be filed in the consumer's county of residence. Chrysler's law firm used a USPS city-county directory that listed Riceville in Howard County, although Riceville straddled the Howard-Mitchell County line. Bergstrom sought statutory damages, but Chrysler invoked the Iowa Consumer Credit Code's bona fide error defense.

PROCEDURAL HISTORY

Chrysler filed a deficiency action against Bergstrom in Howard County even though the consumer credit code required filing in the county of Bergstrom's residence, Mitchell County. The district court transferred the action, entered a deficiency judgment for Chrysler, denied Bergstrom's counterclaim based on the bona fide error defense, and awarded Bergstrom $525 in attorney fees as venue-transfer costs. The court of appeals reversed the denial of the counterclaim. The Supreme Court of Iowa vacated the court of appeals decision and affirmed the district court judgment.

DISPOSITION

vacated

CASES CITED

- Wolf v. Wolf, 690 N.W.2d 887, 892 (Iowa 2005)
- Nathan Lane Assocs., L.L.P. v. Merchants Wholesale of Iowa, Inc., 698 N.W.2d 136, 138 (Iowa 2005)
- Hansen v. Seabee Corp., 688 N.W.2d 234, 238 (Iowa 2004)
- Arnevik v. Univ. of Minn. Bd. of Regents, 642 N.W.2d 315, 318 (Iowa 2002)
- Fischer v. City of Sioux City, 695 N.W.2d 31, 33-34 (Iowa 2005)
- Raper v. State, 688 N.W.2d 29, 36 (Iowa 2004)
- Gacke v. Pork Xtra, L.L.C., 684 N.W.2d 168, 179 (Iowa 2004)
- Johnson v. Kaster, 637 N.W.2d 174, 177 (Iowa 2001)
- Byers v. Contemporary Indus. Midwest, Inc., 419 N.W.2d 396, 397 (Iowa 1988)
- Kennedy v. State, 688 N.W.2d 473, 478 (Iowa 2004)
- Monahan Loan Serv., Inc. v. Janssen, 349 N.W.2d 752, 754 (Iowa 1984)
- St. Ansgar Mills, Inc. v. Streit, 613 N.W.2d 289, 295 (Iowa 2000)
- Pirelli-Armstrong Tire Co. v. Reynolds, 562 N.W.2d 433, 436 (Iowa 1997)
- Hepp v. Zinnel, 199 N.W.2d 68, 69 (Iowa 1972)
- Appling v. Stuck, 164 N.W.2d 810, 814 (Iowa 1969)
- McIlravy v. N. River Ins. Co., 653 N.W.2d 323, 333 (Iowa 2002)
- State v. Arnold, 543 N.W.2d 600, 604 (Iowa 1996)
- Hoekstra v. Farm Bureau Mut. Ins. Co., 382 N.W.2d 100, 106 (Iowa 1986)
- Zohn v. Menard, Inc., 598 N.W.2d 323, 326 (Iowa Ct. App. 1999)

- Narwick v. Wexler, 901 F. Supp. 1275, 1282 (N.D. Ill. 1995)
- Panhandle E. Pipe Line Co. v. Fed. Power Comm'n, 324 U.S. 635, 639 (1945)
- Neirbo Co. v. Bethlehem Shipbuilding Corp., 308 U.S. 165 (1939)
- State ex rel. Klabacka v. Charles, 36 Wis. 2d 122, 152 N.W.2d 857, 861 (1967)
- Dutton v. Wolhar, 809 F. Supp. 1130, 1139 (D. Del. 1992)
- Dove v. Gold Kist, Inc., 314 S.C. 235, 442 S.E.2d 598, 600 (1994)
- Vaughn v. Ag Processing, Inc., 459 N.W.2d 627, 634 (Iowa 1990)
- Mirabal v. Gen. Motors Acceptance Corp., 537 F.2d 871, 879 (7th Cir. 1976)
- Brown v. Marquette Sav. & Loan Ass'n, 686 F.2d 608, 615 (7th Cir. 1982)
- Thomka v. A.Z. Chevrolet, Inc., 619 F.2d 246, 251 (3d Cir. 1980)
- Gallegos v. Stokes, 593 F.2d 372, 376 (10th Cir. 1979)
- Hutchings v. Beneficial Fin. Co., 646 F.2d 389, 391 (9th Cir. 1981)