SUPREME COURT OF ALABAMA

SouthTrust Bank v. Donely

925 So. 2d 934 (Ala. 2005) · No. 1031736 · Decided July 15, 2005

SUMMARY

The Supreme Court of Alabama held that SouthTrust Bank could not be liable for conversion merely because it refused to redeem certificates of deposit, distinguishing conversion of the certificates themselves from failure to pay the underlying contractual debt. The court reversed and rendered judgment for SouthTrust on the conversion claim while affirming the breach-of-contract judgment, including the compensatory damages calculated with compound interest. The case arose from certificates of deposit issued to a guardian for an incompetent account holder and later delivered to the account holder’s heir.

CASE DETAILS

COURT	Supreme Court of Alabama
WRITING FOR THE COURT	See, Justice; Nabers, C.J.; Harwood, J.; Stuart, J.; Bolin, J.
JURISDICTION	Alabama
DECIDED	July 15, 2005
DOCKET	1031736
DISPOSITION	other
PROCEDURAL POSTURE	SouthTrust Bank appealed from a judgment entered on a jury verdict for Lisa Y. Donely on conversion and breach-of-contract claims.
STANDARD OF REVIEW	A denial of a motion for judgment as a matter of law is reviewed under the same standard applied by the trial court: whether the nonmovant presented substantial evidence creating a factual dispute for the jury, viewing the evidence and reasonable inferences in the nonmovant's favor. Questions of law are reviewed without a presumption of correctness. A jury verdict sustained by denial of a new-trial motion is presumed correct and will not be reversed on weight-of-the-evidence grounds unless plainly and palpably wrong.
PRECEDENTIAL VALUE	Published opinion; binding precedent of the Supreme Court of Alabama.
PARTIES	SouthTrust Bank v. Lisa Y. Donely

TOPICS

conversion · breach of contract · contracts · uniform commercial code · commercial litigation

PRACTICE AREAS

commercial litigation · contracts · torts · uniform commercial code

QUESTIONS PRESENTED

1. Whether the trial court erred by submitting Donely's conversion claim to the jury when SouthTrust allegedly refused to pay the debt represented by certificates of deposit rather than taking or converting the certificates themselves.
2. Whether the compensatory damages awarded on Donely's breach-of-contract claim were improperly calculated using compound interest.

HOLDINGS

1. A certificate of deposit itself may be subject to conversion, but a bank's refusal to pay the debt represented by a certificate of deposit supports a breach-of-contract action, not an action for conversion, when the bank did not take or cash the certificate. The trial court therefore erred in submitting Donely's conversion claim to the jury.
2. The compensatory damages awarded on the breach-of-contract claim, including the interest calculation, were supported by the evidence and would not be disturbed.

KEY QUOTATIONS

> *"A certificate of deposit represents a contractual relationship between the issuer of the certificate and the purchaser of it. Failure of the issuer to make good on its contractual duty to pay is a breach of the contract. If, on the other hand, the certificate of deposit itself is wrongfully taken by another, the certificate has been converted."* (942)

> *"Therefore, we hold that the trial court erred in submitting Donely's conversion claim to the jury."* (943)

> *"AFFIRMED IN PART AND REVERSED AND JUDGMENT RENDERED IN PART."* (944)

FACTUAL BACKGROUND

The Bank of Florala issued five certificates of deposit payable to Herman Lurie as guardian for Jennie Lurie Young. After Young died, her estate was closed and the CDs were delivered to her daughter and sole heir, Lisa Y. Donely, who retained them for many years. In 1999, Donely sought redemption of the remaining CDs, but SouthTrust, which had assumed the Bank of Florala's deposit liabilities through mergers and name changes, refused to pay them. Donely then sued, alleging conversion and breach of contract, among other claims.

PROCEDURAL HISTORY

Donely sued SouthTrust for conversion, breach of contract, open account, and violation of Ala. Code § 7-3-412. The trial court entered judgment as a matter of law for SouthTrust on the open-account and statutory claims but submitted the conversion and breach-of-contract claims to the jury. The jury awarded Donely compensatory, mental-anguish, and punitive damages. The trial court denied SouthTrust's postjudgment motion for judgment as a matter of law or a new trial, and SouthTrust appealed.

DISPOSITION

other

CASES CITED

- Ex parte Alfa Mutual Fire Insurance Co., 742 So. 2d 1237, 1240 (Ala. 1999)
- Alpine Bay Resorts, Inc. v. Wyatt, 539 So. 2d 160, 162-63 (Ala. 1988)
- Thompson Properties 119 AA 370, Ltd. v. Birmingham Hide & Tallow Co., 897 So. 2d 248, 261 (Ala. 2004)
- Montgomery v. Smith, 226 Ala. 91, 145 So. 822 (1933)
- Clark v. Young, 246 Ala. 529, 21 So. 2d 331 (1945)
- McCain v. P.A. Partners Ltd., 445 So. 2d 271, 273 (Ala. 1984)
- Green Tree Acceptance, Inc. v. Tunstall, 645 So. 2d 1384, 1387 (Ala. 1994)
- Knox v. Moskins Stores, Inc., 241 Ala. 346, 348, 2 So. 2d 449, 450 (1941)
- Covington v. Exxon Co., U.S.A., 551 So. 2d 935, 938 (Ala. 1989)
- Johnson v. Life Insurance Co. of Alabama, 581 So. 2d 438, 443 (Ala. 1991)
- Citizens Bank of Moulton v. Jones, 671 So. 2d 737, 740 (Ala. Civ. App. 1995)
- Riscorp, Inc. v. Norman, 915 So. 2d 1142, 1152 (Ala. 2005)
- Crown Life Insurance Co. v. Smith, 657 So. 2d 821, 823-24 (Ala. 1994)
- Bozeman v. Central Bank of the South, 646 So. 2d 601, 603 (Ala. 1994)
- Alabama City Bank of Gadsden v. Vaughn, 413 So. 2d 1053 (Ala. 1982)
- Mann v. Bank of Tallassee, 694 So. 2d 1375 (Ala. Civ. App. 1996)
- Stillwell v. Columbus Bank & Trust, 675 So. 2d 433-34 (Ala. Civ. App. 1995)
- Smith v. Yancey, 198 Ala. 221, 73 So. 477, 478 (1916)
- Johnson v. Harrison, 404 So. 2d 337 (Ala. 1981)
- First Alabama Bank of South Baldwin v. Prudential Life Insurance Co. of America, 619 So. 2d 1313 (Ala. 1993)
- First National Bank of Montgomery v. Montgomery Cotton Manufacturing Co., 211 Ala. 551, 552, 101 So. 186, 188 (1924)
- McPeters v. Phillips, 46 Ala. 496, 497 (1871)