SUPREME COURT OF THE STATE OF IDAHO

Skinner v. U.S. Bank Home Mortgage

159 Idaho 642 (2016) · No. 42065 · Decided January 22, 2016

SUMMARY

The Idaho Supreme Court affirmed summary judgment dismissing the Skinners' negligence claim against U.S. Bank Home Mortgage. The court held that although U.S. Bank acted as an escrow holder for insurance proceeds, it did not assume a fiduciary duty to inspect construction quality or ensure that the contractor was not overpaid. The court also declined to decide the validity of an indemnification provision because the issue was not raised below and rejected the claim that U.S. Bank had a duty to sue the inspection company.

CASE DETAILS

COURT	Supreme Court of the State of Idaho
WRITING FOR THE COURT	Horton, Justice; Horton; Jones, Chief Justice; Eismann; Burdick; W. Jones
JURISDICTION	Idaho
DECIDED	January 22, 2016
DOCKET	42065
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the district court's grant of summary judgment dismissing the Skinners' negligence and related claims against U.S. Bank Home Mortgage.
STANDARD OF REVIEW	Summary judgment is reviewed de novo under the same standard applied by the trial court. Summary judgment is appropriate when the record shows no genuine issue of material fact and the moving party is entitled to judgment as a matter of law; undisputed legal questions are reviewed freely, and disputed facts and reasonable inferences are construed in favor of the nonmoving party.
PRECEDENTIAL VALUE	Published Idaho Supreme Court opinion; precedential.
PARTIES	Greg L. Skinner, Jessica L. Skinner v. U.S. Bank Home Mortgage

TOPICS

negligence duty of care construction law standard of review appellate procedure

PRACTICE AREAS

negligence real estate construction law appellate procedure

QUESTIONS PRESENTED

1. Whether U.S. Bank, while holding insurance proceeds in escrow, owed the Skinners a fiduciary duty or duty of care to inspect the quality of construction and ensure that the contractor was not overpaid.
2. Whether U.S. Bank exercised complete control over the insurance proceeds so as to create a fiduciary duty under Idaho law.
3. Whether the Skinners could challenge the validity of the indemnification or exculpatory provision for the first time on appeal.
4. Whether U.S. Bank had a duty to sue Safeguard on the Skinners' behalf based on Safeguard's allegedly negligent inspection report.

HOLDINGS

1. U.S. Bank, although acting as an escrow holder and bound to strictly comply with the escrow agreement, did not assume a fiduciary duty to inspect the property for the Skinners' benefit, ensure that the contractor properly performed, or prevent contractor overpayment.
2. U.S. Bank did not exercise complete control over the funds; therefore, the Bank did not owe the Skinners a fiduciary duty to ensure construction quality or prevent contractor overpayment.
3. The court would not decide the validity of the indemnification provision because the issue was neither raised nor decided in the district court.
4. U.S. Bank had no duty to bring suit against Safeguard on the Skinners' behalf.

KEY QUOTATIONS

> *"Although U.S. Bank acted as the depositary in escrow, and was absolutely bound by the terms and conditions of the deposit and charged with a strict execution of the duties it voluntarily assumed, we hold that the Bank did not assume a duty of inspecting the property for the Skinners' benefit to ensure that the contractor had properly performed or that the contractor was not overpaid for its services."* (at 8-9)

> *"Consequently, it was the Skinners—not U.S. Bank— that had ultimate control over the disbursement of the funds."* (at 9-10)

> *"We hold that the district court correctly determined that U.S. Bank has no duty to bring suit against Safeguard."* (at 12)

FACTUAL BACKGROUND

A fire destroyed the Skinners' insured home while U.S. Bank held a deed of trust securing their mortgage. Under the deed of trust and related communications, the Bank held insurance proceeds in a restricted escrow account and released them in progress payments, with checks payable jointly to the Skinners and their contractor. After a Bank-retained inspector reported that construction was 65% complete, the Bank released a second draw; the contractor later abandoned the project, and subsequent inspection revealed that the earlier completion estimate had been overstated. The Skinners alleged that the Bank negligently disbursed funds, failed to inspect construction quality, and owed fiduciary duties to prevent contractor overpayment.

PROCEDURAL HISTORY

The Skinners sued their contractor for breach of contract and later amended their complaint to assert negligence and fiduciary-duty theories against U.S. Bank concerning disbursement of insurance proceeds. The district court granted U.S. Bank summary judgment, later denied reconsideration, and dismissed the Skinners' claims against Safeguard as well. The Skinners timely appealed but challenged only dismissal of their claims against U.S. Bank.

DISPOSITION

affirmed

CASES CITED

- Stonebrook Const., LLC v. Chase Home Fin., LLC, 152 Idaho 927, 277 P.3d 374 (2012)
- Curlee v. Kootenai Cnty. Fire & Rescue, 148 Idaho 391, 224 P.3d 458 (2010)
- Lockheed Martin Corp. v. Idaho State Tax Comm'n, 142 Idaho 790, 134 P.3d 641 (2006)
- Bushi v. Sage Health Care, PLLC, 146 Idaho 764, 203 P.3d 694 (2009)
- Tolley v. THI Co., 140 Idaho 253, 92 P.3d 503 (2004)
- Jones v. Runft, Leroy, Coffin & Matthews, Chtd., 125 Idaho 607, 873 P.2d 861 (1994)
- Beaudoin v. Davidson Trust Co., 151 Idaho 701, 263 P.3d 755 (2011)
- Country Cove Dev., Inc. v. May, 143 Idaho 595, 150 P.3d 288 (2006)
- High Valley Concrete, L.L.C. v. Sargent, 149 Idaho 423, 234 P.3d 747 (2010)
- Stearns v. Williams, 72 Idaho 276, 240 P.2d 833 (1952)
- Idaho First Nat'l Bank v. Bliss Valley Foods, Inc., 121 Idaho 266, 824 P.2d 841 (1991)
- Wade Baker & Sons Farms v. Corp. of Presiding Bishop of Church of Jesus Christ of Latter-Day Saints, 136 Idaho 922, 42 P.3d 715 (Ct. App. 2002)
- Black Canyon Racquetball Club, Inc. v. Idaho First Nat'l Bank, 119 Idaho 171, 804 P.2d 900 (1991)
- Wooden v. First Sec. Bank of Idaho, 121 Idaho 98, 822 P.2d 995 (1991)
- Laight v. Idaho First Nat'l Bank, 108 Idaho 211, 697 P.2d 1225 (Ct. App. 1985)
- Madrid v. Roth, 134 Idaho 802, 10 P.3d 751 (Ct. App. 2000)
- All Am. Realty, Inc. v. Sweet, 107 Idaho 229, 687 P.2d 1356 (1984)
- Bank of Commerce v. Jefferson Enters., LLC, 154 Idaho 824, 303 P.3d 183 (2013)
- Garner v. Bartschi, 139 Idaho 430, 80 P.3d 1031 (2003)
- Sales v. Peabody, 157 Idaho 195, 335 P.3d 40 (2014)

- Massey v. ConAgra Foods, Inc., 156 Idaho 476, 328 P.3d 456 (2014)
- Clark v. Olsen, 110 Idaho 323, 715 P.2d 993 (1986)
- Esser Elec. v. Lost River Ballistics Techs., Inc., 145 Idaho 912, 188 P.3d 854 (2008)
- Vanvooren v. Astin, 141 Idaho 440, 111 P.3d 125 (2005)
- Lexington Heights Dev., LLC v. Crandlemire, 140 Idaho 276, 92 P.3d 526 (2004)
- Beco Constr. Co. v. City of Idaho Falls, 124 Idaho 859, 865 P.2d 950 (1993)
- Gardner v. Evans, 110 Idaho 925, 719 P.2d 1185 (1986)

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