

SUPREME COURT OF MONTANA

Summers v. Crestview Apartments, 2010 MT 164

236 P.3d 586 (Mont. 2010) · No. DA 09-0489 · Decided July 27, 2010

SUMMARY

The Montana Supreme Court held that a landlord wrongfully deducted future unpaid rent from a security deposit and that lease provisions imposing accelerated rent and an absolute obligation to pay the landlord's attorney fees were unenforceable under Montana law. The Court further held that the entire lease agreement was unenforceable by the landlord, vacated the award of damages and attorney fees to the landlord, and remanded for determination of the tenants' damages and reasonable attorney fees. Justice Cotter concurred in part and dissented from the holding that the entire lease was unenforceable.

CASE DETAILS

COURT	Supreme Court of Montana
WRITING FOR THE COURT	Chief Justice Mike McGrath; Justice W. William Leaphart; Justice Michael E. Wheat; Justice Brian Morris; Justice Patricia O. Cotter; Justice James C. Nelson; Justice Jim Rice
JURISDICTION	Montana
DECIDED	July 27, 2010
DOCKET	DA 09-0489
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Tenants appealed a bench-trial judgment awarding the landlord \$9,442.36 in damages, interest, and costs. The landlord cross-appealed the limitation of its attorney-fee award to \$500.
STANDARD OF REVIEW	Findings of fact after a bench trial are reviewed for clear error; conclusions of law are reviewed for correctness. A finding is clearly erroneous if unsupported by substantial credible evidence, if the trial court misapprehended the effect of the evidence, or if the reviewing court is left with a definite and firm conviction that a mistake was made.
PRECEDENTIAL VALUE	Published Montana Supreme Court opinion; precedential.

PARTIES

Matthew Summers, Heidi Ames v. Crestview Apartments, LH Residential, LLC, Scott Hacker

TOPICS

landlord tenant

contracts

unconscionability

statutory interpretation

remedies

PRACTICE AREAS

landlord-tenant law

residential leases

contract law

unconscionability

damages and remedies

QUESTIONS PRESENTED

1. Whether Crestview wrongfully deducted future unpaid rent from the security deposit.
2. Whether the Montana Residential Landlord and Tenant Act prohibits an accelerated-rent provision in a lease agreement.
3. Whether the Act prohibits a lease from imposing an obligation on the tenant to pay the landlord's attorney fees.

HOLDINGS

1. Montana's Security Deposits Act permits deduction only of money owing to the landlord at the time of deduction; therefore, Crestview could not deduct accelerated future rent from the security deposit. Crestview also violated the statutory 30-day accounting requirement by including rent allegedly owed beyond that period.
2. An accelerated-rent provision in a residential lease is unenforceable when it is unconscionable, and the provision at issue was unconscionable because it unreasonably favored Crestview, conflicted with the landlord's duty to mitigate damages, and was presented in a standardized lease without meaningful tenant choice.
3. The Landlord and Tenant Act prohibits a lease provision that absolutely requires the tenant to pay the landlord's attorney fees and thereby waives the tenant's statutory right to seek a discretionary prevailing-party fee award.
4. Under the circumstances, merely severing the prohibited provisions was insufficient; the entire lease agreement was unenforceable by Crestview. The landlord's damages and attorney-fee award was vacated, Summers was declared the prevailing party, and the matter was remanded for attorney fees, costs, and statutory damages.

KEY QUOTATIONS

"An accelerated rent provision in a lease agreement undermines a landlord's duty to mitigate damages." (591)

"Consequently, we hold that the entire lease agreement is unenforceable by Crestview." (593)

"Reversed and remanded for further proceedings consistent with this opinion." (594)

FACTUAL BACKGROUND

Matthew Summers and Heidi Ames leased an apartment from Crestview for one year at \$935 per month and provided a combined security and pet deposit of \$2,170. After Summers obtained financing to buy a house, the tenants notified Crestview that they would terminate the lease and vacated on October 13, 2006, with rent paid through the end of that month. Crestview deducted rent for the remaining lease term from the security deposit, demanded accelerated rent and collection charges, and did not re-rent the apartment until June 1, 2007. The lease also required the tenants to pay the landlord's attorney fees for breach.

PROCEDURAL HISTORY

After the tenants vacated before expiration of a one-year apartment lease, the landlord deducted accelerated future rent from the security deposit and pursued additional rent and collection charges. The tenants sued under Montana landlord-tenant and security-deposit statutes. Following a bench trial, the Fourth Judicial District Court for Missoula County entered judgment for the landlord. The Montana Supreme Court reversed and remanded, and held the landlord's cross-appeal moot.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Vacate the landlord's damages and attorney-fee award; determine reasonable attorney fees and costs for Summers as the prevailing party; and determine any appropriate statutory damages under Mont. Code Ann. § 70-24-403(2) for use of the prohibited attorney-fee provision, deduction of future rent from the security deposit, and use of the unconscionable accelerated-rent provision.

CASES CITED

- Solem v. Chilcote, 274 Mont. 72, 906 P.2d 209 (1995)
- Arrowhead Sch. Dist. No. 75 v. Klyap, 2003 MT 294, 318 Mont. 103, 79 P.3d 250
- Iwen v. U.S. West Direct, 1999 MT 63, 293 Mont. 512, 977 P.2d 989
- Kloss v. Edward D. Jones & Co., 2002 MT 129, 310 Mont. 123, 54 P.3d 1
- Larsen v. W. States Ins. Agency, 2007 MT 270, 339 Mont. 407, 170 P.3d 956
- Woodruff v. Bretz, Inc., 2009 MT 329, 353 Mont. 6, 218 P.3d 486
- Bronken's Good Time Co. v. J.W. Brown & Assoc., 203 Mont. 427, 661 P.2d 861 (1983)
- Romain v. Earl Schwartz Co., 238 Mont. 500, 779 P.2d 54 (1989)
- Gierke v. Walker, 279 Mont. 349, 927 P.2d 524 (1996)
- Baierl v. McTaggart, 245 Wis. 2d 632, 629 N.W.2d 277 (2001)