SUPREME COURT OF NORTH DAKOTA

Royal Jewelers, Inc. and GRB Financial Corporation v. Sherri Light, individually, and as Personal Representative of the Estate of Steven Light

Royal Jewelers, Inc. and GRB Financial Corporation v. Sherri Light, 2015 ND 44 (N.D. 2015) · No. 20140125 · Decided February 20, 2015

SUMMARY

The North Dakota Supreme Court affirmed a judgment determining that GRB Financial Corporation held a valid and enforceable security interest in a ring purchased from Royal Jewelers, Inc. The court held that the Lights did not establish that Steven Light manifested an intent for payments on his open account to be applied first to the ring or that they detrimentally relied on inaccurate account statements. The court also upheld the assignment and enforceability of the security interest and authorization to foreclose.

CASE DETAILS

COURT	Supreme Court of North Dakota
WRITING FOR THE COURT	Crothers, Justice; Daniel J. Crothers; Lisa Fair McEvers; Dale V. Sandstrom; Todd L. Cresap, D.J.; Gerald W. VandeWalle, C.J.
JURISDICTION	North Dakota
DECIDED	February 20, 2015
DOCKET	20140125
DISPOSITION	affirmed
PROCEDURAL POSTURE	Sherri Light appealed from a judgment entered after a bench trial determining that GRB Financial held a valid and enforceable security interest in a ring and authorizing foreclosure of that security interest.
STANDARD OF REVIEW	The existence and terms of an oral contract and the manifestation of a debtor's intent regarding application of payments are factual questions reviewed for clear error under N.D.R.Civ.P. 52(a). A finding is clearly erroneous if it rests on an erroneous view of the law, lacks evidentiary support, or leaves the appellate court with a definite and firm conviction that a mistake was made. The Court does not reweigh conflicting evidence and gives due regard to the trial court's credibility

	determinations. Estoppel is generally a question of fact and is reviewed under the clearly erroneous standard.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Sherri Light, individually and as personal representative of the estate of Steven Light v. Royal Jewelers, Inc., GRB Financial Corporation

TOPICS

secured transactions · uniform commercial code · contracts · appellate procedure · standard of review

PRACTICE AREAS

commercial litigation · secured transactions · contracts · appellate procedure

QUESTIONS PRESENTED

1. Whether the district court clearly erred in finding that Steven Light did not manifest an intent or desire under N.D.C.C. § 9-12-07(1) that payments on his open account be applied first to the ring.
2. Whether the district court clearly erred in finding that Steven or Sherri Light did not detrimentally rely on Royal Jewelers' monthly account statements so as to support estoppel under N.D.C.C. § 31-11-06.
3. Whether GRB Financial held a valid and enforceable security interest in the ring when the collateral was identified in an exhibit attached to and referenced by a signed note modification agreement, but the exhibit was not separately signed.

HOLDINGS

1. The district court did not clearly err in finding that the Lights neither had an agreement with Royal Jewelers nor manifested an intent or desire that Steven Light's payments be applied first to the ring.
2. The district court did not clearly err in finding that the Lights failed to prove detrimental reliance on Royal Jewelers' inaccurate monthly account statements, and therefore properly rejected the estoppel claim.
3. GRB Financial had a valid and enforceable security interest in the ring, and the district court properly authorized foreclosure.

KEY QUOTATIONS

> *"We are not left with a definite and firm conviction the court made a mistake and conclude the court did not clearly err in finding the Lights did not manifest an intent or desire for application of payments to the ring."* (¶ 12)

> *"Evidence establishes Steven Light initially granted a valid security interest in the ring and the ring had not been fully paid for in December 2010."* (¶ 21)

FACTUAL BACKGROUND

Steven Light owed approximately $40,000 on an open credit account with Royal Jewelers when he purchased a wedding ring for $55,050 on October 2, 2009. Sherri Light claimed Steven had arranged for subsequent payments to be applied first to the ring, while Royal Jewelers disputed that any such agreement or manifestation existed. Although Royal Jewelers' accounting system and monthly statements incorrectly suggested that payments had been applied to newer purchases, including the ring, the district court found no agreement, no qualifying manifestation of intent, and no detrimental reliance. In December 2010, Royal Jewelers assigned Steven's debt and security interest to GRB Financial, and Steven signed a note modification agreement referencing an exhibit listing the ring as collateral.

PROCEDURAL HISTORY

Royal Jewelers and GRB Financial sued Light individually and as personal representative of Steven Light's estate for a determination that GRB Financial had a valid security interest in the ring. After a bench trial, the district court found no agreement or manifested intent requiring payments to be applied first to the ring, rejected Light's detrimental-reliance estoppel claim, and held that GRB Financial had a valid and enforceable security interest. The North Dakota Supreme Court affirmed.

DISPOSITION

affirmed

CASES CITED

- First Nat'l Bank v. Roberts, 2 N.D. 195, 49 N.W. 722 (1891)
- Edward H. Schwartz Constr., Inc. v. Driessen, 2006 ND 15, ¶ 6, 709 N.W.2d 733
- Forster v. West Dakota Veterinary Clinic, Inc., 2004 ND 207, ¶ 57, 689 N.W.2d 366
- Comstock Constr., Inc. v. Sheyenne Disposal, Inc., 2002 ND 141, ¶ 13, 651 N.W.2d 656
- Brandt v. Somerville, 2005 ND 35, ¶ 12, 692 N.W.2d 144
- Blocker Drilling Canada, Ltd. v. Conrad, 354 N.W.2d 912, 920 (N.D. 1984)
- Erickson v. Brown, 2012 ND 43, ¶ 15, 813 N.W.2d 531
- Nelson v. Johnson, 2010 ND 23, ¶ 30, 778 N.W.2d 773
- Peterson Mech., Inc. v. Nereson, 466 N.W.2d 568, 571 (N.D. 1991)
- In re O & G Leasing, LLC, 456 B.R. 652, 665-67 (Bankr. S.D. Miss. 2011)
- In re Levine's Delicatessen & Rest., Inc., 53 B.R. 430, 432-33 (Bankr. S.D.N.Y. 1985)
- Pontchartrain State Bank v. Poulson, 684 F.2d 704, 707 (10th Cir. 1982)
- In re Numeric Corp., 485 F.2d 1328, 1331-32 (1st Cir. 1973)
- Compass Bank v. Kone, 134 P.3d 500, 503-04 (Colo. Ct. App. 2006)