

SUPREME COURT OF GEORGIA

Vinings Bank v. Brasfield & Gorrie, LLC

297 Ga. 468 (2015) · No. S14G1876 · Decided July 6, 2015

SUMMARY

The Supreme Court of Georgia reviewed whether Brasfield & Gorrie, LLC had standing to assert a conversion counterclaim against Vinings Bank for funds allegedly held in a constructive trust for subcontractors. The court held that Brasfield & Gorrie lacked standing because it was not entitled to the funds, had no direct contractual or fiduciary relationship with the subcontractors, and had not received an assignment of their claims. The judgment was affirmed in part and reversed in part.

CASE DETAILS

COURT	Supreme Court of Georgia
WRITING FOR THE COURT	Melton, Justice; Thompson, Chief Justice; Benham, Justice; Hunstein, Justice; Nahmias, Justice; Blackwell, Justice; James F. Bass, Jr., Judge
JURISDICTION	Georgia
DECIDED	July 6, 2015
DOCKET	S14G1876
DISPOSITION	reversed
PROCEDURAL POSTURE	The Supreme Court of Georgia granted certiorari to review the Court of Appeals' affirmance of the trial court's denial of Vinings Bank's motion for summary judgment on Brasfield & Gorrie's counterclaim for conversion.
STANDARD OF REVIEW	Summary judgment is reviewed to determine whether any genuine issue of material fact remains and whether the moving party is entitled to judgment as a matter of law; the Supreme Court reviewed the Court of Appeals' legal determination concerning Brasfield & Gorrie's standing to assert the conversion counterclaim.
PRECEDENTIAL VALUE	published opinion
PARTIES	Vinings Bank v. Brasfield & Gorrie, LLC

TOPICS

- appellate procedure
- construction law
- commercial litigation
- secured transactions
- trusts

PRACTICE AREAS

construction law

commercial litigation

secured transactions

uniform commercial code

appellate procedure

QUESTIONS PRESENTED

1. Whether Brasfield & Gorrie had standing to assert a conversion counterclaim against Vinings Bank based on alleged rights of WEI's subcontractors in funds held in WEI's account.
2. Whether Brasfield & Gorrie's voluntary payment of WEI's subcontractors to avoid construction liens gave it standing to assert the subcontractors' alleged claims against the Bank.

HOLDINGS

1. Brasfield & Gorrie lacked standing to assert the alleged rights of WEI's subcontractors because it was not a subcontractor, had no direct contractual or fiduciary relationship with them, and had not received an assignment of their claims.
2. Brasfield & Gorrie's voluntary payment of the subcontractors did not confer standing to assert their claims against Vinings Bank.

KEY QUOTATIONS

"Therefore, even if we assume without deciding that funds in WEI's account were held in a constructive trust for the benefit of WEI's subcontractors, B&G is not the party to assert those rights and had no standing to do so."

"B&G's right to reimbursement, if any, lies against WEI as the defaulting party."

FACTUAL BACKGROUND

Wagener Enterprises, Inc. obtained a \$1.4 million business loan from Vinings Bank and granted the Bank a security interest in its accounts and accounts receivable, including receivables from construction work performed for Brasfield & Gorrie. Brasfield & Gorrie deposited payments for WEI's invoices into WEI's general, non-trust deposit account, from which WEI was to pay its subcontractors. After WEI defaulted, the Bank froze the account and later applied its funds to the loan; Brasfield & Gorrie then paid WEI's subcontractors individually to avoid materialmen's liens and asserted that the Bank had converted funds allegedly held in constructive trust for those subcontractors.

PROCEDURAL HISTORY

After WEI defaulted on a business loan, Vinings Bank sued Brasfield & Gorrie to collect accounts receivable and asserted conversion. Brasfield & Gorrie counterclaimed for conversion after the Bank applied funds in WEI's deposit account to the loan. The trial court denied the Bank's motion for summary judgment on the counterclaim, and the Court of Appeals affirmed. The Supreme Court granted certiorari narrowly on the counterclaim issue and affirmed in part and reversed in part.

DISPOSITION

reversed

REMAND INSTRUCTIONS

The opinion does not state separate remand instructions. It affirms in part and reverses in part, including reversal of the ruling denying the Bank summary judgment on Brasfield & Gorrie's conversion counterclaim.

CASES CITED

- Bishop Contracting Co. v. North Ga. Equip. Co., 203 Ga. App. 655 (4), 417 S.E.2d 400 (1992)

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