

SUPREME COURT OF IOWA

Iowa Supreme Court Attorney Disciplinary Board v. Carty

738 N.W.2d 622 (Iowa 2007) · No. No. 07-0385 · Decided August 31, 2007

SUMMARY

The Iowa Supreme Court held that attorney John W. Carty violated disciplinary rules by collecting a probate fee prematurely, failing to reduce his ordinary fee after the estate was correctly valued, and collecting duplicative extraordinary fees. The court imposed a sixty-day suspension, required restitution of \$6,165 to a trust established under the decedent's will, and taxed the proceeding's costs against Carty.

CASE DETAILS

COURT	Supreme Court of Iowa
WRITING FOR THE COURT	Cady, Justice
JURISDICTION	Iowa
DECIDED	August 31, 2007
DOCKET	No. 07-0385
DISPOSITION	other
PROCEDURAL POSTURE	The Iowa Supreme Court Attorney Disciplinary Board charged Carty with violations of the Iowa Code of Professional Responsibility for Lawyers. The Grievance Commission found violations and recommended a suspension of at least four months. The Iowa Supreme Court reviewed the matter de novo.
STANDARD OF REVIEW	Attorney disciplinary matters are reviewed de novo. The court gives the Grievance Commission's findings weight but is not bound by them.
PRECEDENTIAL VALUE	Published Iowa Supreme Court opinion; precedential authority on the stated disciplinary and probate-fee rules.
PARTIES	Iowa Supreme Court Attorney Disciplinary Board v. John W. Carty

TOPICS

- probate procedure
- estate administration
- probate
- estate litigation

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether Carty violated DR 2-106(A) by collecting the full ordinary probate fee before the final report was filed and costs were paid.
2. Whether Carty violated DR 2-106(A) by failing to reduce his ordinary fee claim after the estate's gross value was corrected downward.
3. Whether Carty violated DR 2-106(A) by charging and collecting duplicative extraordinary fees for services included in his ordinary-fee compensation.
4. Whether the violations also constituted violations of DR 1-102(A)(1) and DR 1-102(A)(6).
5. What discipline was appropriate for the violations.

HOLDINGS

1. Carty violated DR 2-106(A) by accepting the full ordinary probate fee before filing the final report and paying the costs, contrary to Iowa Court Rule 7.2(4).
2. Carty violated DR 2-106(A) by failing to amend his ordinary fee claim after the estate's gross value was reduced.
3. Carty violated DR 2-106(A) by charging and collecting extraordinary fees for services that duplicated ordinary services for which he had already been compensated.
4. By violating DR 2-106(A), Carty also violated DR 1-102(A)(1), and his conduct violated DR 1-102(A)(6) because it adversely reflected on his fitness to practice law.
5. A sixty-day suspension was warranted, together with restitution of \$6,165, costs, and compliance with the applicable reinstatement and client-notification rules.

KEY QUOTATIONS

“A lawyer shall not enter into an agreement for, charge, or collect an illegal or clearly excessive fee.” (624)

“Prior to his reinstatement under Iowa Court Rule 35.12(2), Carty shall make restitution in the amount of \$6165 to the trust established under the Beech will for distribution to the beneficiaries of the trust.” (625)

FACTUAL BACKGROUND

Carty served as attorney for the estate of Ralph G. Beech and had prepared Beech's will. He received the full ordinary probate fee before filing the final report and paying costs, and after the estate's gross value was reduced by nearly \$90,000, he did not amend his fee claim. He also sought and collected extraordinary fees that included services for which he had already been compensated as ordinary services. Carty did not return the excessive or duplicative fees after the errors were discovered.

PROCEDURAL HISTORY

Carty represented the estate of Ralph G. Beech and received ordinary and extraordinary probate fees. After the estate's value was reduced and duplicative services were identified, Carty did not correct the excessive fees. The Board charged him with disciplinary violations, and the Grievance Commission recommended a suspension of not less than four months. On de novo review, the Iowa Supreme Court found violations and imposed a sixty-day suspension, restitution, and costs.

DISPOSITION

other

CASES CITED

- Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Bernard, 653 N.W.2d 373, 375 (Iowa 2002)
- Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Beckman, 674 N.W.2d 129, 137-38 (Iowa 2004)
- Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Johnston, 732 N.W.2d 448, 454 (Iowa 2007)
- Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Fleming, 602 N.W.2d 340, 340 (Iowa 1999)
- Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Evans, 537 N.W.2d 783, 784-86 (Iowa 1995)
- Comm'n on Prof'l Ethics & Conduct v. Winkel, 415 N.W.2d 601, 602 (Iowa 1987)

OPINION

Iowa Supreme Court Attorney Disciplinary Board v. Carty 738 N.W.2d 622

CADY, J.

738 N.W.2d 622 (2007) IOWA SUPREME COURT ATTORNEY DISCIPLINARY BOARD, Complainant, v. John W. CARTY, Respondent. No. 07-0385. Supreme Court of Iowa. August 31, 2007. Charles L. Harrington and Wendell J. Harms, Des Moines, for complainant. Brent B. Green and Bradley C. Obermeier of Duncan, Green, Brown & Langeness, Des Moines, for respondent. CADY, Justice. The Iowa Supreme Court Attorney Disciplinary Board (Board) charged John W. Carty with numerous violations of the Iowa Code of Professional Responsibility for Lawyers. The Grievance Commission of the Supreme Court of Iowa (Commission) found Carty violated the Iowa Code of Professional Responsibility for Lawyers. It recommended Carty be suspended from the practice of law for a period not less than four months. Upon our review, we find Carty violated the Iowa Code of Professional Responsibility for Lawyers, and we suspend his license to practice law for a period of sixty days. I. Background Facts and Proceedings. John W. Carty has practiced law in Winfield, Iowa, since 1952. During his long career, he was disciplined on one occasion for professional misconduct. This occurred *623 in 1994 when he was publicly reprimanded for becoming personally involved in a business interest of a client. At the time of the facts and circumstances that gave rise to this proceeding, Carty was in the process of limiting his clientele in contemplation of retirement. His long-time secretary, or legal assistant, also left her employment during this time, and Carty employed a new secretary. In April 2001, Carty was designated as the attorney for the estate of Ralph G. Beech, who died testate on March 18, 2001.

Carty had prepared a will for Beech and performed other legal services for him shortly before his death. The district court eventually ordered that Carty be paid fees for his ordinary services in the estate in the amount of \$19,086.74. This fee was based on the gross value of the estate, as disclosed by the report and inventory prepared and filed with the court by Carty. Carty subsequently completed the essential legal work in the case without incident, and was preparing to close the estate. He arranged for the coexecutors to come to his law office to sign the tax returns, final report, and other documents so the closing order could be entered upon receipt of the tax clearances. One of the coexecutors failed to appear at the appointment scheduled by Carty. The other coexecutor appeared and signed the documents. The coexecutor also issued a check to Carty for his legal fees in the full amount previously allowed by the district court. Carty intended to place the check into his trust account, but his new secretary deposited it in his office account. The coexecutor who failed to appear at Carty's office to sign the documents died before he was able to execute all of the necessary closing documents. Carty then discovered the deceased coexecutor had submitted documents to him that over-valued Beech's estate by nearly \$90,000. Consequently, Carty filed an amended inventory with the court to reflect the reduced value of the estate, together with amended tax returns and other documents, but never sought to reduce the amount of the fees for his ordinary services based on the reduced amount of the gross value of the estate. Instead, Carty eventually sought an allowance for extraordinary services based on the additional work he was required to perform to correct the mistake caused by the deceased coexecutor. Carty requested extraordinary fees of \$23,871.69 based on 182 hours of legal work. However, a portion of his application for fees detailed legal services that were duplicative of some of the services performed as a part of his ordinary fees. The inclusion of these services was likely due to miscommunication between Carty and his secretary during a time when Carty was working from his home after recuperating from heart surgery. The district court approved the application for extraordinary fees requested by Carty. Carty was then paid the extraordinary fees requested in his application, and the estate was closed. Carty never sought to return the excessive ordinary fees (\$1665), and he did not seek to return any portion of the duplicative extraordinary fees after they were discovered.

II. Board Complaint. The Board charged Carty with a variety of disciplinary violations, and the parties subsequently stipulated to conduct to support a finding by the Commission that Carty violated the Iowa Code of Professional Responsibility. Specifically, the Commission found that Carty: (1) collected an illegal fee in violation of DR 2-106(A) when he received his full ordinary fee prior to the time the final report was *624 filed and the costs were paid, and (2) charged or collected an illegal or clearly excessive fee in violation of DR 2-106(A) by failing to amend the ordinary-fee claim and submitting a claim for extraordinary fees that included duplicative services. See DR 2-106(A) ("A lawyer shall not enter into an agreement for, charge, or collect an illegal or clearly excessive fee."). The Commission also found Carty's conduct violated DR 1-102(A)(1) (lawyer shall not "[v]iolate a disciplinary rule") and DR 1-102(A)(6) (lawyer shall not "[e]ngage in any other conduct that adversely reflects on the fitness to practice law").

III. Scope of Review. We

review attorney disciplinary matters de novo. Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Bernard, 653 N.W.2d 373, 375 (Iowa 2002). We give the findings of the Commission weight, but are not bound by them. Id. IV. Violation. A lawyer may not charge or collect an illegal or clearly excessive fee. DR 2-106(A). Carty violated this rule in three ways. First, Carty violated DR 2-106(A) when he accepted a full probate fee prior to the time he filed the final report and paid the costs, contrary to the Iowa Rules of Probate Procedure. See Iowa Ct. R. 7.2(4) ("One half of the fees for ordinary services may be paid when the federal estate tax return, if required, and Iowa inheritance tax return, if required, are prepared. . . . The remainder of the fees may be paid when the final report is filed and the costs have been paid."). The collection of the full fee was illegal. Second, Carty violated DR 2-106(A) when he failed to amend his ordinary fee claim once the gross value of the estate was reduced to reflect the correct amount. An attorney may not be compensated for ordinary services in a probate proceeding in an amount greater than the fee schedule under Iowa Code section 633.197 (2001). This fee schedule caps the maximum fee at two percent of the amount of the gross estate over \$5000, as disclosed in the probate inventory, plus \$220. The collection of a probate fee in excess of the amount permitted by statute is illegal. Finally, Carty violated DR 2-106(A) when he charged and collected duplicative fees for extraordinary services. Carty submitted a claim for extraordinary services that included ordinary services for which he had previously been compensated. He charged and collected an illegal fee. Although the violations resulted in part from miscommunication between Carty and his secretary, this circumstance does not excuse Carty from his violations. See Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Beckman, 674 N.W.2d 129, 137-38 (Iowa 2004) (alleging an error was made due to a change in secretaries). Carty violated DR 2-106(A). By violating this disciplinary rule, he also violated DR 1-102(A)(1). Similarly, Carty also violated DR 1-102(A)(6). See Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Johnston, 732 N.W.2d 448, 454 (Iowa 2007).

V. Discipline. Carty is not the first Iowa lawyer to collect illegal or excessive fees in a probate proceeding. In prior cases, the resulting discipline has ranged from a reprimand to a suspension of various degrees. See Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Fleming, 602 N.W.2d 340, 340 (Iowa 1999) (suspension not less than six months); Iowa Supreme Ct. Bd. of Prof'l Ethics & Conduct v. Evans, 537 N.W.2d 783, 786 (Iowa 1995) (suspension *625 not less than thirty days); Comm'n on Prof'l Ethics & Conduct v. Winkel, 415 N.W.2d 601, 602 (Iowa 1987) (reprimand). The case that best approximates the conduct that occurred in this case is Evans. In that case, an experienced probate attorney collected fees that were both premature and excessive. 537 N.W.2d at 784-85. The attorney was suspended from the practice of law for thirty days. Id. at 786. However, we find aggravating circumstances in this case that were not present in Evans. Carty never took any action to correct the obvious excessive fees for ordinary and extraordinary services once the mistakes were discovered. This conduct reflects adversely on Carty and warrants additional discipline. We conclude Carty should be suspended from the practice of law for sixty days. Prior to his reinstatement under Iowa Court Rule 35.12(2), Carty

shall make restitution in the amount of \$6165 to the trust established under the Beech will for distribution to the beneficiaries of the trust. We conclude Carty received ordinary fees of \$1665 in excess of the maximum fee permitted under section 633.197, and that \$4500 of his fees for extraordinary services was ordinary services or should have been included as ordinary services. Carty shall also be responsible for any fees, expenses, and costs incurred in making the restitution. VI. Conclusion. We suspend Carty's license to practice law in Iowa for a period of sixty days. The suspension imposed applies to all facets of the practice of law as provided by Iowa Court Rule 35.12(3) and requires notification of clients as provided in Iowa Court Rule 35.21. Carty shall make restitution as provided in this opinion, and no automatic reinstatement, as provided under Iowa Court Rule 35.12(2), shall be ordered until all restitution has been made. The costs of this proceeding are taxed against Carty pursuant to Iowa Court Rule 35.25(1). LICENSE SUSPENDED.