

ISBA Mutual Real Estate Lawsuit

Background

In 2004, a judgement was obtained against the property owner of a building in Chicago and a judgement lien was placed against that building. The owner of the lien later went into bankruptcy and the bankruptcy trustee became the holder of the judgement. In 2005, the property was foreclosed. In 2006 the property was sold by the foreclosure bank to the plaintiff at a sheriff's sale.

Shortly thereafter the bankruptcy trustee intervened into the property foreclosure action and argued the original judgement ran with the property. In 2007 the foreclosure court agreed and the judgement became the responsibility of the plaintiff. All of this transpired without any knowledge or involvement by our insured.

Our Insured

After the bankruptcy court decision was reached the plaintiff contacted our insured to discuss the events. Our insured and the plaintiff are relatives and they had worked together on several real estate transactions previous to this but our insured was at no time officially involved in this transaction until after the judgement lien was found to run with the property. Both the plaintiff and our insured agree that during the initial discussion our insured told him the judgement lien needed to be paid.

Plaintiff Fails to Pay the Judgement

Roughly one year later the bankruptcy trustee served notice of a sheriff's levy on the plaintiff. Plaintiff denied ever receiving the notice. The property was sold to the bankruptcy estate. Eight months later the plaintiff received notice of a motion to confirm the sale of the property to the bankruptcy trustee. The plaintiff then contacted our insured and a motion to quash was prepared. Our insured then engaged in discussions with the bankruptcy trustee and the plaintiff paid the agreed price to buy the property back.

Lawsuit

Six months after the plaintiff purchased the property from the bankruptcy trustee our insured was served. He notified ISBA Mutual the following day. The plaintiff sued the insured for the difference between the settlement and the amount of the original lien and interest.

Case Analysis

What are the risks facing our insured?

What are the potential liabilities facing our insured?

What are the legal exposures facing our client in this case?

Your Firm

What are the big picture risks to your firm?

What liabilities are you currently exposed to?

What exposures is your firm currently facing?

Insurance Policy Considerations

Coverage Agreements

Supplementary Payments

Definitions

Conditions

More Information

[IL Supreme Court Rule 721](#)

[IL Supreme Court Rule 722](#)

[IL Supreme Court Rule 1.6](#)

[IL Supreme Court Rule 756\(e\)](#)

Resources

ISBA Central

<https://central.isba.org/home>