

SUMMARY STATEMENT

Skinner v. U.S. Bank Home Mortgage, Docket No. 42065

In an appeal from the Nez Perce County district court, the Supreme Court affirmed the district court's grant of summary judgment in favor of U.S. Bank Home Mortgage (U.S. Bank) against Greg and Jessica Skinner (the Skinners). On October 23, 2006, the Skinners' home in Idaho County was destroyed in a fire. U.S. Bank held a lien Deed of Trust on the Skinners' home and held the insurance proceeds in a restricted escrow account.

Upon request of the Skinners, U.S. Bank released the funds by checks made jointly payable to the Skinners and their contractors. Midway through reconstruction, and after a majority of the insurance funds had been distributed by U.S. Bank in two installments, the contractor overseeing the reconstruction of their home walked off the job, leaving unpaid subcontractors. Prior to making the second payment, U.S. Bank had commissioned an evaluation of the degree of completion of the reconstruction by an independent inspector. The inspector's report stated that the house was 65% completed, which was consistent with the Skinners' representation that the house was 66% completed. The Skinners then learned that the contractor had failed to take adequate steps to prevent water intrusion into the basement and that the inspector had erred, in that the house was only 40% rebuilt. The Skinners brought suit against U.S. Bank, asserting that U.S. Bank owed them a fiduciary duty with respect to inspecting the home prior to distributing the insurance proceeds.

The Supreme Court held that U.S. Bank did not owe the Skinners a fiduciary duty to inspect the property for the Skinners' benefit. Despite the fact that U.S. Bank acted as the depositary in escrow and was absolutely bound by the terms and conditions of the deposit and charged with strict execution of any duties voluntarily assumed, U.S. Bank did not assume a duty to inspect the property for the Skinners' benefit, either as to the quality of the contractor's performance or the degree of completion of the project.

The Supreme Court also held that U.S. Bank did not exercise exclusive control over the insurance proceeds because it distributed the funds only upon the Skinners' representation that the construction was sufficiently complete and by way of checks made payable jointly to the Skinners and the contractor. The Supreme Court found that this afforded the Skinners sufficient control over the insurance proceeds to permit them to protect their interests against misconduct on the part of the contractor.