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Recent Developments: Prince v. Murdy

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The Court of Appeals of Maryland held that the licensing provision of the Maryland Consumer Loan Law ("MCLL"), qualifies as an "other specialty." *Price v. Murdy*, 462 Md. 145, 158, 198 A.3d 798, 806 (2018). This qualification is pursuant to the definition stipulated by the Courts and Judicial Proceedings Article ("CJP") and permits exceptions to the article’s general three-year statute of limitations for certain statutory specialties. *Id.* at 158, 198 A.3d at 806. The court further determined that, as a result of the MCLL’s licensing requirement qualifying as a statutory specialty, claims brought under the licensing requirement are subject to a twelve-year limitations period. *Id.* at 158, 198 A.3d at 806.

William Price ("Price") and Frank Chovan ("Chovan"), independent of one another, purchased vehicles requiring financing of less than $6,000. In order to finance the vehicles, both Price and Chovan took out loans from the same lender, Samuel Spicer ("Spicer"). On March 17, 2017, Price and Chovan filed a class action suit against Spicer contending that Spicer had violated the MCLL because he was not licensed to enter into the loan agreements. Price and Chovan also alleged that Spicer was in violation of the MCLL by failing to give notice of vehicle repossession, charging compound interest on loans, and requiring payment of exaggerated or unwarranted attorney’s fees.

The class action suit was filed over three years, but less than twelve years, after both Price and Chovan entered into their loan agreements with Spicer. The MCLL does not specify a limitations period for claims on its provisions. As a result, Price and Chovan argued that the MCLL qualified as an “other specialty,” subject to the CJP’s twelve-year statute of limitations, and therefore, their suit was timely. Spicer disagreed, and asserted that the MCLL failed to qualify as a specialty, and thus, the suit was barred by the three-year statute of limitations.

The case went before the United States District Court for the District of Maryland, where it found that the MCLL’s licensing provision and corresponding statute of limitations presented an unresolved question of
Maryland law. The court then certified the question to the Court of Appeals of Maryland, for it to determine whether the MCLL’s licensing provision qualified as an “other specialty” under CJP § 5-102(a)(6) subject to the twelve-year limitations period.

The Court of Appeals of Maryland began its assessment by reviewing the historical development of the MCLL’s licensing requirement, which was traced back to the General Assembly’s desire to increase borrower protections. Price, 462 Md. at 148-49, 198 A.3d at 800 (citing 1912 Md. Laws, Chapter 836, at 1621-24). The court acknowledged that the MCLL’s failure to prescribe a statute of limitations would result in a default application of the CJP’s three-year statute of limitations unless an exception applied. Price, 462 Md. at 150, 198 A.3d at 801 (citing NVR Mortg. Fin., Inc. v. Carlsen, 439 Md. 427, 439-40, 96 A.3d 202, 209 (2014)). Specifically, the court was asked to determine whether the MCLL licensing requirement qualified under the CJP’s “other specialty” exception. Price, 462 Md. at 150-51, 198 A.3d at 801.

Next, the court explained that in order for a statutorily created cause of action to qualify as an “other specialty” it must survive the three-prong test set forth in Master Fin., Inc. v. Crowder. Price, 462 Md. at 150-51, 198 A.3d at 801. Under the first prong, the proponent must be enforcing a statutorily created right, and not one that exists under common law; prong two, mandates that the remedy be sanctioned by statute rather than the common law; and prong three permits civil damages, provided that they are fixed, liquidated, or capable of being readily determined by clear statutory criteria. Price, 462 Md. at 151, 198 A.3d at 801 (citing Master Fin., Inc. v. Crowder, 409 Md. 51, 70, 972 A.2d 864, 875 (2009)). The court noted that the opinion would focus on the first and third prongs in light of the parties’ stipulation that the second prong had been met. Price, 462 Md. at 154, 198 A.3d at 803.

With respect to the first prong, the court first addressed Spicer’s argument, that the licensing requirement was not created by the MCLL but rather was derived from a common law right of redress for usurious loans. Price, 462 Md. at 154, 198 A.3d at 803. The court first looked to Maryland precedent, which established the MCLL’s licensing requirement was indeed a statutorily created provision. Price, 462 Md. at 155, 198 A.3d at 803-04 (citing Crowder, 409 Md. at 58 & 72, 972 A.2d at 876 (2009)). The court noted that a review of the licensing requirement’s language revealed that usury was not mentioned. Price, 462 Md. at 155, 198 A.3d at 804 (citing Md. Code Ann., Com. Law § 12-302 (West)). Moreover, analyzing the language of the MCLL and its precursor laws confirmed that its provisions were created as gap filler
protections for borrowers where the common law’s usury safeguards had failed. *Price*, 462 Md. at 155, 198 A.3d at 804 (citing 1918 Md. Laws, Chapter 88, at 198). The court rationalized that acceptance of Spicer’s position would be tantamount to reducing the MCLL’s function to usury regulation, which would contradict the law’s intended purpose of expanding borrower protections beyond that of usury law. *Price*, 462 Md. at 155, 198 A.3d at 804. Ultimately rejecting Spicer’s argument, the court held that the first prong had been met. *Id.* at 156, 198 A.3d at 804.

Next, the court addressed the third prong and Spicer’s contention that the MCLL’s language failed to provide how damages should be determined. *Price*, 462 Md. at 156, 198 A.3d at 804. Spicer’s argument was based on the MCLL’s licensing provision, which prohibits unlicensed lenders from receiving unspecified types of compensation. *Id.* at 156, 198 A.3d at 804 (citing Md. Code Ann., Com. Law § 12-314 (West)). Spicer’s position was that because the MCLL does not spell out the proscribed forms of compensation, damages stemming from the statutory specialty are not readily ascertainable. *Price*, 462 Md. at 156-57, 198 A.3d at 805. Price and Chovan rebutted this argument, claiming that fact-finding is often required in determining what damages may arise from statutory specialties. *Id.* at 157, 198 A.3d at 805.

Agreeing with Price and Chovan, the court determined that the need for fact-finding would not prevent damages from being readily ascertainable. *Price*, 462 Md. at 157, 198 A.3d at 805. The court rationalized that the third prong was satisfied because the loan documents would permit the fact-finder to readily determine both liability and the resulting damages. *Id.* at 157, 198 A.3d at 805. With satisfaction of the *Crowder* Test, the court ultimately answered the federal court’s certified question in the affirmative, holding that the MCLL’s licensing requirement qualified as a statutory specialty within the meaning of CJP § 5-102(a)(6), and therefore, was subject to a twelve-year statute of limitations. *Id.* at 158, 198 A.3d at 806.

The Court of Appeals of Maryland concluded that the MCLL’s licensing requirement qualifies as an “other specialty”, thus solidifying its operation as an independent source of borrower protection and removing any doubts as to how the law should be interpreted by the courts. Small loan borrowers, who often face financial hardships, will now be afforded additional time to gather the necessary resources to bring their claims. This holding reinforces the legislative intent behind the MCLL of ensuring that borrowers seeking justice under the licensing requirement are afforded the MCLL’s full range of statutory
safeguards. Small loan lenders are now on notice that operating without a license is not only illegal but also places them in a disadvantageous position by allowing borrowers to bring claims within twelve years.