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Northwest Bank & Trust v. First Illinois National Bank

354 F.3d 721 (8th Cir. 2003)

This case addresses whether a claim that a party was fraudulently induced into entering a contract can be barred by disclaimers found in the contract itself. Northwest Bank & Trust ("Northwest") entered into a loan participation agreement with First Illinois National Bank (FINB) to help finance the purchase of equipment for a subsidiary of one of FINB's most important customers, Whitehall Funding, Inc. ("Whitehall"). Before entering the agreement, Northwest requested and received Whitehall's prior three years of audited financial statements along with a loan presentation package prepared by FINB. The agreement itself contained a strongly-worded, unambiguous disclaimer, acknowledging that Northwest had "made an independent investigation of the Loan," had "satisfied itself with respect to [Whitehall's] credit standing," was "not relying upon [FINB's] judgment," and that FINB had "made no warranty of any kind, express or implied, in connection with the Loan."

After Whitehall defaulted on the loan, Northwest sued FINB in federal court under Iowa state law alleging a variety of claims. One of Northwest's claims was that FINB fraudulently induced it to enter the loan by providing false and misleading information, in an attempt to infuse one of FINB's most important customers with more cash. The district court held that since Northwest, a sophisticated lending institution, had expressly disclaimed any reliance upon FINB's judgment, it was barred from asserting that it was



fraudulently induced into the agreement. However, on appeal the 8th Circuit reversed the district court's holding regarding the fraudulent inducement claim, finding that by definition fraudulent inducement precedes the formation of a contract and that disclaimers in the contract were therefore irrelevant. Notwithstanding the sophistication of the parties, the 8th Circuit held that fraudulent inducement can be the basis for an action despite limiting provisions or disclaimers contained in the agreement.

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