

MARKS & WEINBERG, P.C.

CoreStates Bank v. Signet Bank

1997 WL 117010 (E.D. Pa). NELCO Round 3 (4? 10?)

A former employee of Philip Morris concocted a \$300 million fraud by convincing a computer leasing company and Signet that he was authorized by Philip Morris to set up a secret, off-shore project to research a tobacco substitute. The employee persuaded the computer leasing company to lease the computer equipment which Signet financed. Signet was close to its legal limit for loans to a single borrower so it assigned part of the loan to CoreStates Bank. The former Philip Morris employee eventually was arrested for bank fraud. CoreStates filed suit against Signet for constructive fraud. Signet countered that CoreStates failed to state a claim for constructive fraud because the assignment agreement states that Signet does not make any representations or warranties concerning the legality, validity, sufficiency or enforceability of the loan documents or any related documents. Yet, the court noted that a blanket waiver of contract warranties does not immunize a party against claims that the party misrepresented material facts in order to induce another to contract. Thus, the court concluded that although CoreStates disclaimed reliance on Signet's representations concerning financial risks appreciable from the loan documents, CoreStates did not disclaim reliance on any assurance by Signet that Signet had independently verified Philip Morris' involvement in the lease. Hence, summary judgment was denied and the case will continue.



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