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Federal Recovery of Washington, Inc. v. Wingfield

986 P.2d 67 (7/2000)

Defendants Gary & Pat Wingfield leased a utility flatbed trailer from Industrial Leasing Corporation ("ILC") in February of 1990 and failed to make scheduled installment payments beginning August of 1991. The parties attempted to reach a settlement and failed. In November 1991, ILC accelerated the rent and other obligations due under the lease, then repossessed and sold the trailer, applying the proceeds of the sale to the accelerated balance of the lease. Defendants never paid ILC the balance. At the time of the default, the statute of limitations for default under a lease was four (4) years and the statute of limitations for breach of contract was six (6) years.

In December 1994 plaintiff, Federal Recovery of Washington, acquired all of ILC's rights, title and interests as lessor under the lease and sued the defendants for breach of lease in May of 1997 (more than four (4) years after ILC accelerated the debt but less than six (6) years after defendants' initial nonpayment under the lease contract).

The trial court opined that the plaintiff's cause of action was governed and barred by the four (4) year limitation period. The issue on appeal was whether the cause of action occurred upon defendants' initial default in August of 1991 or upon acceleration of the lease. The court concluded that the cause of action did not occur until the plaintiff exercised its option to accelerate. The court reasoned that the defendants' default in



August did not cause plaintiff's action for the balance of the lease to accrue because defendants' default did not constitute a total breach of the lease.

Importantly, the lease did not contain an automatic acceleration clause. Rather, the clause in the lease expressly provided that upon default by lessee, "Lessor may declare all amounts" immediately due and payable. Plaintiff did not exercise its option to accelerate on the balance of the lease until November 1991, and consequently, its cause of action did not accrue until that time. However, the plaintiff's claim for the accelerated balance filed in May 1997 was time barred because it was filed more than four years after plaintiff's cause of action.

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