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Rosen v. Primus Automotive Financial Services, Inc.

618 N.W.2d 606 (Minn. Ct. App. Nov. 7, 2000)

CHARACTERIZATION OF DEPOSIT SECURING AN AUTOMOBILE LEASE 6
Plaintiff lessee brought action against the lessor of an automobile for failure to reimburse any increase in or profit on the security deposit as required by section 9-207 of the Uniform Commercial Code. Minnesota law reflects the rule of the UCC which states that a lessor may hold as additional security any increase or profits received from the collateral, but that such proceeds will either be returned or applied to the secured obligation.

In contrast to this rule, the defendant cites to State v. Larsen, 605 N.W.2d 706, 712 (Minn. 2000), wherein the Minnesota Supreme Court held that an automobile dealer's receipt of a security deposit for a commercial leasing transaction creates a debtor-creditor relationship between the dealer and consumer. Analyzing landlord-tenant law to determine the proper treatment of such security deposits, the court found that the earlier holding of the Minnesota Supreme Court was consistent with the majority rule regarding such deposits.

As such, since there was no language to the contrary embodied in the lease agreement, the court characterized the security deposit as creating a debtor-creditor relationship.



Based on this holding, the court ruled against the plaintiff and remanded the case for entrance of summary judgment in favor of the defendant.

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