MEMORANDUM DECISION

ATTORNEYS FOR APPELLANT

Adrian L. Halverstadt, III
Sarah Mustard Heil
Hartburg Roth Garrott Halverstadt & Garrett, LLP
Huntington, Indiana

APPELLEE PRO SE

Ricky Stanton
South Whitley, Indiana

IN THE COURT OF APPEALS OF INDIANA

Lagg's Automotive,
Appellant-Defendant,

v.

Ricky Stanton,
Appellee-Plaintiff.

October 27, 2023

Court of Appeals Case No. 23A-SC-815

Appeal from the Huntington Superior Court

The Honorable Amy C. Richison, Magistrate

Trial Court Cause No. 35D01-2301-SC-15

Memorandum Decision by Judge Riley
Judges Crone and Mathias concur.

Riley, Judge.

STATEMENT OF THE CASE

[1] Appellant-Defendant, Lagg's Automotive (Lagg's), appeals the small claims court's judgment in the amount of $4,000 in favor of Appellee-Plaintiff, Ricky Stanton (Stanton).

[2] We affirm.

ISSUE

[3] Lagg's presents this court with one issue on appeal, which we restate as: Whether the small claims court abused its discretion in ordering Lagg's to return Stanton's downpayment in the amount of $4,000 which he paid towards the purchase of a vehicle.

FACTS AND PROCEDURAL HISTORY

[4] On August 23, 2022, Stanton completed and electronically submitted a credit application at Lagg's for the purchase of a 2012 Toyota Highlander in the amount of $14,200 (excluding sales tax and other miscellaneous fees). Stanton provided Lagg's with the requested paystubs, a reference list, and a copy of his driver's license. Although Stanton informed Lagg's that his work was seasonal, there was no place on the credit application to submit that information. After submitting the credit application and supporting documentation, Stanton was approved by Consumer Portfolio Services, Inc. (CPS), Lagg's lender, for financing. That same day, Stanton and Lagg's entered into a Retail Installment Contract and Security Agreement (Agreement). The Agreement provided for thirty-six monthly payments of $565.44 beginning on September 22, 2022, and

did not indicate a conditional delivery dependent on securing financing. "Default" under the Agreement was specified as Stanton "fail[ing] to perform any obligation that [Stanton] ha[s] undertaken in this Contract[,] or Lagg's "in good faith, believe[ing] that [Stanton] cannot, or will not, pay or perform the obligations [Stanton] ha[s] agreed to in this Contract." (Exh. Vol. p. 21). At the suggestion of Lagg's sales representative, Stanton left with the vehicle.

[5] On September 13, 2022, and prior to the first payment being due under the Agreement, CPS notified Stanton that his loan application had been denied due to his "length of employment." (Exh. Vol. p. 13). CPS also informed Lagg's of the failed credit application, advising Lagg's that Stanton's income "did not verify as stated" as "he is a seasonal employee." (Exh. Vol. p. 40). Lagg's sales representative contacted Stanton and requested him to come to the dealership to execute a new contract with new financing terms and conditions based on his "adjust[ed] monthly income." (Exh. Vol. p. 4). The new proposed contract increased the purchase price of the vehicle to $15,500 (excluding sales tax and other miscellaneous fees), with fifty-four monthly payments. Stanton refused to accept the new offer and left the vehicle at the dealership. The following day, Stanton requested the return of his $4,000 down payment, which was refused by Lagg's based on a notice posted on the dealership's wall indicating that "[a] 'down payment' is understood to be a non-refundable deposit made towards the principal price of a vehicle. If the buyer decides to cease the purchase process, we will hold said funds for re-listing & documentation fees. Thank you for your understanding." (Exh. Vol. p. 5).

[6] On January 11, 2023, Stanton filed a Notice of Small Claims in the Huntington Superior Court — Small Claims Division against Lagg's, seeking the amount of $4,000, plus court costs. On March 15, 2023, the small claims court conducted a bench trial. During the hearing, Lagg's advised the small claims court, without entering any documentary evidence, that it had incurred damages in the following amounts: $350 for detailing the vehicle after Stanton returned it to the dealership; $300 in repairs to the vehicle; $750 restocking fee; and $766 re-advertising fees. Lagg's also informed the court, without any documentary evidence, that the vehicle was ultimately resold for $4,072 less than the original contract price with Stanton. On March 17, 2023, the small claims court entered judgment in favor of Stanton in the amount of $4,000, plus court costs.

[7] Lagg's now appeals. Additional facts will be provided as necessary.

DISCUSSION AND DECISION

[8] Lagg's contends that the small claims court abused its discretion by awarding judgment to Stanton. Judgments rendered by a small claims court are subject to review as prescribed by relevant Indiana rules and statutes. *N. Ind. Pub. Serv. Co. v. Josh's Lawn & Snow, LLC*, 130 N.E.3d 1191, 1193 (Ind. Ct. App. 2019). The Indiana Trial Rules apply to small claims proceedings to the extent that they do not conflict with the small claims court rules. *Id.* Pursuant to Trial Rule 52(A), the findings or judgments rendered by a small claims court are upheld unless they are clearly erroneous. *Id*. Because small claims courts were designed to dispense justice efficiently by applying substantive law in an

informal setting, this deferential standard of review is particularly appropriate. *Id*. We consider the evidence most favorable to the judgment and all reasonable inferences to be drawn from that evidence. *Id*. However, we still review issues of substantive law *de novo*. *Id*. The burdens of proof are the same in a small claims suit as they would have been if suit had been filed in a trial court of general jurisdiction. *Id*.

[9] Lagg's entire argument on appeal amounts to the claim that because Stanton "abandoned the vehicle at Lagg's [] parking lot," Lagg's is entitled to retain Stanton's down payment "due to the failed sale of the vehicle," as well as reimbursement for its incurred expenses. (Appellant's Br. p. 11). In support of its argument, Lagg's references *Palmer Dodge, Inc. v. Long*, 791 N.E.2d 788, 789 (Ind. Ct App. 2003), which it distinguishes on the facts. In *Palmer Dodge*, Long brought a criminal-conversion action against Palmer Dodge, which had retained Long's trade-in vehicle following the dealership's repossession of the purchased vehicle after the lender decided not to finance the purchase. *Id*. When the lender informed Palmer Dodge that Long's application had been rejected, Palmer Dodge notified Long that she would have to submit a new credit application and that financing could be obtained at a higher rate of interest. *Id.* In the meantime, Palmer Dodge arrived at Long's residence and repossessed the purchased vehicle from her driveway. *Id*. Long went to Palmer Dodge's office, where she was advised that (1) in order to keep the new vehicle, she would have to sign for new financing at a higher rate, or (2) she could take back her trade-in vehicle upon paying $760. *Id*. Long refused to sign the new

credit application because she could not afford higher payments, and she did not have the $760 to get her trade-in vehicle back. *Id*. Palmer Dodge refused to return her trade-in vehicle and down payment. *Id*. Based on a provision in the contract that specified that if Palmer Dodge was not able to obtain financing at the specified interest and payment levels within thirty days, Long was entitled to receive a full refund of her down payment and trade-in upon return of the purchased vehicle, the trial court found in favor of Long and this court affirmed. *Id*. at 793.

[10] Lagg's now maintains that "[u]nlike *Palmer Dodge*, and after having possession and use of the vehicle for 21-30 days, Stanton abandoned the vehicle at [Lagg's]," and therefore Lagg's is entitled to its incurred expenses in the amount of $7,493.93 due to the failed sale of the vehicle "and Stanton's default on the Retail Installment Contract." (Appellant's Br. p. 11). We are not persuaded.

[11] Besides Lagg's generalized allusion to 'Stanton's default,' Lagg's fails to identify Stanton's specific default under the Agreement executed between Lagg's and Stanton. Pursuant to the Agreement's terms, the delivery of the purchased vehicle was not conditional upon securing financing and Stanton was not in default of making payments as the first payment was not yet due under the Agreement. Lagg's does not point to any evidence reflecting its "good faith" belief that Stanton could not perform the obligations under the Agreement. (Exh. Vol. p. 21). Rather, prior to any default and upon learning that CPS did not approve Stanton's loan application, Lagg's demanded that

Stanton execute a new Agreement with a higher base purchase price for the vehicle and a longer financing term. Like Long in *Palmer Dodge,* instead of accepting this new offer, Stanton returned the vehicle to Lagg's and requested Lagg's to return his downpayment. Although Lagg's points to a dealership announcement posted on its wall that downpayments are non-refundable, this notification was never made part of the contractual documents.

[12] Even if we accept Lagg's incurred expenses without documentary evidence upon Stanton's return of the vehicle to the dealership, the Agreement provides that Lagg's can only be reimbursed for these expenses upon a default by Stanton of the Agreement's terms, which we did not find.

[13] Mindful of our deferential review of a small claims court's decision and Lagg's burden of proof, we cannot conclude that the small claims court's judgment in favor of Stanton is clearly erroneous. *N. Ind. Pub. Serv. Co.*,130 N.E.3d at 1193.

CONCLUSION

[14] Based on the foregoing, we conclude that the small claims court did not abuse its discretion in ordering Lagg's to return Stanton's downpayment in the amount of $4,000.

[15] Affirmed.

Crone, J. and Mathias, J. concur