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1st Source Bank v. Village of Stevensville

United States District Court, N.D. Indiana, Fort Wayne Division - May 23, 2013 - Slip Copy - 2013 WL 2285367

Diversity action arose when the Village of Stevensville, Michigan defaulted on a series of loans made by 1st Source Bank, an Indiana corporation. The Village alleged that it lacked the authority to enter into the loan agreements, and that they were thus enforceable.

“This case turns on the resolution of two related issues. The first issue is whether the Defendants had statutory authorization to obtain a loan from the Plaintiff. Second, if the Defendants were not authorized to obtain a loan from the Plaintiff, the Court must analyze whether the Defendants are nonetheless required to repay the proceeds of that loan to the Plaintiff.”

The court proceeded on the assumption that the Village did not have the statutory authority to enter into the loans. Under Indiana law, the Village was liable to the lender under the theory of quantum meruit. Under Michigan law, the Village was estopped from denying the validity of the loan agreements.