

No Good Deed Goes Unpunished: Sanchez v. Cobblestone Homeowners Ass'n

Thursday, September 15, 2016

Introduction

Discovering the origin of the aphorism that “No Good Deed Goes Unpunished” is difficult, but understanding its meaning is instantaneous. When doing a good act, do not expect a reward. In fact, the “reward” may be a punishment.

In the case of *Sanchez v. Cobblestone Homeowners Ass'n of Clayton, Inc.* 2016WL4598554 (September 6, 2016), the defendant Cobblestone HOA (HOA) informed plaintiff that her property was not included in the HOA declaration. Accordingly, she was not required to pay association fees and she was not entitled to use of the amenities owned by the HOA, such as a pool and tennis courts. The HOA offered to incorporate plaintiff's property into the declaration so she could continue to pay dues and have access to the HOA amenities.

The plaintiff declined the HOA's offer and requested a refund of the dues she had paid for the last 12 years. A divided North Carolina Court of Appeals affirmed the District Court's judgment that plaintiff was entitled to a refund. No Good Deed Goes Unpunished.

Sanchez v. Cobblestone Homeowners Ass'n

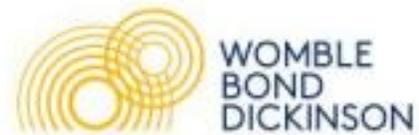
The Facts

In 2002, plaintiff purchased her home and was informed that her home was subject to the HOA declaration. Plaintiff believed that she was required to pay dues to the HOA. In 2014, the HOA informed plaintiff that, because of an earlier mistake, her home was not subject to the declaration. The HOA informed plaintiff that if she wanted to enjoy the HOA amenities of a pool and tennis courts, she needed to sign a supplemental declaration.

Plaintiff stopped paying dues, declined to execute a supplemental declaration and requested reimbursement of the dues she had paid from 2002-2014. The HOA refused to reimburse plaintiff. Plaintiff sued the HOA in small claims court and prevailed. The HOA appealed to District Court.

After conducting a bench trial, the District Court entered a judgment in favor of the plaintiff. The District Court found that (1) plaintiff was informed and believed when she purchased her property that her property was subject to the HOA covenants, (2) the HOA rules required plaintiff to pay dues and she paid the dues; (3) plaintiff “rarely, if ever,” used the main amenities offered by the HOA, and (4) plaintiff was not aware of nor “had any reasonable way of knowing” that she had no legal obligation to pay dues. Accordingly, the District Court concluded that no contract existed between plaintiff and the HOA, the HOA had been unjustly enriched and plaintiff was entitled to the reimbursement she sought. The HOA appealed the District Court's judgment to the North Carolina Court of Appeals.

The North Carolina Court of Appeals



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1. The Majority's Opinion

Writing for the North Carolina Court of Appeals, Chief Judge McGee noted that the HOA was not contesting the facts found by the District Court. Instead, the HOA limited its appeal to its arguments that (1) the facts found by the District Court proved that there was a contract *implied in fact* between Ms. Sanchez and the HOA and (2) plaintiff was estopped. The HOA relied upon two prior North Carolina Court of Appeals cases where the Court of Appeals had found a contract implied in fact between a property association and a lot owner.

The Court of Appeals agreed with the HOA that when a contract implied in fact exists, applying the equitable remedy of unjust enrichment is improper, but the Court of Appeals concluded that the facts found by the District Court did not establish a contract implied in fact.

"A contract implied in fact...arises where the intention of the parties is not expressed, but an agreement, in fact creating the obligation is implied or presumed from their acts." p.3 (quoting Lake Toxaway v. RYF, 226 N. C. App. at 488). Unlike Lake Toxaway or Miles v. Carolina Forest, 167 N.C. App. 28, both of which involved maintaining access roads to lots, the District Court did not find that plaintiff had benefited directly by the association maintaining recreational amenities. Further, the Court of Appeals noted that the HOA had stated there was no contract in its communications to the plaintiff and plaintiff immediately stopped paying fees when she learned she did not have an obligation to pay them. Therefore, the District Court's findings fell short of showing a contract implied in fact and the majority of the North Carolina Court of Appeals affirmed the District Court.

As for the HOA's contention that plaintiff was estopped to seek reimbursement, the Court of Appeals noted that equitable estoppel requires acceptance of the benefits. Here, the District Court found that plaintiff, rarely, if ever used the recreational amenities. Accordingly, the Court of Appeals concluded that the District Court did not err by entering judgment in plaintiff's favor.

2. The Minority's Opinion

Judge Dillon dissented. Judge Dillon concluded that the District Court's findings showed that a contract implied in fact existed and the HOA was not unjustly enriched.

Judge Dillon reasoned that whether plaintiff had used the HOA amenities was irrelevant. By paying dues, plaintiff gained access to these amenities. Even if plaintiff lacked actual notice that her property was not subject to the HOA declaration, she had record notice that her property was not subject to the HOA declaration. Under the law, plaintiff was charged with record notice.

Judge Dillon noted that the North Carolina Supreme Court's description of unjust enrichment was that unjust enrichment applied when one party had performed and the other party had not performed an unenforceable contract. Here, the plaintiff had performed by paying dues *and* the HOA had performed by providing access to its recreational amenities. Therefore, the HOA was not unjustly enriched. Accordingly, Judge Dillon believed the District Court's decision should be reversed.

Comments

1. From the HOA's perspective, this case illustrates that "No Good Deed Goes Unpunished." According to the District Court, "[p]laintiff was not aware of nor had any reasonable way of knowing that there was no legal obligation to pay periodic fees." p. 3. If the HOA had not notified the plaintiff that her property was not subject to the HOA declaration, she would have continued to pay dues. Of course, this observation does not suggest that the wise or ethical course for the HOA was to remain silent. In other words, there may have been harsher outcomes to the HOA had it remained silent when it learned plaintiff's property was not subject to the HOA declaration.

2. The case highlights the uncertainties and difficulties that a court encounters when asked to "make a contract." Generally, courts do not make contracts - contracting parties make contracts and courts enforce them. A difficult aspect of this case is that all of the District Court's findings suggest that plaintiff would not have formed a contract with the HOA voluntarily because the benefits, from her perspective, were small. This is a different situation than when lot owners must use roads maintained by an association to access their property.

3. The dissent fairly raises the point - but was the HOA unjustly enriched? The District Court did not find facts that the HOA knew when receiving dues from the plaintiff that plaintiff had no duty to pay dues or that the HOA had not performed. An important question is the basis for the District Court's finding that plaintiff did not have "any reasonable way of knowing that there was no legal obligation to pay periodic dues." Lawyers would *assume* that the record title of plaintiff's property would have shown that her property was not subject to the HOA's declaration. But, as noted by the majority of the Court of Appeals, the HOA did not challenge this finding.

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