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Banking & (and) Finance

BANKING & FINANCE

Downriver Community Federal Credit Union v. Penn Square Bank, 879 F.2d 754

Author: Judge Tacha

Plaintiffs, Downriver Community Federal Credit Union and Wood Products Credit Union (“Banks”), were uninsured depositors in the insolvent defendant, Penn Square Bank (“PSB”). The district court found that PSB fraudulently induced the Banks to deposit funds by issuing financial statements that were materially misleading as to PSB’s financial condition. The district court imposed a constructive trust on PSB’s assets entitling the Banks to recover the full amount of their deposits, rather than their pro rata share under the relevant provision of the National Bank Act, 12 U.S.C. § 194. PSB appealed.

The Tenth Circuit held that federal common law governs this case since a federal policy or need for uniformity would be frustrated by the application of state law as the federal rule of decision. The court further held that fraudulent inducement of the Banks does not entitle them to more than a pro rata share of the assets since Congress would not have intended to deluge the Federal Deposit Insurance Corporation with claims for preferences on behalf of all the uninsured depositors who could allege that they relied upon misleading information that was available to all depositors. The judgment was reversed.

Federal Deposit Insurance Corp. v. Rocket Oil Co., 865 F.2d 1158
Per Curiam

Plaintiffs, Federal Deposit Insurance Corporation (“FDIC”), and Deposit Insurance National Bank of Oklahoma City (“DINB”), appealed the district court’s order denying their claim for prejudgment interest. FDIC also argued that the district court erred in awarding postjudgment interest from the date the judgment was entered on remand. FDIC contended that the commencement date for postjudgment interest should be set on the date of the court’s original erroneous judgment. Moreover, FDIC sought restitution for funds overpaid to Rocket Oil following a bank’s insolvency. The district court originally denied recovery, but was reversed and remanded. On remand, the FDIC and DINB sought prejudgment and postjudgment interest payments.

The Tenth Circuit found that the district court was within its discretion in refusing to award prejudgment interest. The court reasoned that the congressional intent of the National Bank Act (“NBA”), was to equitably distribute the assets of an insolvent bank among injured parties who each possess a legitimate claim. The court explained that Congress did not intend the NBA to provide a compensatory remedy. Therefore, the district court was not compelled to grant prejudgment interest. The court also affirmed the district court’s focus on “the extent to which the

case was reversed” as determinative of when postjudgment interest should commence. Since this case involved a complete reversal of the liability and substantive rights of the parties, postjudgment interest should be awarded from the date the judgment was entered on remand rather than the date of the original erroneous judgment.