

# Supreme Court grants partial victory for would-be buyers in Rainbow Realty dispute

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Would-be homebuyers secured a partial victory from the Indiana Supreme Court against Rainbow Realty Group after it concluded the parties' rent-to-buy agreement was not a land-sale contract. However, relief awarded to the tenants under Indiana's Deceptive Consumer Sales Act was reversed.

In 2013, Quentin Lintner and Katrina Carter entered into a 24-month rent-to-buy agreement with Rainbow Realty Group but were evicted from the home two years later. A Marion Superior judge granted partial summary judgment to the couple after finding Rainbow Realty violated Indiana's Landlord-Tenant Act.

However, the Indiana Court of Appeals [ruled for Rainbow](#), finding the agreement was not a lease subject to the Landlord-Tenant Act. Specifically, the appellate court found the agreement was not a lease because it did not have a definite term and did not revert to the lessor.

The unanimous panel concluded the definition of "rental agreement" in the act provided only "limited guidance" and instead adopted a common law definition of "lease" from an 1845 case requiring leases to have a definite term and end with reversion to the landlord.

The Indiana Supreme Court granted transfer and heard arguments in *Rainbow Realty Group, Inc., et al. v. Katrina Carter and Quentin Lintner*, 19S-CC-38 <https://www.in.gov/judiciary/opinions/pdf/09131901ggs.pdf> in March, and in a Friday decision the justices affirmed the trial court's finding that the parties' "rent-to-buy" agreement was not a land-sale contract, but a rental agreement subject to the residential landlord tenant statutes.

Although the high court agreed with Rainbow's assertion that most of the transaction's terms and formal structure suggested the parties' agreement was a sale necessitated by the couple's inability to afford a down payment, it noted the transaction's purported form and assigned label ultimately did not control its legal status.

"We conclude that the Agreement was a rental agreement because Plaintiffs and the Couple agreed that the House was promised for Couple's use as a single-family dwelling. Because the House is a 'dwelling unit' and the Agreement qualifies as a 'rental

agreement', Plaintiffs' attempted waiver of their obligations as landlords is void," Justice Geoffrey Slaughter wrote for the panel.

However, the Supreme Court found without merit the couple's claim under the Deceptive Consumer Sales Act and thus reversed the trial court's decision in that regard. The trial court had ruled that Rainbow violated the act and awarded the couple \$4,000 for what it concluded were fraudulently deceptive statements.

Justices disagreed, concluding that Rainbow's contrary position and supporting statements were not deceptive and that the couple did not rely on Rainbow's disclaimer of the warranty, so its award of compensatory and punitive damages could not stand.

The court also found the act does not contemplate an aggrieved person suing for damages when the alleged deception concerns real property. Thus, judgment for the couple on that count was reversed, and the case was remanded to enter judgment for the plaintiffs.

Lastly, the panel noted the trial court failed to support its attorneys' fee award of \$3,000 to the couple with findings explaining its nearly 92% reduction from their requested amount of \$35,475. Justices therefore vacated the award and remanded for the trial court to recalculate the couple's award of reasonable attorney's fees, including any sought appellate fees.

The unanimous panel affirmed the trial court's resolution of the remaining claims and counterclaims.

The case attracted numerous amici, including the state, the city of Indianapolis, Prosperity Indiana, Neighborhood Christian Legal Clinic, the Notre Dame Clinical Law Center and National Consumer Law Center, and the Fair Housing Center of Central Indiana.