It’s All Fun and Games Until Someone Sues for Breach of Contract

Loans secured by stock are an important and popular product offered by many lenders to individuals and other borrowers, according to a post on the website of **Loeb & Loeb LLP**.

“The ability of a lender to sell the stock held as collateral is very much dependent on the documentation governing the loan. When and to what extent a lender may realize upon (or liquidate) the stock to repay the indebtedness under the loan should be carefully and clearly set forth in the loan documents,” write **Bryan G. Petkanics** and **Anthony Pirraglia**. “A recent federal court case analyzed the ability of a lender to act upon stock pledged to secure a loan, and provides insight into valuable language to be included in the loan documentation.”

They discuss Kinzel *v. Merrill Lynch*, in which the Sixth Circuit affirmed the judgment of the district court in favor of Merrill Lynch, finding that the financial services company breached neither the contract nor its duty of good faith under the terms of the loan management account agreement.

Read the article.