A rancher was the owner of a large equestrian facility. The rancher entered into a binding written contract with a company for the sale and purchase of the facility for $500,000. The contract required the rancher to convey marketable record title.

The company decided to protect its interest and promptly and properly recorded the contract.

Thereafter, but before the date scheduled for the closing, a trainer obtained and properly filed a final judgment against the rancher in the amount of $1 million in a personal-injury suit. A statute in the jurisdiction provides: "Any judgment properly filed shall, for ten years from filing, be a lien on the real property then owned or subsequently acquired by any person against whom the judgment is rendered."

The recording act of the jurisdiction authorizes recording of contracts and also provides: "No conveyance or mortgage of real property shall be good against subsequent purchasers for value and without notice unless the same be recorded according to law."

There are no other relevant statutory provisions.

At the closing, the company declined to accept the title of the rancher on the ground that the trainer's judgment lien encumbered the title it would receive and rendered it unmarketable. The rancher brought an appropriate action against the company for specific performance of the contract and joined the trainer as a party.

In this action, for whom will the court render judgment?

A. The company, because the rancher cannot benefit from the company's action in recording the contract.

B. The company, because the statute creating judgment liens takes precedence over the recording act.

C. The rancher, because in equity a purchaser takes free of judgment liens.

D. The rancher, because the contract had been recorded.

Explanation:

Under a **land sales contract**, a buyer must receive **marketable title**—ie, title that is free from substantial defects at the time of closing. Competing property interests render title unmarketable *unless* the buyer's interest has priority over those competing interests. For example, a buyer with a **recorded equitable interest has priority** over a subsequent judgment lien.

Here, the company received equitable title—ie, the right to receive legal title upon the performance of an obligation—when the company and the rancher entered into a land sales contract. The company then recorded that contract *before* the trainer obtained the judgment lien. As a result, the company's property interest has priority over the trainer's competing interest, and the rancher can convey marketable title. The court should therefore render judgment for the rancher and order the company to specifically perform the land sales contract.

(Choice A) The rancher *can* benefit from the company's action in recording the contract since that action ensured that the rancher was able to convey marketable title.

(Choice B) The statute creating judgment liens permits a recorded judgment to be a lien on real property owned by the person liable under that judgment. It does not take precedence over the recording act, which determines the priority of competing property interests (including judgment liens).

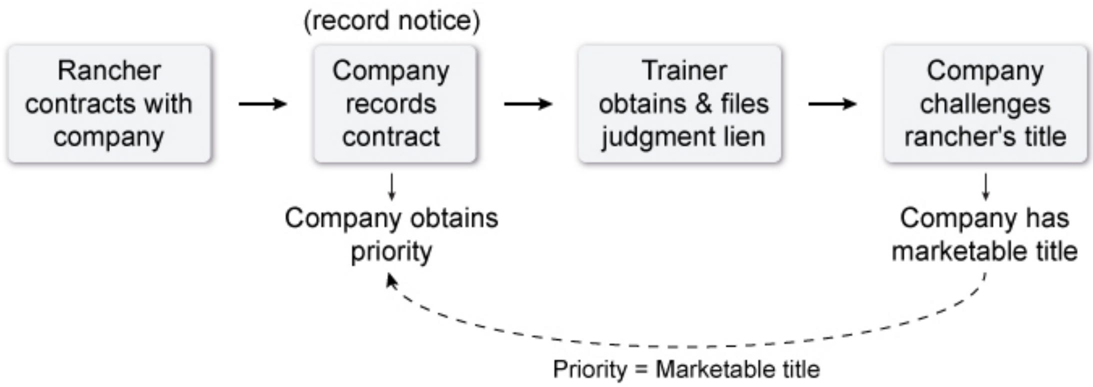
(Choice C) Equity does not require that purchasers (eg, the company) *always* take free of judgment liens. But here, the company did take free of the trainer's judgment lien because the company got priority when it recorded the land sales contract before the trainer acquired a competing interest.

Educational objective:

A buyer receives marketable title if the buyer's interest has priority over competing interests in the same property. And a buyer with a recorded equitable interest has priority over a subsequent judgment lien.

References

46 Am. Jur. 2d Judgments § 352 (2018) (priority of judgment liens).


(record notice)
Rancher contracts with company
Company records contract
Trainer obtains & files judgment lien
Company challenges rancher's title
Company obtains priority
Company has marketable title
Priority = Marketable title