

## FINAL REPORT<sup>1</sup>

*Renumbering of Pa. R.C.P.D.J No. 325, New Pa. R.C.P.D.J. Nos. 211, 341, and 342, and Amendments to or Revisions to the Notes of Pa. R.C.P.D.J. Nos. 306, 315, 324, 402, 514, 518, 1001, and 1007*

### ENTRY OF SATISFACTION OF MONEY JUDGMENTS

On April 5, 2002, effective January 1, 2003, upon recommendation of the Minor Court Rules Committee<sup>2</sup>, the Supreme Court of Pennsylvania renumbered Rule 325, adopted new Rules 211, 341, and 342, and amended or revised the Notes to Rules 306, 315, 324, 402, 514, 518, 1001, and 1007 of the Rules of Conduct, Office Standards and Civil Procedure for District Justices<sup>3</sup>.

#### I. Background

The Minor Court Rules Committee undertook a review of the issue of the entry of satisfaction of money judgments in response to a request from the Administrative Office of Pennsylvania Courts (AOPC). The AOPC advised the Committee that on several occasions, individuals against whom money judgments have been rendered reported that the judgments have appeared on their credit reports as outstanding when in fact the judgments were satisfied (paid in full). The AOPC requested that the Committee review the need for some procedural mechanism for judgment debtors to request entry of satisfaction and for judgment creditors to enter satisfaction of judgments rendered by district justices. Currently, there is no such formal mechanism. This issue has come to the forefront because of the increased use by credit reporting agencies of data contained in the District Justice Automated System (DJS) to check for district justice judgments rendered against applicants for credit. Before automation, this was not a significant issue because there was no efficient way for credit reporting agencies to check for district justice judgments in the numerous district justice courts throughout the Commonwealth. The Committee learned, however, that since the 550-plus district justice courts have been fully automated via the DJS, several credit-reporting agencies routinely request reports from AOPC to identify civil judgments that may have been entered against applicants for credit. The information requested by the credit reporting agencies is public record, and is provided in accordance with the AOPC's Access to District Justice Records Policy, 204 Pa. Code § 213.1 et seq.

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<sup>1</sup> The Committee's Final Report should not be confused with the official Committee Notes to the Rules. Also, the Supreme Court of Pennsylvania does not adopt the Committee's Notes or the contents of the Committee's explanatory Final Reports.

<sup>2</sup> Recommendation No. 3 Minor Court Rules 2001.

<sup>3</sup> Supreme Court of Pennsylvania Order No. 134, Magisterial Docket No. 1, Book No. 2 (April 5, 2002).

The Committee was concerned that the information provided to credit reporting agencies may not be complete because satisfaction of judgment information is not entered in district justice civil cases. The Committee, therefore, wished to establish simplified procedures by which a judgment debtor may request an entry of satisfaction and a judgment creditor may enter a satisfaction in district justice court.

In conjunction with proposed new rules and amendments to, or revisions to the Notes of, existing rules regarding entry of satisfaction, the Committee also recognized the need to renumber Rule 325, and for several technical or "housekeeping" amendments to Rules 306, 315, 324, 402, and 1007.

The Committee's initial proposal was published at 31 Pa.B. 1319 (March 10, 2001). In response to comments received after this first publication, the Committee revised the original proposal. Because of the nature and extent of the revisions, the Committee deemed it necessary and appropriate to republish the proposal for additional comments. A revised proposal and Report were published at 31 Pa.B. 4528 (August 18, 2001).

## **II. Discussion of Rule Changes**

### ***A. Request for and Entry of Satisfaction - New Rules***

The Committee considered a number of options for incorporating into the rules a procedure for entry of satisfaction of money judgments. The Committee decided that, no matter the approach, any new rules or amendments must be based on and consistent with Section 8104 of the Judicial Code, 42 Pa.C.S. § 8104, relating to duty of judgment creditor to enter satisfaction. It was suggested that one approach for dealing with satisfaction of judgments would be to simply notify the judgment creditor, via the Notice of Judgment form required by Rule 324 (Notice of Judgment, Dismissal or Continuance, and the Right to Appeal), that the judgment creditor has a duty to notify the court of satisfaction and that failure to do so could result in an action for damages under Section 8104. This approach would not necessarily have required a rule change, but only a request to the AOPC to amend the Notice of Judgment form. The Committee, however, opted for a more formal and comprehensive rules-based approach.

There was also discussion about incorporating entry of satisfaction into an amendment to Rule 324 by requiring that the notice of judgment contain a notice that it is the obligation of the judgment creditor to timely notify the district court that a judgment has been satisfied.

Ultimately, however, the Committee decided that, in accordance with Section 8104, the burden should be on the judgment debtor to request an entry of satisfaction. Further, given the need for an entirely new procedure, the Committee decided that it was most appropriate to incorporate entry of satisfaction into the rules via entirely new rules dealing exclusively with this issue.

It was at first suggested that the Committee position the new rules immediately following the rules relating to civil judgments, perhaps as a new rule 326. Upon closer review of the existing rules, however, it seemed more appropriate to create an entirely new subset within the 300 series entitled "SATISFACTION OF MONEY JUDGMENTS." Also, in the course of this discussion, the Committee decided to renumber and move the existing Rule 325 because the subject matter of that rule more appropriately belongs in the 200 Series. (The renumbering of Rule 325 is addressed later in this Report.)

#### 1 . New Rule 341

The Committee recommended an entirely new Rule 341, entitled "Request for Entry of Satisfaction; Service; Entry of Satisfaction." Subdivision A of the new rule provides a mechanism for a judgment debtor, or anyone with an interest in the judgment, to request an entry of satisfaction by filing a written request with the district justice who rendered the judgment.

Subdivision B of the new rule addresses service of the request for entry of satisfaction. Unless the judgment creditor is the requesting party, the request needs to be served upon the judgment creditor in accordance with the existing rules regarding service of an original complaint. The Note to Rule 341 refers to Rules 307, 308, 309, 310, 311, 312 and 313.

Subdivision C of the new rule provides that a judgment creditor has 90 days from the date of service of the request for entry of satisfaction to enter satisfaction with the district justice who rendered the judgment, which satisfaction would forever discharge the judgment. It is the Committee's intention that, once satisfaction is entered, the satisfaction would appear in the DJS data as the final disposition of the case so that it is clear to inquiring credit agencies that the judgment has been paid. The Note also makes clear that once the satisfaction is entered, the judgment debtor may file a true copy of the entry of satisfaction in any other district justice court in which the judgment may have been entered pursuant to Rule 402. It is not the Committee's intention that the judgment creditor be required to enter the satisfaction in any court other than the district justice court in which judgment was rendered.

The Committee incorporates a number of clarifying statements in the Note to the new rule. First, the Note makes clear that the procedures set forth in the new rule also apply to satisfaction of money judgments rendered in actions for the recovery of

possession of real property (land lord/tenant actions). Also, the Note states that a party may contend that satisfaction should not have been entered in a matter by filing a petition to strike entry of satisfaction with the court of common pleas. Although all other procedures relating to satisfaction are handled at the district justice level under these rules, the Committee felt that petitions to strike an entry of satisfaction would be more appropriately handled at the common pleas level since the decision to strike an entry of satisfaction is an exercise of the court's general equitable powers.

## 2. New Rule 342

The Committee recommended an entirely new Rule 342, entitled "Failure of Judgment Creditor to Enter Satisfaction; Supplementary Action." Subdivision A of this new rule provides a procedural mechanism for a judgment debtor to commence a supplementary action for liquidated damages as provided in 42 Pa.C.S. § 8104(b) if the judgment creditor does not enter satisfaction as required by Rule 341. The supplementary action is to be filed in the office of the district justice in which the request for entry of satisfaction was filed. Further, the Note to Rule 342 makes clear that the action is to be indexed to the same docket number as, and made a part of the record of, the underlying action. Because the "Rule 342 action" is supplementary to the underlying judgment, there are no filing costs; however there may be costs for service of the action.

Subdivision B provides that the supplementary action is to proceed in accordance with the 300 Series rules as if a regular civil action. The Committee had considered an abbreviated hearing process similar to that provided for in Rules 420 and 421 when a party files an ancillary property claim in a case in which execution is underway. The Committee decided, however, that full due process (including notice, service and hearing requirements) should be afforded since the supplementary "Rule 342 action" could result in a judgment for liquidated damages being entered against the judgment creditor. After hearing in a "Rule 342 action" the district justice may determine if the judgment debtor is entitled to liquidated damages for the judgment creditor's failure to enter satisfaction, and may enter satisfaction in the underlying judgment. Subdivision B does include one exception to the general rule that the Rule 342 action proceed as a regular civil action: no claims under Rule 315 (cross-complaints) will be permitted. While it was not the intent of the Committee in drafting this rule to limit defenses that may be raised in a supplementary action, the Committee did believe that only those issues arising from the Rule 342 supplementary action are to be considered at the hearing. Therefore, subdivision B(2) makes clear that no cross-complaints are permitted to be filed.

Either party may appeal from a district justice's judgment in a "Rule 342 action" in accordance with the regular appellate rules (that are discussed in greater detail below).

## **B. Correlative Rule Changes**

### 1. Correlative Revision to the Note to Rule 306

The Committee recommended a revision to the Note to Rule 306 to make clear that the phrase "[c]omplaints filed in the case by a defendant" includes cross complaints filed pursuant to Rule 315 and supplementary actions filed pursuant to the new Rule 342, and that both types of complaints are to be indexed to the same docket number as the plaintiff's underlying complaint.

Also, the Committee recommended an unrelated "housekeeping" revision to the Note to make reference to the District Justice Automated Office Clerical Procedures Manual as the main source of uniform filing, record keeping and other district court office procedures.

### 2. Correlative Amendment to Rule 315

The Committee recommended a revision to the Note to Rule 315 to make clear that no cross-complaint may be filed in a supplementary action filed under Rule 342. See discussion *supra* Part II.A.2.

### 3. Correlative Amendment to Rule 324

In addition to the new Rules 341 and 342, the Committee also recommended an amendment to Rule 324 to require that the Notice of Judgment form contain a statement advising that, upon satisfaction of a judgment, any interested party may file a request for entry of satisfaction. The Committee recognized the need for this additional statement in the notice because most defendants in civil actions appear pro se and, absent a clear notice, may not know that they can request an entry of satisfaction that could effect the status of their personal credit history.

The Committee further recommended an amendment to the rule (not directly related to satisfaction of judgments) to require that the Notice of Judgment form contain a statement advising that, except as otherwise provided in the rules, if the judgment holder elects to enter the judgment in the court of common pleas, all further process must come from the court of common pleas and no further process may be issued by the district justice. The Note to Rule 402 was revised effective January 1, 2001 to clarify this restriction, and the Committee concluded that it should also be clearly stated in the notice of judgment so that a judgment holder can make an informed decision about entering a judgment in the court of common pleas. This is important because there are advantages and disadvantages to entering a judgment in the court of common pleas. Many judgment holders opt to enter the judgment in the court of common pleas because, once entered, it can act as a lien against real property. However, judgment

holders must be aware that execution of the judgment at the common pleas level can be much more costly and complicated than at the district justice level. By making this restriction clear in the notice of judgment, a judgment holder can consider all factors before deciding to enter a judgment in the court of common pleas.

In addition, the Committee recommended a minor amendment to further clarify that the district justice must give or mail written notice of judgment to the parties or the parties' attorneys of record. Finally, the Committee recommended the addition of a Note to Rule 324 to make cross-references to Rules 402D and the new Rule 341.

#### 4. Correlative Amendment to Rule 402

As stated above, the Note to Rule 402 was revised effective January 1, 2001 to clarify that if the judgment holder elects to enter the judgment in the court of common pleas, all further process must come from the court of common pleas and no further process may be issued by the district justice. Upon further consideration, and in light of the important considerations relating to satisfaction of judgments, the Committee concluded that this restriction should be more prominently pronounced in the rule. Accordingly, the Committee recommended an amendment to Rule 402 to state clearly the restriction on further process from the district justice court after a judgment has been entered in the court of common pleas. The Committee, however, did want to provide a means for a district justice to make an entry of satisfaction on the district justice docket if a judgment has been entered and then satisfied in the court of common pleas. This is necessary to prevent district justice judgments that are entered and then satisfied in the court of common pleas from remaining open on the district justice's docket and appearing on that docket as if they have not been satisfied. To accomplish this, the Committee recommended dividing Rule 402D into five numbered subparagraphs to outline the procedures for entering a judgment in the court of common pleas, with a new subparagraph (5) to read "[t]he district justice shall enter satisfaction on the docket of the district justice proceedings upon the filing by any party in interest of a certified copy of the docket entries of the court of common pleas showing the judgment and satisfaction have been entered in the court of common pleas."

#### 5. Correlative Revisions to the Notes to Rules 514 and 518

Because the procedures for the entry of satisfaction set forth in new Rules 341 and 342 also apply to the satisfaction of money judgments rendered in actions for the recovery of possession of real property (landlord/tenant actions), the Committee recommended revisions to the Notes to Rules 514 (relating to judgment in landlord/tenant actions) and 518 (relating to satisfaction of order for possession by payment of rent and costs) to cross reference new Rule 341. The Committee also included a clarification in the Note to Rule 518 that "rent actually in arrears" means the sum set forth on the order for possession.

## 6. Correlative Amendments to Rules 1001 and 1007

The Committee recognized the need for minor amendments to appellate Rules 1001 and 1007 to fully provide for appeals from judgments rendered in "Rule 342 actions." First, the Committee recommended an amendment to Rule 1001(6) to make clear that a claimant in an appeal can include a defendant with respect to a defendant's supplementary action brought pursuant to new Rule 342. Likewise, the Committee recommended an amendment to Rule 1001(7) to make clear that a defendant in an appeal can include a plaintiff with respect to a defendant's supplementary action filed pursuant to Rule 342.

The Committee further recommended that Rule 1007 be amended by the addition of a subdivision C to restrict appeals from "Rule 342 actions" to issues that arise from the Rule 342 action. This is to make clear that an appeal from a supplementary action filed pursuant to Rule 342 is not intended to reopen other issues from the underlying action that were not properly preserved for appeal.

### ***C. Technical and "Housekeeping" Amendments***

In conjunction with the substantive changes discussed above, the Committee recommended that Rule 325 be renumbered and moved. The Committee also recommended a new Rule 211 to deal with subsequent filings in abolished, consolidated, or changed magisterial districts. Finally, the Committee identified a number of technical and "housekeeping" amendments needed in Rules 324 and 402.

#### 1. Renumbering and Moving Rule 325

In contemplating the new rules relating the entry of satisfaction, the Committee reviewed the entire 300 Series, particularly Rules 322, 323 and 324, all relating to judgments. Upon review of Rule 325, relating to practices prohibited, the Committee determined that the content of the rule relates not only to civil actions, but to actions for the recovery of possession of real property (land lord/tenant actions) as well. Accordingly, the Committee determined that Rule 325 should be moved out of the 300 Series (relating to Civil Action), and into the 200 series (relating to Rules of Construction; General Provisions), and further, that it be renumbered as new Rule 210.

#### 2. New Rule 211

In further contemplating the new rules, the Committee recognized that it needed to make provision for the filing of a request for entry of satisfaction when the office of the district justice who rendered the judgment has been abolished, consolidated or otherwise changed by reestablishment (redistricting) of magisterial districts. This

situation is currently provided for in Rule 402 as it relates to requesting an order of execution. The Committee determined that this situation could arise in a number of circumstances and decided to recommend a general rule in the 200 Series to deal with the situation. Accordingly, the Committee recommended a new Rule 211 entitled "Abolished, Consolidated, or Changed Magisterial Districts; Subsequent Filings." This new rule is intended to cover all situations in which a party wishes to file or serve an ancillary or supplemental action, such as a request for order of execution or a request for a certified copy of a judgment (under Rule 402), an objection to levy or other property claim (under Rule 413), a request for order of possession (under Rule 515), or a request for entry of satisfaction (under Rule 341), among others, when the action should be filed or served in the office of the district justice who rendered the judgment or issued other process, but that office has been abolished, consolidated or otherwise changed. The new rule provides that, under these circumstances, the action may be filed or served only with the district justice who has become the official custodian of the original record, even though that district justice did not render the judgment.

Of course, as a corollary to this, the Committee recommended that Rule 402C(1) be deleted because it becomes unnecessary with the addition of new Rule 211.

### 3. Other Technical or "Housekeeping" Changes

Also, in Rules 315, 402, and 1007, the Committee recommended minor changes to correct citation form, to address gender neutrality issues in the rules, to conform to modern drafting style, and to make other minor corrections and clarifications.