

Committee Opinion  
November 22, 1988

LEGAL ETHICS OPINION 1151

ATTORNEY-CLIENT RELATIONSHIP –  
BANKS – DISCLOSURE: NAMING  
SETTLEMENT ATTORNEY AS  
CONDITION FOR APPROVAL OF  
LOAN.

You wish to know if it is ethically improper for a lending institution to either explicitly or by recommendation require that a specific lawyer or law firm handle the legal transaction associated with the purchase and financing of a residential real estate transaction as a condition for approval of a particular borrower's mortgage loan. You also wish to know what the ethical implications are if the lawyer or law firm has no knowledge of the lending institution's policy.

The Committee believes that the questions you have posed in your inquiry raise a legal rather than ethical question and is therefore beyond the purview of this Committee. The Committee would direct your attention to LE Op. 1120 which, in the Committee's view, is dispositive of your inquiry. The opinion states in part that the bank, like an individual, has the right to secure legal counsel of its choice to protect its interest, as well as the interest of the shareholders and customers. Whether the lawyer or law firm has been informed of such arrangement does not raise any ethical issue, assuming the lawyer or law firm does not have a business or ownership interest in the lending institution, which a lawyer should disclose to his client.

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