

Alert | Club Membership/Litigation



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Country Clubs Face Resigned Member Lawsuits Over Deposit Refunds

As the COVID-19 pandemic continues to disrupt country club operations, clubs face increasing financial pressures. Members who paid refundable payments to acquire their memberships are resigning and may demand immediate payment of their refundable joining payments, notwithstanding the terms of their membership agreements. This GT Alert discusses this trend and provides general guidance for clubs facing resigned member payment demands.

Resigned Member Deposits

Many country clubs require a membership deposit, capital, or equity to be paid for acceptance. Upon member resignation, clubs may allow for a refund of a portion of the membership deposit and joining payment when a certain number of new members in the same membership class join. The ratio of resigned members to new members varies from 1:1 to 5:1. Assuming that the number of resigned members exceeds the number of new members, clubs employ a resigned list that ranks resigned members according to their resignation dates. In many cases, as the number of resigned members far exceeds the required number of new members, resigned members may sit for many years before their refunds are paid. As resigned members age, they will apply greater pressure to immediately receive their refunds.

Law Firms Court Resigned Members

A number of plaintiff's law firms actively solicit resigned members for class action and individual lawsuits. Recently, Hawk Pointe Golf Club in New Jersey settled a class action suit, while other cases are pending.

Clubs Need to Avoid Missteps

Clubs should consider that changes to their refund policies may create an opening for plaintiff's law firms to try to exploit. Some courts have held that changes that reduce or delay a resigned member's right to a refund payment are unlawful, even if the membership agreement allows changes in the discretion of the club. Resigned members have argued that any changes, even if beneficial to some club members, may not be lawfully implemented. Clubs that fail to accurately maintain their waiting lists or enter into side deals with some members may find themselves facing fraud, breach of contract, and consumer protection lawsuits.

Before making any changes to a club's refund policy or responding to an attorney's or resigned member's request for information, clubs should carefully review their membership documents with an attorney that routinely drafts club documents and defends club litigation. Amendments to club documents or mistakes in communication may expose the club to an expensive class action suit.

About Greenberg Traurig's Club Membership Experience

Greenberg Traurig helps clients address the long-range planning and operational needs of the residents and members within master-planned communities and resort, hotel, and club properties through the design and implementation of club membership programs. Our broad experience in the club and hospitality industry enables us to formulate breakthrough ideas and concepts for our clients. Our team brings together fast-response legal professionals and support staff experienced not only in corporate, real estate and tax law, but also in marketing and public relations.

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