

MASSACHUSETTS Lawyers Weekly

Part of the BRIDGETOWER MEDIA network

■ MARCH 11, 2026

VERDICTS & SETTLEMENTS

BLS ruling sends loud warning to mortgage lenders

Greenlights sellers' suit over rubber-stamped preapproval

■ PAT MURPHY

A bank that allegedly issued a mortgage preapproval letter without verifying a prospective home buyer's assets and income, or reviewing his credit profile, may be liable to the property's sellers for damages flowing from the ensuing collapse of the deal, a Superior Court judge has decided.

Plaintiffs Syed and Polly Bokhari entered into a purchase and sales agreement for their home after the buyer presented a mortgage preapproval letter from defendant North Easton Savings Bank stating it was based on a "review of your credit profile and verification of your assets and income."

The sale fell through when the bank, 11 days later, declined to approve the buyer's mortgage application.

The plaintiffs sued the bank for fraud, negligent misrepresentation, and engaging in unfair or deceptive trade practices in violation of G.L.c. 93A. According to the plaintiffs, in litigation over the buyer's claim to a refund of his deposit, it came to light that the bank had neither reviewed his credit profile nor verified his assets and income as indicated in the preapproval letter.

The plaintiffs claimed they lost the opportunity to sell to a qualified buyer because they took their home off the market after execution of the purchase agreement, and the property remained off the market during litigation with the buyer.

The defendant moved for summary judgment, asserting that the plaintiffs could not establish proximate causation because their alleged injuries fell outside the scope of reasonably foreseeable risk arising from the preapproval letter.

Business Litigation Session Judge Kenneth W. Salinger found that argument unavailing at the summary judgment stage.

"In the circumstances of this case, a reasonable jury might conclude that the Bokharis 'were among those' that the Bank 'had reason to expect would rely upon its statements,' and that the Bokharis' claimed losses both flowed from the Bank's alleged fraud and were a foreseeable result of the false representations."

In denying the defendant's motion for summary judgment, Salinger further rejected the argument that the buyer's breach of the P&S was a superseding cause of the plaintiffs'

alleged injuries. Moreover, the judge rejected the bank's contention that it had no liability under Chapter 93A since it had no business relationship with the plaintiffs.

The five-page decision is *Bokhari v. North Easton Savings Bank*, Lawyers Weekly No. 09-011-26.

'TOTAL HEADACHE'

Plaintiffs' counsel David Hadas of Winchester said he was struck by the bank's process for issuing the preapproval letter to the buyer.



David Hadas
Attorney for sellers

"They issued the letter within an hour or so of the real estate agent for the borrower calling the bank," Hadas said. "There were no documents provided. Once they did look at [the borrower's financial and credit] documents, they made a different decision."

The issuance of the mortgage preapproval letter was a critical aspect of his clients' decision to enter into the P&S because they had developed "misgivings" about the buyer

during the course of the sales process, Hadas added.

“The bank issued the letter specifically in order to induce my clients to enter into the agreement with the bank’s borrower,” Hadas said. “It was very clear that it was the one thing that needed to be accomplished for the deal to go forward. The bank was aware of that.”

Hadas lays the blame for his clients’ alleged damages squarely at the feet of the lender.

“The bank’s position basically was that the borrower was an intervening cause,” Hadas said. “But the judge recognized it was the bank that set this in motion.”

Hadas said he is confident a jury will agree.

“The case is important because it sends a message to banks that they need to cross their t’s and dot their i’s before making representations that people are going to rely on,” he said.

Boston attorney Sarah P. Kelly, who represents the defendant bank, did not respond to a request for comment.

According to Boston real estate litigator Matthew S. Furman, the decision is a “total headache” for lenders and their loan officers who, in attempting to provide good customer service, work to get preapproval letters out quickly.

Furman agreed that the decision stands as a “warning” to the industry in terms of how lenders go about issuing mortgage preapproval letters.

“The issue here is that the lender did not feel it could argue that the representations in the letter about its diligence were true,” Furman said. “Truth is a defense to a fraud claim. If the representations were true, you can’t sue somebody for fraud. Here, they didn’t feel they



Lenders would be pretty surprised to know they are considered to have a commercial relationship with [home] sellers for 93A purposes.

– Matthew S. Furman, Boston

could make that argument. That’s troubling given what they put in the preapproval letter about the diligence they had done.”

Another defense to fraud and misrepresentation claims is that one cannot be sued for a statement that is an estimate, an opinion or a judgment, Furman said.

“[The lender here] needed to more clearly state that preapproval is an estimate, opinion or a judgment,” he said.

Furman also found it notable that the judge did not grant the defendant summary judgment on the ground that there was no business relationship between the parties.

“Lenders would be pretty surprised to know they are considered to have a commercial relationship with [home] sellers for 93A purposes,” he said. “Sellers and buyers’ lenders are generally total strangers. They rarely interact with one another. The letters are addressed to the borrower. [This decision] goes to show the broad reach of 93A in that there’s no privity being required.”

Danvers real estate attorney Jonathan M. White agreed that the decision is problematic for mortgage lenders and their lending officers.

“Banks issue these preapprovals almost as a matter of routine,” White said. “You’re going to find two camps [in the industry]. You’re going to find loan officers who do minimal due diligence to push out preapprovals.

Then you’re going find those who say if you give me [the information], I’ll give you the preapproval. How fast do you need it?”

White said Salinger’s decision puts lenders on notice.

“The point that this case raised is that preapproval letters matter,” he said. “Because of the perfect storm of circumstances here, I’m wondering if the ripple effect of this will be the banking industry reconsidering how and when they issue preapproval letters.”

HOME SALE GONE AWRY

According to court records, the plaintiffs listed their Milton home for sale in March 2021 with the intention of moving to a home in West Virginia that they owned.

In early May, Yiqiang Chen offered to purchase the Milton house for \$2.05 million.

During the course of negotiations on a purchase and sale agreement, the plaintiffs required a letter from a lender preapproving the buyer for a \$1.64 million mortgage, or 80 percent of the purchase price.

On May 13, Chen’s agent forwarded a preapproval letter from North Easton that stated Chen was preapproved for a \$1.64 million mortgage loan based on a review of his credit profile as well as a verification of his assets and income.

The plaintiffs would later claim they signed the P&S believing

**BOKHARI V. NORTH
EASTON SAVINGS BANK**

THE ISSUE: Can a bank that allegedly issued a mortgage preapproval letter without verifying a prospective home buyer's assets and income or reviewing his credit profile be liable to the property's sellers for damages flowing from the ensuing collapse of the deal?

DECISION: Yes (Suffolk Superior Court/Business Litigation Session)

LAWYERS: David Hadas of Winchester (plaintiffs)

Sarah P. Kelly and Maya G. Ritchie, of Nutter, Boston (defense)

Chen had been preapproved for the required mortgage by a reputable bank. Upon signing the agreement, the plaintiffs took the home off the market.

But on May 24, 2021, just 11 days after preapproving Chen, the defendant rejected the buyer's mortgage application, causing him to back out of the deal.

"The denial of Chen's mortgage application led to nearly two years of litigation between the Bokharis and Chen concerning the deposit that Chen had placed in escrow to secure the property," the plaintiffs stated in their original complaint filed in May 2024.

In suing the defendant, the plaintiffs alleged they learned during the course of the litigation with Chen that the defendant had issued the preapproval letter without verifying Chen's assets and income and without reviewing his credit profile.

"After the sale fell through, the Bokharis placed their home back on

the market for a period of time but only had one additional viewing and no officers," the complaint states. "Taking the home off the market and then putting it back on, combined with the fact that the home was the subject of ongoing litigation, created the perception that something was wrong with the home and, thus, severely impacted its marketability."

Unable to sell the house, the plaintiffs claimed they lost the opportunity to invest the proceeds of the sale had it gone through in 2021 with Chen.

The plaintiffs further claimed that because they were essentially stuck with the Milton home and its high mortgage payments, they were forced sell their West Virginia property.

JURY ISSUES

In denying the defendant's motion for summary judgment, Salinger found that the key issues contested by the parties were for a jury to decide.

With regard to the question of superseding cause, Salinger wrote that, under Massachusetts law, "an unforeseeable, superseding cause will relieve the defendant of liability for its negligence by 'extinguish[ing]' any prior proximate cause, or, alternatively, 'sever[ing] the chain of proximate causation.'"

Fact issues existed that required a jury to resolve whether the defendant was insulated from liability under that theory, Salinger said.

"[W]hether the possibility that the buyer approved by the Bank might choose to breach the P&S was foreseeable when the Bank issued the Preapproval Letter cannot be resolved as a matter of law," Salinger wrote. "Where, as here, 'under the

undisputed facts there is room for reasonable difference of opinion' as to whether an intervening act was 'foreseeable, the question should be left to the jury.'"

In asserting that it had no liability to the plaintiffs under Chapter 93A, the defendant argued that it had no direct commercial relationship and had never entered into any transaction with the plaintiffs.

But Salinger wrote that the Bokharis could prove the bank's alleged malfeasance occurred in a business context subject to 93A by showing either that the defendant had a commercial relationship with the plaintiffs or that the defendant's actions interfered with "trade or commerce" in some other way.

"Parties need not be in privity for their actions to come within the reach of c. 93A," he said. "That is 'because c. 93A allows any person who has been injured by trade or commerce indirectly affecting the people of this Commonwealth to bring a cause of action.'"

Salinger found the plaintiffs' claim fell within the scope of Massachusetts case law recognizing Chapter 93A liability based on a defendant knowingly or recklessly conveying false information in order to assist a client bring about a commercial transaction with a third party.

"The summary judgment record would support a finding at trial that the Bank was operating in a business context and interfered with trade or commerce by intentionally or negligently misrepresenting the basis for its pre-approval letter, which had the foreseeable effect of inducing the Bokharis to enter into the P&S," Salinger said.