

## **The Impact of Bankruptcy on Collections, National Business Institute, August 2016**

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You are attempting to collect your debt and your debtor files a bankruptcy petition. Now what? Once a debtor files bankruptcy, there are several steps a creditor can and should take to analyze and protect its interests. Depending on the case, it may be appropriate to consult with an experienced bankruptcy attorney right away. Of course, this is primarily an economic decision that must be made on a case-by-case basis. Factors that may be relevant to this decision are a) the collection efforts you are involved in, especially if there is pending litigation that will be subject to the automatic stay; b) the amount of the debt; c) the chapter of the Bankruptcy Code under which the case is filed; d) the amount of assets and liabilities identified by the debtor in the petition and schedules; and e) the creditor's familiarity and comfort level with the bankruptcy process. By way of example, if a creditor is owed \$1,000 and the debtor is an individual who has filed a "no-asset" chapter 7 bankruptcy case, it is likely not worth the fees that would be involved in retaining an attorney. However, if the creditor is owed \$25,000 and the debtor is a corporation which has filed a chapter 11 proceeding, experienced bankruptcy counsel may be vital to protecting and/or maximizing the potential recovery (or minimizing potential exposure).