Consumer Bankruptcy Panel, Bankruptcy at the Beach 2024
Judge Henry Callaway
Career law clerk Jennifer Morgan
United States Bankruptcy Court
Southern District of Alabama

Select Recent Consumer Bankruptcy Opinions from the Alabama Bankruptcy and District Courts (current through May 2, 2024)

Automatic stay

Florczyk v. Scottsdale Ins. Co., No. 1:22-00466-KD-MU, 2024 WL 991595 (S.D. Ala. Mar. 7, 2024)

The automatic stay only stays actions against a debtor, not those pursued by the debtor. A chapter 13 debtor retains standing to pursue a civil claim after the filing of a bankruptcy petition. The court thus denied the defendant's motion to stay a civil action against it because the plaintiff filed for bankruptcy.

Select Portfolio Servicing Inc. v. Holt, No. 5:23-cv-00662-RDP, 2023 WL 5252992 (N.D. Ala. Aug. 15, 2023)

The bankruptcy court erred by characterizing a parties' agreed-to settlement amount as "actual damages" and relying on Bankruptcy Code § 362(k) to deny approval of the proposed settlement. The bankruptcy court should have evaluated the settlement under the Justice Oaks factors and should not have rejected the settlement because the creditor did not admit fault.

In re Billingsley, No. 19-80967 (Bankr. M.D. Ala. Mar. 19, 2024) (Creswell, J.)

The court denied a debtor's motion to reconsider an order granting relief from stay. The debtor argued for the first time at the hearing on the motion to reconsider that she did not have notice of the motion for relief because her attorney had not updated her phone and address information after she provided it. The court noted that there was ample opportunity for counsel to advise debtor and correct the communication, payment, and notice issues prior to the final hearing on the motion for relief. While the situation was unfortunate, it was not "exceptional" such that relief under Federal Rule of Civil Procedure 60(b) was warranted. The court held that "the belated efforts to cure a known default are not enough to disturb the finality of this Court's prior order."

In re Schullo, No. 23-00043-TOM, 2024 WL 922859 (Bankr. N.D. Ala. Mar. 4, 2024) (Mitchell, J.)

The court entered default judgment against a creditor for violating the automatic stay. The creditor had notice of the bankruptcy, as the debt owed to it was listed in the debtor's schedules and the creditor filed a proof of claim. Despite its knowledge of the case, the creditor

willfully called the debtor multiple times and sent 4 collection letters, including one after receiving a cease-and-desist letter from debtor's counsel. The creditor also garnished the debtor's bank account post-petition. The court awarded the debtor $394 in actual damages, $4,000 for attorney's fees, and $2,500 for punitive damages.

In re Bush, No. 22-40068-JJR13, 2024 WL 628597 (Bankr. N.D. Ala. Feb. 14, 2024) (Robinson, J.)

The court found no compelling reason to lift the stay to allow two creditors to pursue a state court action against the debtors. The debtors were more than two years into their plan, which provided for full payment of all claims. The movants slept on their rights relative to confirmation and also accepted plan payments for over a year under the confirmed plan, thereby waiving their right to pursue a different amount of damages in state court for any of the grounds asserted in their proof of claim. The movants' claims were provided for in the plan; if the debtors completed the plan, the debts underlying the movants' claims would be discharged.

In re Brown, No. 19-11575 (Bankr. M.D. Ala. Oct. 25, 2023) (Creswell, J.)

The court granted the debtors' motion to impose the automatic stay following the creditor's notice of termination of stay. The debtors settled a motion for relief and submitted an agreed order that included a 21-day notice of default provision. The debtor's employer did not remit funds withheld from the debtor's paycheck through an income withholding order to the trustee's office, and the creditor filed a notice of default based on the debtors' failure to make plan payments under the agreed order. After 21 days without cure, the creditor filed the notice of termination and the debtors moved to impose stay. The court construed the motion as one under Federal Rule of Civil Procedure 60(b) (made applicable by Bankruptcy Rule 9024) because it sought to relieve the debtors from the automatic termination provision of the agreed order. The court concluded that the debtors should not be punished for the employer's delay in remitting payments and that extraordinary circumstances justified granting the debtors relief from the agreed order and reimposing the stay as to the creditor.

In re Taylor, No. 23-40012-JJR, 2023 WL 6471634 (Bankr. M.D. Ala. Oct. 4, 2023) (Robinson, J.)

The court entered default judgment against a creditor for violating the stay and entered judgment for around $15,000 in compensatory damages for emotional distress, attorney's fees, and costs. In light of the creditor's willful and egregious violation of the stay, the court also awarded punitive damages of $5,000. The creditor-landlord knew about the bankruptcy case and the debtor's plan proposed to assume his lease and cure arrears. But the creditor continued to pursue an eviction action despite repeated notification by the debtor's counsel via calls, emails, and letters to the creditor and its counsel. The creditor also contacted debtor directly postpetition, threatening eviction.

In re Boykin, No. 23-80397 (Bankr. M.D. Ala. Aug. 10, 2023) (Creswell, J.)

The court granted a motion for relief from stay for the movant to proceed with a state court action. The debtor and movant agreed on a rent-to-own residential lease agreement. After the lease term ended, the movant attempted to purchase the property and continued to live there. The movant filed a lis pendens against the debtor, and the debtor then filed a state court lawsuit for declaratory judgment that the debtor owned the property. The movant countersued for specific performance of the rent-to-own agreement and other remedies. The debtor then filed bankruptcy. In response to the movant's motion for relief from stay, the debtor argued that paying two lawyers (state court counsel and bankruptcy counsel) at once would be too expensive, but she did not offer evidence or testimony to support how litigating the same issues in bankruptcy court would be more cost efficient or less burdensome for her. The court thus granted the motion and modified the automatic stay to permit the state court action to proceed.

Property of the estate

In re Howard, No. 18-3490 (Bankr. S.D. Ala. Apr. 26, 2023) (Callaway, J.)

The debtor died in an automobile accident during her chapter 13 bankruptcy. The personal representative of the debtor's probate estate moved to approve settlement of the resulting wrongful death claim. The court held that under Alabama law the wrongful death proceeds were not subject to creditors' claims and not property of the bankruptcy estate.

Chapter 13 confirmation

In re Castophney, No. 23-12755 (Bankr. S.D. Ala. Apr. 22, 2024) (Callaway, J.)

Chapter 13 debtor proposed to pay an auto loan in full as secured at the contract interest rate to protect her co-borrower father and obtain title at discharge. The court found that the plan was proposed in good faith and overruled the trustee's objection to confirmation. The debtor – not her father – drove the vehicle, obtaining good title promoted the "fresh start" purpose of bankruptcy, and both the secured claim ($9,381) and proposed plan payment ($280) were well below the amounts the court would approve if the debtor surrendered the vehicle and filed a motion to borrow to obtain another.

In re Crumpton, No. 23-11177 (Bankr. S.D. Ala. Dec. 19, 2023) (Callaway, J.)

The creditor's home mortgage loan matured during the life of the proposed plan. The court overruled the creditor's objection to confirmation to the extent the creditor argued that the debtor was required to modify its claim and pay it (with a high Till interest rate) through the trustee under Bankruptcy Code § 1322(c)(2). Under the plain language of that provision, the debtor "may" but is not required to do so. The debtor could either (1) leave the rights of the mortgage holder PNC unaffected under § 1322(b)(2) or (2) modify the loan and pay the secured portion of the loan over the plan period under § 1322(c)(2).

In re Gilmore, No. 23-01238-TOM-13, 2023 WL 7449961 (Bankr. N.D. Ala. Nov. 9, 2023) (Mitchell, J.)

The debtor could surrender his interest in his former home to the holder of a home equity loan, despite his ex-wife's insistence that he pay off the loan instead. The court thus confirmed the debtor's chapter 13 plan over the ex-wife's objection. The debtor complied with Bankruptcy Code § 1325 by surrendering the collateral. Whether the debtor should pay the debt in accordance with a state court order was not before the court; the only issue before the court was whether the underlying debt was provided for under § 1325, which it was by the surrender.

In re Ebikake, No. 23-10493 (Bankr. M.D. Ala. Oct. 10, 2023) (Creswell, J.)

The trustee objected to confirmation in the debtor's case – his fourth chapter 13 filing since 2020 – because the debtor had not made plan payments, sent tax returns to the trustee, provided for various claims in his proposed plan, or made required amendments to his schedules. The court denied confirmation and set a hearing for the debtor to appear and show cause why his case should not be dismissed with an injunction based on his failure to make plan payments and provide information in this and his three prior cases. Based on the debtor's poor record of four bankruptcies in three years, and his failure to confirm a plan or maintain a pay record greater than 20% in any of his cases, the court dismissed the case with a 180-day injunction against refiling.

In re Devaughan, No. 23-10150-BPC, 2023 WL 4356356 (Bankr. M.D. Ala. July 5, 2023) (Creswell, J.)

After analyzing the Kitchens factors, the court denied confirmation and dismissed the debtor's case because the debtor did not meet his burden to show good faith in filing his petition and plan under Bankruptcy Code §§ 1325(a)(3) and (7). The debtor filed for chapter 13 bankruptcy two months after the creditor obtained a judgment against him and initiated garnishment proceedings. Even though the judgment was his second largest debt, the debtor did not initially list the creditor, disclose the judgment, or disclose the garnishment. Although filing a bankruptcy petition to avoid a judgment debt or stop a garnishment is not per se bad faith, the court dismissed the case because the debtor failed to disclose the debt or to explain his failure to disclose.

Modification of chapter 13 plans

In re Bennett, No. 19-30872-CLH, 2023 WL 8642069 (Bankr. M.D. Ala. Nov. 30, 2023) (Hawkins, J.)

A chapter 13 debtor's failure to deliver possession of a vehicle to a secured creditor did not constitute an unreasonable delay warranting dismissal of his bankruptcy case. The debtor had been making payments through his confirmed plan when he returned from work to discover

that the vehicle was missing. It was later discovered that his wife or her son had taken the vehicle. The debtor promptly reported the incident to his bankruptcy attorney, and he relied on his bankruptcy attorney's advice when seeking modification to surrender the vehicle. The court also found that the creditor was not entitled to a superpriority administrative expense claim.

* However, the court raised sua sponte under Federal Rule of Civil Procedure 60(b) the issue of due process because the motion to modify failed to describe the reason for the proposed surrender, was filed negative notice, and was not served on the creditor under Federal Rule of Bankruptcy Procedure 7004(b). The court set a separate hearing to determine the due process issue. The creditor also moved to amend the modification order, citing the same due process concerns raised by the court. Following briefs and arguments from the parties, the court granted the creditor's motion and amended the modification order to require that the creditor's claim be paid as fully secured as provided in the confirmed chapter 13 plan. See In re Bennett, No. 19-30872-CLH (Bankr. M.D. Ala. Jan. 29, 2024) (Hawkins, J.).

In re Hill and In re Proffitt, 652 B.R. 212 (Bankr. S.D. Ala. 2023) (Callaway, J.)

The court denied the chapter 13 trustee's motions to increase the percentage paid on unsecured claims based on settlements of postpetition personal injury claims. A personal injury claim is an asset, not income under the disposable income test of § 1325(b). And under Bankruptcy Code §§ 348(f) and 541, a postpetition personal injury claim is not included in a hypothetical chapter 7 and thus should not be included in § 1325(a)(4)'s liquidation test. The Eleventh Circuit has adopted a non-statutory "ability to pay" standard to proposed plan modifications based on postpetition assets. The court found that as a general rule and in these two cases compensatory damages for a postpetition personal injury claim do not constitute a "substantially improved financial condition" or "unanticipated gain" that increases the debtor's ability to pay creditors. But the court held that the nonexempt settlement proceeds should be applied to the case at the confirmed rate.

* In Conte v. Hill, No. 23-00221-KD-N, 2024 WL 140247 (S.D. Ala. Jan. 12, 2024), the district court affirmed the bankruptcy court and found that the bankruptcy court did not abuse its discretion when, after receiving testimony from the debtors, it "determined that the relatively small amount of settlement proceeds did not substantially improve the financial conditions of the Debtors whereas to justify a modification." However, the district court found that the liquidation test should be applied as of the date of modification and that the personal injury settlement could be considered "income" at modification. The chapter 13 trustee has now appealed to the Eleventh Circuit.

Proofs of claim

In re Perine, No. 23-11712 (Bankr. S.D. Ala. Oct. 31, 2023) (Callaway, J.)

The court reduced the mortgage creditor's $650 in fees for filing a proof of claim to $450. This court has found by administrative order that $450 is a reasonable attorney's fee for reviewing the plan and preparing a proof of claim. Just because a duty can be performed by an attorney does not necessarily make it one that must be performed by a lawyer.

Bankruptcy Code § 109(g)(2)

In re Holmes, No. 23-30551, 2023 WL 5922321 (Bankr. M.D. Ala. Sept. 11, 2023) (Creswell, J.)

The court granted the creditor's motion to dismiss under § 109(g)(2). The debtor voluntarily dismissed his prior case one week after the creditor filed a motion for relief. The trustee and creditor argued that the debtor was ineligible to file for bankruptcy for 180 days after the dismissal under § 109(g)(2). The debtor responded that application of that section would lead to an absurd result. The court found that the plain language of the statute was unambiguous and that strictly applying the statute did not lead to an absurd result. While some situations may result in the application of the statute being absurd, the court found that that was not the case when the debtor admitted to voluntarily dismissing his case after the motion for relief in order to "stretch out" payments in a new case.

Dischargeability

Payne v. Ball, No. 23-03023-CLH, 2024 WL 974422 (Bankr. M.D. Ala. Mar. 6, 2024) (Hawkins, J.)

A state court default judgment awarding the plaintiff $1 in damages for his fraud claim did not preclude the plaintiff from asserting that his entire claim was nondischargeable. The court denied the debtor's motion for summary judgment based on collateral estoppel, finding that the state court judgment was not entitled to preclusive effect because the issue of fraud was not actually litigation and was unnecessary to the court's ruling. Further, Alabama state courts have declined to apply collateral estoppel to default judgments because the "actually litigated" element of collateral estoppel is not established.

In re Leader, 656 B.R. 459 (Bankr. N.D. Ala. 2023) (Crawford, J.)

A creditor whose wife died in a workplace accident brought an adversary proceeding against the chapter 7 debtor, seeking to determine nondischargeability of a state court judgment under an Alabama statute allowing tort actions against a coworker when death results from the worker's willful conduct. After a trial, the bankruptcy court concluded that the state court's finding that employee's death resulted from debtor's "willful conduct" did not have preclusive effect in the nondischargeability proceeding. It further found that the creditor failed to prove by

a preponderance of the evidence that his wife's debt was substantially certain to result from the debtor's actions or inactions, and that the alleged practices were grossly negligent or reckless, and thus insufficient to satisfy the "malicious" prong for nondischargeability. The debt was thus dischargeable.

Taunton v. Thornton, No. 23-08002 (Bankr. M.D. Ala. Oct. 2, 2023) (Creswell, J.)

The court denied plaintiff's summary judgment motion seeking to hold the defendant's debt to him nondischargeable under Bankruptcy Code § 523(a)(6) for willful and malicious injury. The defendant's judgment debt to the plaintiff resulted from an Alabama state court verdict against the defendant for assault and battery, and the plaintiff argued that collateral estoppel applied to the state court's findings to establish a willful and malicious injury. Under Alabama law, collateral estoppel applies if the plaintiff shows that: (1) the issue is identical to the one involved in the previous suit; (2) the issue was actually litigated in the prior action; and (3) the resolution of the issue was necessary to the prior judgment. The plaintiff failed to meet her summary judgment burden to show that collateral estoppel applied to the state court judgment, and the court thus denied summary judgment.

In re Haynie, No. 20-70036-JHH, 2023 WL 6324276 (Bankr. N.D. Ala. Sept. 28, 2023) (Henderson, J.)

The debtor deposited a $44K check into his bank account and wired out $40K the next day. The check was fraudulent and quickly bounced. The court found that the bank had not justifiably relied on the debtor's misrepresentation and thus the wire transfer debt was dischargeable. But the debtor's debt to the bank for his personal expenditures totaling $3K was nondischargeable under Bankruptcy Code § 523(a)(2). The case contains an extensive discussion of the elements necessary for a claim under § 523.

In re Northington, No. 22-03025, 2023 WL 6217793 (Bankr. M.D. Ala. Sept. 25, 2023) (Hawkins, J.)

Tower Loan's loan to the debtor was dischargeable. Tower Loan did not prove fraud by the debtor's deposit of the unsolicited check sent to him as part of a loan program about two months before he filed for bankruptcy. The debtor's action of cashing the check was not a false representation of his ability to repay the debt. Similarly, the debtor's repayment of prior Tower loans did not constitute a false representation on which Tower could have justifiably relied. The court also found that the loan was not excepted from discharge under Bankruptcy Code § 523(a)(2)(C)(i)), because Tower did not meet its burden that the debtor spent the live check funds on anything other than necessary household expenses, much less luxury goods or services.

Title pawns

TitleMax of Alabama, Inc. v. Hambright, No. 7:21-cv-1602-CLM, 2024 WL 1358379 (N.D. Ala. Mar. 29, 2024)

In In re Hambright, 635 B.R. 614 (Bankr. N.D. Ala. Feb. 4, 2022), the bankruptcy court held that a motor vehicle, as opposed to its certificate of title, was not a pledged good under Alabama Pawnshop Act's automatic forfeiture provision. Thus, the pawnbroker did not acquire absolute title to the vehicle and the debtor could modify the pawnbroker's rights in her chapter 13 bankruptcy. The district court reversed the bankruptcy court's finding, stating that Alabama courts have interpreted the statute to be that the pawnbroker owns the vehicle (not just a piece of paper and a lien) the moment the borrower defaults.

In re Roby, 649 B.R. 583 (Bankr. M.D. Ala. 2023) (Creswell, J.)

The bankruptcy court considered the issue of good faith in three cases in which the debtors had renewed pawn agreements and filed chapter 13 bankruptcy petitions before the maturity dates set forth in the agreements. Each debtor sought to modify the pawnbroker's agreement through the chapter 13 plan. The pawnbroker objected to confirmation based on good faith because the debtors' agreements with the pawnbroker stated that the debtors did not intend to file for bankruptcy. Considering the totality of the circumstances, the bankruptcy court was not persuaded that the debtors' "use of the protections provided by the Bankruptcy Code and precedent in the Eleventh Circuit equates to 'unmistakable manifestations of bad faith.'" (citation omitted).

* The pawnbroker appealed all three cases. The pawnbroker moved to dismiss the appeal in one of the cases and it was dismissed, but two of the appeals remained pending at the time of the 2023 Bankruptcy at the Beach. In fall 2023, the district court affirmed the bankruptcy court. See TitleMax of Alabama, Inc. v. Roby, No. 2:23-cv-169-ECM, 2023 WL 6883643 (M.D. Ala. Oct. 18, 2023), and TitleMax of Alabama, Inc. v. Arnett, No. 2:23-cv-170-ECM, 2023 WL 6883644 (M.D. Ala. Oct. 18, 2023). The district court found that while TitleMax disagreed with the bankruptcy court's analysis, it could not show that the bankruptcy court clearly erred in making its factual finding that, under the totality of the circumstances, the debtors proposed their plans in good faith.

Employment of professionals/approval of fees

In re Craig, 651 B.R. 612 (Bankr. S.D. Ala. 2023) (Callaway, J.)

The court denied the chapter 7 trustee's application for attorney's fees for herself. The court held that employing professionals is generally a trustee duty and that, going forward, the court would not award legal fees to the trustee for the routine hiring of professionals such as auctioneers, real estate agents, attorneys, or accountants. The court also found that reviewing contracts and other matters related to an uncontested sale motion are normally part of a trustee's duties, not legal work.

Extinguishment of mortgages

In re Karr, No. 20-40025-JJR, 2022 WL 677456 (Bankr. N.D. Ala. Mar. 7, 2022) (Robinson, J.)

A chapter 7 debtor did not schedule any real estate when he filed for chapter 7 bankruptcy relief. The chapter 7 trustee discovered in the county real estate records that the debtor owned a one-half interest in property, which the trustee then proposed to sell for the benefit of the debtor's unsecured creditors. Through a series of mistakes, only the debtor's wife's one-half interest in the property had been previously sold at a foreclosure sale, but the creditor's credit bid at the sale was for the entire mortgage debt. The bank objected to the trustee's sale of the debtor's one-half interest in the property, arguing that even though the debtor was not liable on the note, his one-half interest had also been mortgaged and foreclosed so that the bank was the owner of the entire property. But the court found that the mortgage was extinguished when the bank bid the entire secured debt in exchange for the conveyance of only the wife's interest at the foreclosure sale. The entire mortgage terminated as a matter of law once the debt was satisfied, and the debtor's interest in the property entered the estate free and clear of any prior mortgage, even if the prior mortgage had covered his interest along with his wife's (which the debtor disputed).

* The district court affirmed the bankruptcy court's decision in Deutsche Bank National Trust Co. v. Leo, No. 1:22-cv-787-AMM, 2023 WL 2783681 (N.D. Ala. Mar. 3, 2023). That decision was appealed to the Eleventh Circuit and that court dismissed the appeal for lack of jurisdiction because the bankruptcy court did not certify its order for immediate review under Federal Rule of Bankruptcy Procedure 7054(a). See In re Karr, No. 23-11040, 2023 WL 3676883 (11th Cir. May 26, 2023). The case then went back to the bankruptcy court, where Judge Robinson granted the trustee's claims seeking a turnover of the property and that a sale for division under Bankruptcy Code §§ 542(a) and 363(h). He overruled the bank's objection to the sale and its crossclaim/counterclaim. See In re Karr, No. 20-40025-JJR, 2023 WL 5597825 (Bankr. N.D. Ala. Aug. 29, 2023) (Robinson, J.).

Abstention

In re Collins, No. 22-1025, 2023 WL 10449674 (Bankr. S.D. Ala. Aug. 8, 2023) (Callaway, J.)

The bankruptcy court issued a report and recommendation to the district court to withdraw the reference in this adversary proceeding. The proceeding implicated mandatory abstention because there was no allegation of any violation of the Bankruptcy Code. The only claims were for violations of the FDCPA and states law claims for breach of contract and wrongful foreclosure. Permissive withdrawal was also appropriate; withdrawal would not frustrate judicial economy, resolution of the claims would not affect uniformity of bankruptcy administration, and the adversary proceeding was still in its early stages.

***Barton* doctrine**

In re Dyken, No. 21-10038 (Bankr. S.D. Ala. June 13, 2023) (Callaway, J.)

The *Barton* doctrine applied to the counterclaims under the Alabama Litigation Accountability Act brought by the debtor and his wife against the chapter 7 trustee in federal district court. However, while taking no position on the ultimate merits of the claims, the court granted the parties' motion to proceed against the trustee in her official capacity retroactive to the date of the filing of the counterclaims because those claims were not without foundation.

Relation back

Owens v. Dyken, No. 23-1001 (Bankr. S.D. Ala. June 13, 2023) (Callaway, J.)

The court denied the defendants' motion to reconsider its order granting the plaintiff leave to file an amended complaint on the grounds that the new claims were time-barred under Bankruptcy Code § 546. Relation back applied because (1) the new defendant added by the plaintiff was mentioned throughout the original complaint and was allegedly related to the other defendants, and (2) the new allegations arise out of the same series of transactions alleged in the original complaint. Even if the amended complaint did not relate back, Code § 546 is a statute of limitations subject to equitable tolling. Whether equitable tolling applied was a fact issue better suited for summary judgment or trial.

Abusive filings

In re Ezell, No. 16-4389-JCO, 2024 WL 1381646 (Bankr. S.D. Ala. Apr. 1, 2024) (Oldshue, J.)

The court granted the chapter 13 trustee's motion to close case without a discharge and to impose an injunction against the chapter 13 debtor. The debtor was attempting to relitigate issues that had already been decided. The debtor's voluminous repetitive filings and disregard for court orders justified injunctive relief. The debtor had unnecessarily multiplied proceedings by repeatedly seeking adjudication of the same issues in state court, federal district court, and bankruptcy court. Considering the web of overlapping pending cases, filing of repetitive documents, multitude of delays, and disregard for court orders, the court enjoined the debtor from filing another bankruptcy in this jurisdiction for one year.

Chapter 7

In re Franklin, No. 23-80977 (Bankr. M.D. Ala. Apr. 30, 2024) (Creswell, J.)

The court denied the bankruptcy administrator motion seeking dismissal of debtors' chapter 7 case under 11 U.S.C. §§ 707(b)(2) and (b)(3) over the debtors' deductions for vehicle operating expenses, tax expenses, and charitable contribution. The court found that the debtors' testimony supported their vehicle and charitable deductions, and, further, that the student loan

payment constituted a special circumstance under the facts of this case which rebutted the presumption of abuse. As to the § 707(b)(3) argument, the court found that the totality of the circumstances did not "suggest that [the d]ebtors are trying to abuse the bankruptcy system to maintain an excessive or luxurious lifestyle." A reduction in restaurant spending as suggested by the BA would likely result in increased grocery expenses and would not result in a meaningful dividend to creditors in a theoretical chapter 13 case.

In re Crown Pointe Owners' Association, Inc., No. 23-11458 (Bankr. S.D. Ala. Mar. 22, 2024) (Callaway, J.)

The court ordered the debtor to show cause why the court should not dismiss the debtor's chapter 7 bankruptcy for cause under Bankruptcy Code § 707(a). The debtor filed bankruptcy to avoid paying the judgment of a single creditor, which was the only debt in the case. There also did not appear to be any bankruptcy purpose served by the case, which was at bottom a two-party dispute.

In re Britton, No. 21-01744-DSC7, 2024 WL 898298 (Bankr. N.D. Ala. Mar. 1, 2024) (Crawford, J.)

The bankruptcy court approved the settlement between the chapter 7 trustee and the debtor's ex-husband, under which the ex-husband would pay $30,000 to satisfy $102,000 in judgments obtained against him by the debtor. The court overruled the objection by the debtor's divorce attorney, who was still owed $116,000. While the fact that the divorce attorney was owed over $100,00 in legal fees was regrettable, it had no bearing on the reasonableness of the settlement of estate property proposed by the trustee. The court was not willing to substitute the divorce attorney's business judgment for that of the trustee in determining what was best for unsecured creditors in the case.