

BANKRUPTCY AND PROFESSIONAL LICENSES

In a [recent article](#), I discussed the limited protections that debtors have against employment related discrimination set forth in the Bankruptcy Code. In this article, I will discuss the impact that the Bankruptcy Code has on professional licenses.

Section 525(b) of the Bankruptcy code protects present and former debtors and their associates against governmental discrimination, such as the revocation of an employment license. However, section 525 protects only against discrimination "solely because" the person is bankrupt or has been bankrupt.

Debtors with professional licenses are protected to a certain extent by the automatic stay that is immediately triggered upon the filing of a bankruptcy petition. An exception to the automatic stay appears in Section 362(b)(4) of the bankruptcy code "the commencement or continuation of an action or proceedings by the governmental unit to enforce such governmental units' police or regulatory powers." This exception is intended to allow governmental units to sue a debtor to prevent or stop violation of fraud, environmental protection, consumer protection, safety, or similar police or regulatory laws, or attempting to fix damages for violation of such a law.

While the general rule is that bankruptcy alone should not impact a professional license, the protection is not absolute. For example, the California Contractors State License Board ("CSLB") generally could not force a bankrupt contractor to pay money damages to an owner to fix deficient work. However, the CSLB still would have jurisdiction to fine the contractor or take other necessary steps to protect the public.

Bankruptcy is meant to help protect honest debtors in unfortunate circumstances and this same principle applies to any debtor who is a licensed professional such as doctors, attorneys and accountants. Licensed professionals cannot lose their license "solely" due to filing bankruptcy. Nonetheless, incompetent or dishonest professionals may be at risk and will not be protected by the Bankruptcy Code.

If you are in Southern California and want to know how bankruptcy might impact your professional license, please feel free to [contact us](#) for a free consultation.

About the Author: [Carl H. Starrett II](#) has been a licensed attorney since 1993 and is a member in good standing with the California State Bar and the San Diego County Bar Association. Mr. Starrett practices in the areas of [bankruptcy](#), [business litigation](#), [construction](#), [corporate planning](#) and [debt collection](#).