

## COA Opinion: Defendant's bankruptcy filing automatically stayed efforts to collect garnishment payments

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1. July 2010 By Julie Lam

After garnishee defendants failed to respond to plaintiff's wage garnishment petition, and failed to appear at the hearing on plaintiff's motion to show cause, the district court granted judgment against garnishee defendants for the entire amount of defendant's judgment debt. However, the district court set aside the judgment because the defendant's bankruptcy filing resulted in an automatic stay of all efforts to collect his debts. The circuit court reversed and ordered reinstatement of the judgment against garnishee defendants. On appeal by leave granted, in *Vanderpool v. Pineview Estates, LLC*, No. 289359, the Court of Appeals agreed with the district court and vacated the circuit court's order reinstating the district court's judgment. Interpreting MCR 3.101(S)(2) and MCR 3.101(O)(7), the Court of Appeals determined that if garnishee defendants were to satisfy the contempt judgment, the same amount of defendants' outstanding judgment debt would be satisfied, and therefore would violate the automatic stay under federal bankruptcy laws. The Court of Appeals adopted the bankruptcy court's analysis in an analogous situation. The Court of Appeals rejected garnishee defendants' other claim of error, that the district court should not have entered a default judgment against them due to plaintiff's failure to comply with procedural requirements, because there was no entry of default or default judgment in this case and thus the notice of entry requirements simply did not apply.