

PERSONAL LOANS FROM FRIENDS AND BANKRUPTCY

If you hope to eliminate debts owed to friends or family in your bankruptcy proceeding, don't expect them to go away quietly.

When you file for bankruptcy protection, you are required to list all of your debts. This includes debts owed to friends, family, business associates, or any other personal acquaintance you owe money to. Unlike credit card companies and other lending institutions, less informed creditors like your ex-girlfriend or ex-boyfriend typically take your bankruptcy filing personally, and will frequently appear at your mandatory hearing and attempt to exclude the debt owed to them from being discharged. The credit card companies, by contrast, usually know it is not worth their time or money to challenge your discharge -- it makes little sense to pay a lawyer several hundred dollars an hour to challenge a debtor with little to no assets.

The real danger in this scenario is that your friends and family often know details about your personal life that credit card companies don't, and will use this information to derail your bankruptcy case. A close friend may know, for example, that you are working off the books, or have valuable assets that should have been disclosed in your bankruptcy paperwork. If this information is not disclosed, you can count on those closest to you bringing this information to the attention of the Court and bankruptcy trustee in an attempt to blow up your case.

The moral of the story? Don't conceal assets and income. It's far better to let your bankruptcy attorney know the whole story. In most cases, your attorney can find a way to resolve the problem legally and therefore prevent efforts to sabotage your case. As a great man once said, "Three things cannot be long hidden: the sun, the moon, and the truth". -- Taran Provost