



Bankruptcy

You want to get your money back for a product or service you were not satisfied with, but the company has gone bankrupt.

What can you do?

How does bankruptcy work?

Bankruptcy is a legal procedure in federal court that aims to give debtors (those who owe the money) a financial “fresh start” from troublesome debt. This is done through the bankruptcy discharge process which determines specific debts the debtor will be released from and prohibits creditors from trying to collect on those debts.

An individual or company may file a petition for bankruptcy with a United States bankruptcy court.

However, a judge can rule that an individual or business is not eligible to file. The petition includes a set of papers that list all debts, property, and other specific information. Most people who file for bankruptcy hire a lawyer because this is a very complicated area of law.

When companies or individuals file for bankruptcy, it can protect them from creditors in the following ways:

- New lawsuits against the individual or company may not be filed and pending lawsuits that are outside the bankruptcy court will generally be stopped pending the outcome of the bankruptcy.
- Creditors must stop attempting to collect on unpaid bills the debtor was released from.

Once the bankruptcy court reviews the case, it decides how the debts will be paid. The amount the court decides an individual or company is required to pay must be accepted by creditors, even if the amount is less than the full amount of money owed.

Types of bankruptcy

There are six types of bankruptcy cases that can be filed. They are referred to as chapters. The three most common chapters are Chapter 7, Chapter 11, and Chapter 13. Each chapter has different requirements and serves a different purpose.



Chapter 7 – Liquidations

Chapter 7 is for businesses of any size, as well as for individuals. It is used by companies that want to go completely out of business or liquidate all of their assets. It is usually the easiest and fastest way to settle debts.

In a Chapter 7 case, state law determines which possessions a company or individual is allowed to keep, if any. All other assets are turned over to a trustee, who sells them to pay as many of the debts as possible. If a company starts up again after filing Chapter 7 bankruptcy, even under another name, it will still be liable for all of its old debts.

Chapter 9 – Municipality reorganization

Chapter 9 is similar to Chapter 11 except only municipalities, (i.e. cities, towns, counties, and school districts) can file bankruptcy under Chapter 9.

Chapter 11 – Reorganizations

Chapter 11 is the alternative for individuals with debts too large for Chapter 13 and for businesses. It is used by companies and individuals that want to keep control of their assets while they try to reorganize or liquidate, rather than turning them over to a trustee.

The business must provide the court with a reorganization plan. Creditors are often given a chance to vote on whether to accept the plan or not. However, even if some disagree, the court may still approve the plan if it meets certain standards.

During chapter 11 bankruptcy, the company continues to manage day-to-day activities but the bankruptcy

court must approve all significant business decisions. This allows the business to remain in operation and gives them a chance to again become profitable.

Chapter 12 – Family farmer/fisherman debt adjustment

The process of Chapter 12 is similar to that of Chapter 13 except only family farmers and family fishermen with a regular income can file under this chapter. Chapter 12 allows the debtor to propose a plan to repay their debts over a period of time not to exceed three years. Filing under this chapter allows family farmers and fishermen to still operate their business while the repayment plan is being carried out.

Chapter 13 – Wage earner plans

In a Chapter 13 bankruptcy, the debtor does not give up their current assets and property to pay debts. They use future income to pay creditors over time by creating a three to five year repayment plan. This gives them a chance to continue to operate and get back on their feet.

It is only available to individuals, but individuals who are a sole proprietor or a partner in a business can include their business assets in the plan.

To file under chapter 13, individuals must have a regular income and owe less than \$1,184,200 in secured debt or debt that is collateral, like a house and less than \$394,725 in unsecured debt such as medical bills or credit card debt.

Chapter 15 – Cross- border cases

Chapter 15 applies in cases where the debtor or the debtor's property is subject to the laws of the U.S. as well as at least one other foreign country.

Where do consumers stand?

If you purchased an item or service from a company that has filed for bankruptcy and want to try to recover some money, you will have to find out which U.S. bankruptcy court the company has filed its bankruptcy petition in. You might start by contacting the bankruptcy court nearest to where the business has its main office.

The bankruptcy court has sole jurisdiction over refunds.

You must file a proof of claim form with the bankruptcy court in order to receive consideration for any possible payment of your claim. You can download a proof of claim form at:

uscourts.gov/Forms/bankruptcy-Forms/proof-claim

In order to file a proof of claim form, you will need the bankruptcy case number. You can obtain the bankruptcy case number by calling the Voice Case Information System (VCIS) at (866) 222-8029. VCIS is a free service and is available all day, every day except from 5:00 pm until 7:00 pm daily for system backups.

Below is the information for the U.S. bankruptcy courts located in Wisconsin:

Eastern District of Wisconsin

www.wied.uscourts.gov

Main Office - Milwaukee United States

Courthouse & Federal Building

517 E Wisconsin Ave, Rm 362

Milwaukee, WI 53202

(414) 297-3372

Divisional Office - Green Bay Jefferson Court Building

125 S Jefferson St, Rm 102 Green Bay, WI 54301

(920) 884-3720

Western District of Wisconsin

www.wiwb.uscourts.gov

Main Office - Madison Robert W. Kastenmeier United States Courthouse

120 N. Henry Street, Rm. 340

Madison, WI 53703

(833) 758-0380

Divisional Office - Eau Claire United States Courthouse *

500 S. Barstow Street, Rm. 100

Eau Claire, WI 54701

(833) 758-0380

* In person filings only. No mail accepted. Mail should be directed to Main Office in Madison.

For more information or to file a complaint, visit our website or contact:

Wisconsin Department of Agriculture,
Trade and Consumer Protection
Bureau of Consumer Protection
2811 Agriculture Drive, PO Box 8911
Madison, WI 53708-8911

Email: DATCPHotline@wi.gov

Website: datcp.wi.gov

PHONE: (800) 422-7128 TDD: (608) 224-5058