

CHECKLIST: What to Do When a Customer Files for Bankruptcy

Businesses facing bankruptcy are not the only ones that are presented with financial challenges. Other entities with which the bankrupt company does business are also faced with the challenge of how to go about getting paid for the goods or services that they have already provided. If a customer of your business files for bankruptcy, the following tips, which may or may not apply in your particular situation, can help ensure that you get paid as much as possible. An experienced bankruptcy attorney can give you specific advice that relates to the particulars of your situation. Use this as a checklist to prepare for customer bankruptcies.

- ___ Consult with a bankruptcy attorney or your business attorney to determine what steps should be immediately taken to protect your interests.
- ___ Immediately upon receipt of notice of a bankruptcy filing, file a “reclaim demand” with the bankruptcy court in order to recover all or part of what is owed to you.
- ___ File a “proof of claim” to validate the debts that the bankrupt organization owes to you, unless the debtor has filed Chapter 11 bankruptcy and the notice you receive accurately states the debts.
- ___ Establish a good rapport with the bankruptcy trustee overseeing the case.
- ___ Although you must resist the urge to call the customer and demand payment, you can contact the bankrupt business to obtain general information about the bankruptcy and the prospects of payment.
- ___ Establish a good rapport with the person left in charge of the insolvent company.
- ___ Join a creditors’ committee so that you have first-hand knowledge of and some input in how the case is proceeding, as well as greater power by virtue of being part of the joined forces.
- ___ Attend creditors meetings and court hearings to keep informed about what is happening in the bankruptcy proceeding and your chances of being repaid.
- ___ If you believe that the debtor’s reorganization plan looks viable, consider maintaining your business relationship with (i.e., continue selling to) the bankrupt business, since

helping it to keep afloat can increase the likelihood that it will be able to pay you back for past debts.

- ___ Insist that dealings with the bankrupt company be on a cash-only basis until the bankruptcy is resolved and you are repaid for past debts.
- ___ If you receive a notice of dismissal, the debtor's reorganization plan was not approved and you can pursue full payment of any debts the bankrupt business owes to you.