

Federal Bankruptcy Code Reform: Making Chapter 11 Proceedings Humane for Child Sex Abuse Victims

THE PROBLEM

Chapter 11 is inhumane for child sex abuse (CSA) survivors. The Boy Scouts, USA Gymnastics, and 32 U.S. Catholic dioceses and religious orders have deployed Chapter 11 as a shield while silencing and re-victimizing the CSA victims they created. It is time to amend the Bankruptcy Code to make Chapter 11 humane for these brave CSA survivors. The Code was designed to provide an honest debtor reprieve from debilitating debt while Chapter 11 is intended to enable an organization to remain operational until it can restructure its debts through a reorganization plan. Yet, in the CSA cases, Chapter 11 has been transmogrified into a system that flips the roles: the bad actors are the ones who are offered assistance to put their problems behind them while the victims are herded into a system where they are denied discovery, given no voice during the process, and reduced to mere creditors when what they deserve is justice in the service of the public interest that will compensate them fairly and provide meaningful leverage to force the bad actor to protect all children in the future.

The beneficiaries of Chapter 11 include the bad actor debtors and their related organizations that can obtain the benefits of Chapter 11 without the obligations. It has been interpreted to allow for “blanket immunity” to non-debtor third parties who can be released from liability without having to file as a debtor or revealing their assets and wealth. The system is geared to make the debtor and non-debtors whole and unaccountable. The victims and the public lose out.



THE SOLUTION: AMEND CHAPTER 11 OF THE BANKRUPTCY CODE FOR CSA CASES

CHILD USA is proposing the following amendments to Chapter 11 of the Bankruptcy Code to create a humane process for child sex abuse victims:

1. ***Require consent for non-debtor releases in Chapter 11 proceedings involving child sex abuse claims through the Creditors' Committee(s), and codify standards for courts in granting non-debtor releases.***
2. ***Exempt child sex abuse cases from the automatic stay and expand the scope of discovery in Chapter 11 proceedings.***
3. ***Require an opportunity for public victim impact statements prior to the confirmation of a reorganization plan.***

It is time for Congress to make Chapter 11 humane for child sex abuse victims.

