Fifth Circuit Suggests Claims for Make-Whole Amounts Should Be Disallowed



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In a recent ruling, the Fifth Circuit strongly suggested that claims for make-whole damages be characterized as "unmatured interest" and that claims for postpetition interest on unsecured debt be limited in bankruptcy proceedings, reports Jones Day in **a post** on its website.

The Fifth Circuit reversed the Bankruptcy Court's order holding that the debtors' plan impaired the unsecured noteholders' claims and vacated and remanded for reconsideration determinations by the bankruptcy court that noteholders were entitled to recover such contractual amounts.

The decision makes the Fifth Circuit unattractive to unsecured or undersecured lenders asserting claims for make-whole payments and default rate postpetition interest, the authors conclude.

Read the article.