

# **Bankruptcy Court Finds Arbitration Clause in Consumer Loan Contract to be Sufficient Cause to Grant Relief from Automatic Stay**

A bankruptcy court has ruled that an arbitration clause was binding and ordered the stay lifted to permit arbitration in a bankruptcy proceeding to go forward, according to a post on the **Bankruptcy Update Blog** of Patterson Belknap Webb & Tyler.

Authors **Jonah Wacholder** and **Daniel A. Lowenthal** explain that, when a bankruptcy petition is filed, an automatic stay comes into effect staying proceedings against the debtor or the debtor's property.

The court "reasoned that because the contracts had been formed before the bankruptcy case was filed, and because the bankruptcy case was now a chapter 7 liquidation rather than a chapter 11 reorganization, adjudication of the validity of the contracts was not sufficiently entangled in the bankruptcy case to count as a core proceeding."

**[Read the article.](#)**