Employee Pay and the Bankruptcy Stay – Potential Pitfalls for Employers

Businesses need to have written protocols in place to deal with bankruptcy filings by their employees and independent contractors, or they risk serious sanctions and, potentially, punitive damages for violations of the bankruptcy laws, according to **a report** in Hunton & Williams' Employment & Labor Law Perspectives blog.

The article discusses two scenarios: one in which the employer has unwittingly violated the Bankruptcy Code, and another in which the employer has knowingly violated the automatic bankruptcy stay by taking an action to collect a pre-bankruptcy debt from post-bankruptcy earnings.

"A process should be developed whereby notices relating to bankruptcy cases are channeled to a designated member of the legal or accounting team trained to immediately take action to ensure payments are correctly routed and stay violations are avoided," the article says.

Read the article.