

Bankruptcy Is About Forgiveness!

The idea of debt forgiveness goes back thousands of years. The Old Testament provides that lenders shall forgive debt every 7 years; [Deuteronomy 15, 1-11](#). The interesting thing to note about that passage is that the text places the moral duty on the lender. It was part of a lender's moral or ethical code to forgive debt every 7 years. Where has that moral duty gone today?

Conceptually, modern bankruptcy law is how we hold financial institutions to that moral code. However, laws and regulations are poor substitutes for genuine moral obligation and courage; hence, why we have lost the idea that bankruptcy is really about forgiveness. Today, bankruptcy is often viewed as a mechanism for debtors to break promises and break agreements; hence the perceived stigma about bankruptcy, the guilt felt by those who need bankruptcy, and the continued suffering of those in debt because they can't bring themselves to file bankruptcy.

But this situation is moral dis-equivalence between debtor and lender. There are practically no moral requirements placed on lenders; but society seems to shame those that need bankruptcy, that need forgiveness of debt. Shame and guilt are emotional reactions to a perceived violation of some duty. I have yet to meet or represent a client that intentionally got into debt with the express purpose of not paying it back; doing so would be clearly wrong and there are civil and criminal laws to deal with that situation. Bankruptcy is about *forgiving* the "unfortunate debtor." Bankruptcy is almost always caused by external forces or events that are beyond the debtor's control (job loss, bad economy, wrong business at the wrong time, bad luck, severe accident or illness). If you make a promise to see your grandmother at 6:00pm, but get in a car accident along the way and do not arrive to see your grandmother, have you broken a promise? Are you morally responsible and blameworthy for not keeping that promise? Your grandmother, and anyone, would *forgive* you.

So, why don't we hold lenders responsible for forgiving debt? Can you really imagine our country without bankruptcy; without a credible mechanism for debt forgiveness? Who would start small businesses that employ most Americans; without bankruptcy, the risk would be too great? What would happen to those burdened with extreme medical debt? Bankruptcy is how we keep individuals and families contributing members of society; it allows individual to take risks

and open businesses because bankruptcy provides an exit if things don't go as planned. Bankruptcy is the floor that keeps people out of the basement of lifelong poverty and allows them to pick themselves up. Did you know that most successful business people have filed bankruptcy at some point? No one sets out to fail; bankruptcy is an expression of forgiveness; bankruptcy is moral.

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