

Q&A: Can Filing Bankruptcy get me Fired From my Job?

As the “[Great Recession](#)” stampedes into the future, full recovery seems to be a long way off. In talking with friends, colleagues and clients, it is clear that the job market is tight right now.

Many people who are working feel grateful and realize the fragile nature of employment in the current economy. These feelings are not surprising given that [U.S. unemployment rates have more than doubled since 2000](#) and [poverty levels are set to reach their highest point since the 1960s](#).

As such, more and more people seem to be worried about losing their jobs if they file bankruptcy.

Can I Get Fired for Filing Bankruptcy?

The answer to this question is a reserved, “No.”

First, there is a good chance your employer will never find out about your bankruptcy filing. Unless you owe money to your boss (which makes him/her a creditor), notice of your bankruptcy filing will not be mailed to your employer.

Your employer would have to take certain affirmative steps to find out that you filed bankruptcy. The most common way to do this would be to “pull” a credit report on you. Of course, this would not only disclose a bankruptcy filing, but all other negative history as well.

Second, your employment status is protected by Federal law.

According to [Section 525 of the Bankruptcy Code](#), no governmental unit or private employer may

“...terminate the employment of, or discriminate with respect to employment against, an individual who is or has been a debtor under this title...”

Simply put, you cannot be fired from your job because you filed bankruptcy.

Employment in the Financial Industry

More often than not, the bankruptcy concern arises from employees working in the financial industry. This could include banks, brokerages or other financial institutions that deal with transacting client



money.

[Section 525](#) still applies to these types of business and you cannot be fired if the sole reason is the bankruptcy filing.

Unfortunately, a bankruptcy filing can be held against you during the hiring process or when being considered for a promotion. Potential employers typically run background checks and a poor credit history could be misinterpreted as irresponsibility.

On a positive note, a government employer cannot refuse to hire someone because of a prior bankruptcy filing.

So while there is a stigma attached to bankruptcy, we know that bad things often happen to good people. [Hard working people are sometimes forced to file bankruptcy and there is nothing wrong with that.](#)

As bankruptcy promises a [fresh financial start](#) to the debtor, there is a built in protection to prevent employment discrimination against bankruptcy debtors.

Image courtesy of [Kheel Center, Cornell University](#).