

Is Bankruptcy Wrong? Adjusting Your Moral Compass

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April 6, 2012

If I had one dollar for every time a prospective client asked me:

“Am I a bad person? Is this wrong?”

...well, I would certainly be able to help many of those same people avoid the situation that they found themselves in. Ultimately, the question these people are asking themselves (and me) is whether filing for bankruptcy is not only wrong, but immoral. I have no problem answering this question with a definitive **NO** and here is why.



Bankruptcy Laws Are Ancient And All-Forgiving

While the concept of bankruptcy as we know it today can't be traced back to ancient Rome or Greece (more on that later), we do know that bankruptcy and debt forgiveness are mentioned multiple times in the Bible. The text of the Bible does make it clear that people do have an obligation to pay their debts. On the other hand, there is also clear and concise language that creditors are under an obligation to forgive debts.

In the Old Testament, Book of Leviticus 25: 10-13, we read:

Consecrate the fiftieth year and proclaim liberty throughout the land to all its inhabitants. It shall be a jubilee for you; each one of you is to return to his family property and each to his own clan. The fiftieth year shall be a jubilee for you; do not sow and do not reap what grows of itself or harvest the untended vines. For it is a jubilee and is to be holy for you; eat only what is taken directly from the fields. In this Year of Jubilee everyone is to return to his own property. Leviticus 25: 10-13

Drawing further similarity to our modern bankruptcy laws, the Old Testament, Book of Deuteronomy 15: 1-2 reads:

At the end of every seven years thou shalt make a release. And this is the manner of the release: Every creditor that lendeth ought unto his neighbor shall release it; he shall not exact it of his neighbor, or of his brother; because it is called the Lord's release. Deuteronomy 15: 1-2

Fast forward a couple millennia and the Founding Fathers thought the concept so important, they decided to include it in our supreme governing document, the Constitution of the United States. U.S. Constitution, Article I, Section 8, Clause 4 reads:

To establish an uniform Rule of Naturalization, and uniform Laws on the subject of Bankruptcies throughout the United States...

Now, whether you are Christian, Muslim, Jewish or Atheist; American citizen, permanent resident or other, the Bible and Constitution are powerful, authoritative texts and provide strong evidence that bankruptcy and debt forgiveness are not wrong, but in many instances, morally right.

The Moral Alternative: Debt Slavery

Back to ancient Greece and Rome. We sometimes look to these two ancient civilizations as the foundation of our modern society. When it came to debt forgiveness, the ancient Greek and Roman laws were harsh, archaic and brutal. In their eyes, there was no question, bankruptcy was wrong and you paid with your life, literally.

You or your family became the property of your creditor and you were forced into a life of servitude, sometimes for an extended period of years. Believe it or not, debt slavery still exists today:

According to the article, the most common form of servitude today is debt slavery, in which a person becomes held as a laborer on a farm, or as prostitute in a brothel, or as worker on a factory floor after accepting a loan, or transport, or another form of assistance from a "lender."

The lender is a slave owner or trafficker, often tricking laborers into working for little or no pay, making it impossible for them to escape their condition. And the enslaved, Cockburn writes, have nowhere to turn. Roach, John. (2004). 21st Century Slavery Exposed by Photographer.

Here, in the United States, you will never become the "property" of Bank of America, Capital One, HSBC, etc. for failure to pay back debt. However, constantly struggling to meet minimum payments to avoid collections is to me, a form of slavery. Working overtime, suffering physical and emotional stress and sacrificing the well being of yourself and your family to pay back your debt is certainly a form of bondage.

What Morality, It's A Business

When you enter into a credit card agreement, automobile finance or mortgage loan, you are simply a party to a business contract. Banks aren't lending people money out of sympathy and a desire to help. Banks are under no moral obligation to lend people money and on the flip side, people are under no moral obligation to pay banks back. When you do not pay back your debt, you have breached your contractual obligation, not your moral one.

So why do banks lend money? Simple, to make money! In addition, when the bank lends you money, they take on the risk that you will not pay them back. This risk is simply built into your lending agreement in the form of interest.

Like many, I believe that living up to your end of the bargain under a contractual obligation is important. Private contracts are the fuel for the motor that is our economy. However, hard-working, decent people do face hardships and it is important to remember that a breach of contract is not a sin. Filing [Chapter 7 Bankruptcy](#) or [Chapter 13 Bankruptcy](#) to get a fresh start is not wrong.

Bankruptcy And The Scales Of Justice

Bankruptcy laws were not only designed to help people who can't pay their debts. Bankruptcy laws also benefit the creditors unable to collect their debts. In many cases, Bankruptcy facilitates the confiscation and sale of assets. This gives the creditor access to monies they otherwise would have never seen.

If you can no longer pay your debts, you are given the chance for a fresh start. On the other hand, if you have assets that can be converted, creditors will get paid something. When viewed from afar, the Bankruptcy process is an excellent microcosm of the judicial system. When you step into the bankruptcy arena, all parties are treated as equal and usually, fairness reigns.

If nothing else, this idea of fairness helps people filing Bankruptcy go into the process with a clear head. They do not have to feel like they are “taking advantage” or “doing something wrong.”

Ultimately, you should not be trying to figure out if Bankruptcy is wrong, but rather, why it is right for you. In most cases, if you have even considered filing for Bankruptcy to get a fresh start, the decision is probably clear.

If you are struggling financially, working long hours simply to turn over money to your creditors, suffering from anxiety and emotional stress related to your financial issues and if your family relationships are crumbling because of it, it is time to step out of debt slavery. Adjust your moral compass and make the right decision for yourself, your family and your financial future.