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NACBA Strongly Endorses Bipartisan Legislation to Protect Innocent Debtors from Another Person's Fraud

Bankruptcy Relief for Innocent Partners Act would address the consequences of Bartenwerfer and protect survivors of domestic violence and financial abuse

WASHINGTON, D.C. — The National Association of Consumer Bankruptcy Attorneys (NACBA) strongly endorses H.R. 10724, the bipartisan Bankruptcy Relief for Innocent Partners Act, introduced by Representatives Lou Correa (D-CA) and Laurel Lee (R-FL). The legislation would restore a fundamental principle of consumer bankruptcy law: an honest debtor should not be permanently denied a financial fresh start because of fraud committed by someone else.

As the national voice for consumer bankruptcy attorneys and the individuals and families they represent, NACBA supports reforms that protect meaningful access to bankruptcy relief. An innocent person's opportunity to rebuild financially should not depend on bearing the consequences of another person's fraud.

The legislation responds to the U.S. Supreme Court's 2023 decision in *Bartenwerfer v. Buckley*, 598 U.S. 69 (2023), which held that a debtor could be denied discharge of a debt arising from fraud committed by her business partner and spouse, even though she did not personally commit the fraud or know about it. The Court's decision permits an innocent individual who is legally responsible for another person's fraudulent conduct to remain burdened with the resulting debt after bankruptcy.

Richard Nemeth, President of NACBA, stated:

"NACBA strongly endorses this legislation because a person can be held legally responsible for someone else's fraud without having committed fraud themselves. Bartenwerfer blurred that critical distinction in bankruptcy, allowing an innocent debtor to be saddled for life with a debt arising from misconduct they neither knew about nor could prevent. This bill would restore a simple rule: the extraordinary consequence of nondischargeability for fraud should follow the person who committed the fraud.

It does not excuse wrongdoing or eliminate anyone's underlying liability—it ensures that an honest debtor is not denied a fresh start because of someone else's misconduct. We're grateful to Representatives Correa and his colleagues on both sides of the aisle for taking it up."

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Protecting Innocent Debtors While Preserving Accountability

H.R. 10724 would amend 11 U.S.C. § 523(a)(2) and (a)(4) to clarify that specified exceptions to discharge for false pretenses, false representations, actual fraud, fiduciary fraud or defalcation, embezzlement, and larceny apply when the misconduct was committed by the debtor.

The legislation would preserve accountability for those who commit fraud while allowing innocent debtors to seek discharge of qualifying debts. It would distinguish legal liability for another person's actions from the extraordinary bankruptcy consequence of nondischargeability. Creditors could continue to pursue fraud perpetrators, while innocent debtors could obtain a discharge of debts otherwise eligible for relief.

A Critical Protection for Survivors of Domestic Violence and Coerced Debt

Although *Bartenwerfer* arose from a real estate transaction between business partners who later married, its implications reach beyond commercial relationships. Of particular concern to NACBA are survivors of domestic violence and financial abuse, many of whom struggle with coerced debt—obligations incurred in their names through fraud, intimidation, threats, or other coercion by abusive partners.

An abuser may open credit accounts without permission, forge a signature, conceal financial transactions, pressure a survivor into signing loan documents, or use damaged credit and indebtedness to restrict the survivor's ability to leave. Even after escaping abuse, survivors can face collection actions, damaged credit, and difficulties obtaining housing and other necessities.

The National Consumer Bankruptcy Rights Center (NCBRC), together with Professor Angela Littwin, highlighted these dangers in an amicus brief filed with the Supreme Court in *Bartenwerfer*. Citing research involving women seeking domestic violence services, the brief reported economic abuse rates of approximately 94% to 99%. Another study of domestic violence hotline callers found that more than half reported coerced or fraudulent debt incurred in their names by intimate partners.

NCBRC warned that imputing an abuser's fraud to an innocent debtor could make the financial consequences of domestic violence persist long after a survivor escapes. Subsequent scholarship by Professors Angela Littwin, Adrienne Adams, and Angie Kennedy, *Bartenwerfer v. Buckley and Coerced Debt*, examined the decision and stressed that the underlying law of partnership and agency continues to govern whether one person's fraud can be imputed to another. Marriage alone does not automatically establish that basis.

Nonetheless, uncertainty about imputed fraud can expose innocent debtors to costly dischargeability litigation. H.R. 10724 would provide a clearer safeguard by tying these specific exceptions to the debtor's own misconduct. It would not resolve every form of coerced debt, but would address an important barrier to relief for survivors of financial abuse.

Restoring the Fresh Start at the Heart of Bankruptcy Law

The American bankruptcy system is built around a fresh start for honest but unfortunate debtors. Congress has long recognized narrow exceptions to discharge for particularly wrongful conduct,



including fraud and embezzlement. Those exceptions should not punish people who did not personally engage in wrongdoing.

NACBA urges Congress to advance the Bankruptcy Relief for Innocent Partners Act so that innocent individuals—including survivors of domestic violence and financial abuse—can obtain meaningful bankruptcy relief without excusing those who actually committed fraud.

Additional Background and Resources

1. H.R. 10724 — Bankruptcy Relief for Innocent Partners Act (119th Congress). Introduced October 5, 2026; referred to the House Judiciary Committee. [Read the bill and track its status on Congress.gov](#)
2. Representative Lou Correa’s announcement. [Correa Introduces Bipartisan Bill to Free Innocent Partners from Debt They Didn’t Create](#)
3. NCBRC amicus brief in *Bartenwerfer v. Buckley*. Filed with Professor Angela Littwin, addressing imputed fraud, coerced debt, and domestic violence.
4. Littwin, Adams, and Kennedy, *Bartenwerfer v. Buckley and Coerced Debt*, American Bankruptcy Law Journal, Vol. 99, Issue 1. [Summary and Commentary at NC Bankruptcy Expert](#)

About NACBA

The National Association of Consumer Bankruptcy Attorneys (NACBA) is the only national organization dedicated to serving the needs of consumer bankruptcy attorneys and protecting the rights of consumer debtors in bankruptcy. Founded in 1992, NACBA advances these goals through advocacy, education, and a nationwide community of consumer bankruptcy professionals. For more information, visit www.nacba.org.

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