

Bankruptcy Court for the District of Maryland (J. Teel) granted partial relief from the automatic stay to permit a Chapter 13 debtor's ex-wife to return to state court so that it may determine whether a divorce decree and separation agreement should be modified. The Bankruptcy Court determined that the issue, in addition to other domestic relations law questions raised, should be left to the state court to determine, but it retained jurisdiction to determine whether the eventual state court judgment should be enforced.

In re Miller, 2015 Bankr.Lexis 2804 (Bankr. D. Md. Aug. 24, 2015)

Summary by Kristen M. Siracusa, Miles & Stockbridge P.C.

The debtor and his ex-wife were divorced in 2014, their home was sold, and the proceeds were escrowed as required by the Circuit Court for the City of Virginia Beach, Virginia. Under a separation agreement that was incorporated into the divorce decree, the debtor's ex-wife was to receive one-half of an investment account's proceeds, however, the proceeds were not received as the debtor dissipated those funds.

The debtor filed for bankruptcy relief under Chapter 13 following the entry of the divorce decree and the debtor's ex-wife sought relief from the automatic stay to return to the Circuit Court to address the distribution of the sale proceeds from the couple's home. In light of the debtor having dissipated the funds in the investment account, which she was entitled to 50% of, the debtor's ex-wife was seeking a decree from the Circuit Court that she was entitled to receive a greater share of the proceeds from the family home than provided for in the separation agreement.

The debtor argued that his share of the proceeds from the sale of the family home was property of the estate and it would therefore be inappropriate for a state court to direct the distribution of those funds. The Court, however, found that the state court may decide whether the divorce decree and separation agreement should be modified. The Court held that this issue, as well as other issues raised, is uniquely a state domestic relations law question best left to the determination of the state court. The Bankruptcy Court further held that, except to the extent that enforcement falls within an exception to the automatic stay, relief from the stay was not granted to permit the Circuit Court to enforce its judgments in the divorce proceeding, and the bankruptcy court retained jurisdiction to determine whether the eventual state court judgment should be enforced.