

Business and Personal Bankruptcy Filings in the U.S. Slowed in August

Courts recorded 17% increase in commercial chapter 11 filings last month from a year earlier, compared with 28% rise for 2020 so far



More than 500 businesses filed for chapter 11 protection in August, but that was down from 642 in July.

PHOTO: ANDREW KELLY/REUTERS
By Aisha Al-Muslim

The pace of business bankruptcy filings in the U.S. slowed significantly in August from previous months, though chapter 11 filings were up from last year as the coronavirus pandemic continued to roil the economy.

A total of 525 businesses filed for chapter 11 protection from creditors in August, down 18% from [642 businesses in July](#) but up 17% from August 2019, according to legal-services firm Epiq Systems Inc.

The numbers reflect continued distress in retail, energy, entertainment, and travel and leisure, Epiq said, based on data from its Acer business unit.

In the first eight months of this year, chapter 11 filings rose 28% to about 4,800.

“Large corporations are benefiting from robust capital market activity which is providing access to capital at an attractive cost,” said Deirdre O’Connor, managing director for corporate restructuring at Epiq. “However, smaller companies are not experiencing the same market dynamics to access liquidity and will consider seeking protection in a bankruptcy.”

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The slowdown in August from July is due in part to companies pursuing other options, including forbearance agreements, said Andrea Hartley, chair of the bankruptcy and reorganization practice group at law firm Akerman LLP in Miami.

The decrease also stems from lenders and borrowers pursuing out-of-court deals, such as receiverships, the voluntary turnover of assets and sales of collateral by secured creditors after default, she said.

Those choices “may just delay the filing, although businesses are hopeful the international health and economic conditions will improve in the coming months such that a bankruptcy filing will not be necessary,” Mrs. Hartley said.

Big-name companies that filed for bankruptcy in August include [Men’s Wearhouse and Jos. A. Bank parent Tailored Brands Inc.](#), [luxury department-store chain Lord & Taylor](#), [discount retailer Stein Mart Inc.](#) and [London-based offshore drilling contractor Valaris PLC](#).

On the other hand, personal bankruptcy filings continued to decline in August from July and from a year earlier.

August produced about 36,900 personal chapter 11 filings, down 8% from the previous month and 42% from August 2019.

“We continue to see delays in filings as government and bank programs provide short-term liquidity relief to consumers,” said Chris Kruse, senior vice president at Epiq Aacer.

The number of people who filed under chapter 13, a more expensive type of bankruptcy requiring filers to make monthly payments before their debt is discharged, fell 62% to about 9,300 in August from a year earlier.

Federal programs and state eviction and foreclosure moratoriums have at least postponed creditors’ actions, said Joseph Baldiga, co-chair of the bankruptcy and reorganization group at law firm Mirick, O’Connell, DeMallie & Lougee LLP in Westborough, Mass.

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However, as unemployment rates remain high, government-funded assistance programs end or are reduced, and moratoriums begin to expire, “the filings will start to increase in the fourth quarter and really pick up in early 2021,” Mr. Baldiga said.

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