

Supreme Court to Decide Whether Bankruptcy Courts Can Refuse to Compel Arbitration of Automatic-Stay Claims

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The U.S. Supreme Court has accepted review of a case that could reshape when bankruptcy courts may override the Federal Arbitration Act (FAA) and refuse to enforce otherwise valid arbitration agreements, starting with debtors' claims for willful violations of the automatic stay.

On November 6, 2026, the Supreme Court granted certiorari in *Goldman Sachs Bank USA v. Brown*, No. 25-1408, amid a disputed circuit split. The question presented is "[w]hether, and under what circumstances, a bankruptcy court may override the FAA and refuse to honor a valid arbitration agreement with respect to Section 362(k) claims."

Background

The case arises from claims brought by two individual debtors who had opened Goldman Sachs credit card accounts pursuant to customer agreements that contained arbitration clauses and class action waivers. Both filed for bankruptcy, and both alleged that Goldman Sachs kept trying to collect their credit card debts after they filed. The debtors jointly commenced a single adversary proceeding in the form of a putative class action under 11 U.S.C. § 362(k), which permits debtors to seek damages for willful violations of the automatic stay. Goldman Sachs moved to stay the proceeding and compel individual arbitration, which the lower courts denied.

A divided Fourth Circuit panel affirmed. *Goldman Sachs Bank USA v. Brown*, No. 25-1439 (4th Cir. Mar. 18, 2026). Writing for the majority, Judge Niemeyer applied the "inherent conflict" framework articulated by the Supreme Court in *Shearson/American Express Inc. v. McMahon*, 482 U.S. 220 (1987), and held that arbitration would

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conflict with the Bankruptcy Code's purposes of centralizing claims related to the estate in the bankruptcy court. The majority reasoned that a § 362(k) claim has no independent grounding outside of the Bankruptcy Code, and that compelling arbitration of such claims would potentially allow Goldman Sachs, after allegedly violating the stay, to put its private contractual rights ahead of the collective interests of other creditors.

Circuit Split

In so holding, the Fourth Circuit departed from a prior ruling by the Second Circuit in *MBNA America Bank, N.A. v. Hill*, 436 F.3d 104 (2d Cir. 2006), which sent a § 362 stay-violation claim to arbitration. The Second Circuit held that there was no per se rule against enforcement of arbitration agreements for § 362 stay-violation claims, and that under the circumstances of that case, arbitration would not interfere with the Bankruptcy Code's goals because adjudication of the stay-violation claim would not impact the bankruptcy estate. In his Fourth Circuit dissent, Judge King wrote that the majority had "needlessly created a circuit split with the Second Circuit."

Parties' Arguments

Goldman Sachs argues that the Fourth Circuit's opinion creates an inappropriate "per se" rule that arbitration of § 362(k) claims always "inherently conflicts" with the purposes of the Bankruptcy Code. Goldman Sachs argues this is contrary to the Supreme Court's prior precedents, which have consistently refused to find any "inherent conflict" between federal statutes creating various private rights of action and the enforcement of arbitration agreements under the FAA for claims arising under those statutes. It also argues that, like the case in *Hill*, the circumstances here do not show any actual conflict with the Bankruptcy Code's purposes, because arbitrating the debtors' § 362(k) claims would not interfere with the administration of their bankruptcy estates. Goldman Sachs further questions whether claims brought on behalf of a putative class could be fairly characterized as integral to the debtors' individual bankruptcy proceedings.

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In addition to the specific issue of arbitrability of § 362(k) claims, the petition asks the Supreme Court to take up the broader swath of questions about the enforceability of arbitration agreements for claims related to ongoing bankruptcy proceedings, including claims related to violation of a discharge injunction, state-law claims seeking recovery for the estate, and avoidance actions. The petition argues there is a morass of conflicting lower court precedent on these issues. Given the ubiquitous nature of arbitration clauses in consumer contracts that often lie at the heart of nonbusiness bankruptcies, the petition argues there is a clear and widespread need for greater clarity.

The debtors counter that there is no genuine circuit split. In their view, *Hill* turned on its particular facts and did not adopt a rule at odds with the Fourth Circuit's decision. They also note that Goldman Sachs concedes an arbitration agreement cannot strip a bankruptcy court of its authority to enforce the automatic stay through contempt proceedings under 11 U.S.C. § 105(a).The same should be true, they argue, of the supplemental damages remedy Congress provided in § 362(k). Finally, they contend that the issue does not arise often enough to warrant the Supreme Court's review, noting that only two courts of appeals have squarely addressed it in roughly four decades.

Why It Matters

For lenders, servicers, and debt buyers, the stakes are considerable. Section 362(k) allows debtors to recover actual damages, including costs and attorneys' fees, and punitive damages in appropriate circumstances. As this case illustrates, debtors may seek to pursue those claims on a class-wide basis in bankruptcy court. If the Fourth Circuit's approach prevails, creditors may be unable to rely on arbitration clauses and class action waivers to keep such claims out of bankruptcy court. Until the Supreme Court rules, the answer may depend on the circuit in which a case is pending. In the meantime, creditors may wish to review their post-petition collection and communication practices, including automated collection notices and credit-reporting warnings, to ensure that collection activity stops promptly once they receive notice of a

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bankruptcy filing.

What's Next

No argument date has been set, but the case will likely be argued in 2027, with a decision expected by the end of the term in late June or early July. It remains to be seen whether the Supreme Court will accept the invitation to address broader issues about the interaction between arbitration and bankruptcy, or take a narrower approach focusing only on § 362(k) claims or the circumstances of this particular case. There are also lurking procedural questions, including the debtors' contention that this case is a poor vehicle for resolving the issue, that could impact whether and to what extent the Supreme Court reaches the merits at all. Nonetheless, the court's grant of certiorari suggests it recognizes a need to clarify the relationship between arbitration and bankruptcy proceedings, and may be inclined to provide it.

For further guidance on how this decision could affect your arbitration agreements, class action waivers, and post-petition collection practices, please contact the author or any attorney with the firm's Appellate and Bankruptcy & Restructuring practices.

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