Supreme Court to Review Arbitrability of Automatic Stay Damages Claims

November 16, 2026

Introduction. Can a creditor accused of violating the protections of the Bankruptcy Code invoke an arbitration agreement to keep the resulting dispute out of bankruptcy court? That question lies at the heart of *Goldman Sachs Bank USA v. Brown*, in which the Supreme Court granted certiorari on November 6, 2026, to resolve a split between the Second Circuit and the Fourth Circuit concerning that question. While the case nominally concerns claims for damages under 11 U.S.C. § 362(k), the high court's ultimate decision may finally offer clarity on the interplay between the FAA and the Bankruptcy Code, a thorny issue that has spawned a web of conflicting decisions among lower courts on whether, and under what circumstances, arbitration provisions will be enforced in bankruptcy proceedings.

Background. A bankruptcy filing generally brings efforts to collect pre-bankruptcy debts to an immediate halt. This protection, known as the "automatic stay," is a central feature of the Bankruptcy Code. Under section 362(k), an individual injured by a willful violation of the stay may recover actual damages, including costs and attorneys' fees and, in appropriate circumstances, punitive damages. Actions to enforce the automatic stay are "core" proceedings under the Bankruptcy Code. Because one central policy of the Bankruptcy Code is the centralization of disputes, courts generally find (with limited exceptions) that "core" proceedings should be adjudicated in bankruptcy court.

But what if the debtor previously agreed to arbitrate disputes with the creditor? The FAA generally requires courts to enforce valid arbitration agreements, including for statutory claims. That mandate is not absolute, however. Under *Shearson/American Express Inc. v. McMahon*, 482 U.S. 220 (1987), it may be precluded where Congress has expressed a contrary intent, including where arbitration would inherently conflict with the statute's underlying purposes.

The dispute arose from Apple Card accounts issued by Goldman Sachs Bank USA ("Goldman Sachs" or the "Bank") to Rhea Ann Brown and Gregory Kevin Maze, who filed for bankruptcy under Chapters 13 and 7 of the Bankruptcy Code, respectively. The debtors alleged that the Bank continued sending payment demands and making collection calls after receiving notice of their bankruptcy filings. In March 2024, they

sued Goldman Sachs in the U.S. Bankruptcy Court for the Western District of Virginia, seeking damages under section 362(k) and injunctive relief on behalf of themselves and a putative nationwide class of similarly situated debtors who had received demands and efforts to collect pre-bankruptcy debts from Goldman Sachs.

Goldman Sachs moved to compel arbitration under the credit card agreements, which provided for mandatory individual arbitration of all disputes arising out of or connected to the debtors' relationship with Goldman Sachs and prohibited class-wide arbitration.

Parties' Arguments Below. Goldman Sachs argued that the FAA required enforcement of the arbitration agreement unless arbitration would inherently conflict with the Bankruptcy Code. It accepted that the debtors' claims were statutorily and constitutionally "core" within the meaning of the Bankruptcy Code but disputed that this status alone justified refusing to compel arbitration. The Bank emphasized that Maze had received a Chapter 7 discharge and his case had closed, while Brown's confirmed Chapter 13 plan did not depend on a recovery in the lawsuit. Arbitration therefore would not interfere with the administration of either debtors' estates or Brown's plan of reorganization. Goldman Sachs also argued that the action was principally about damages for past alleged harm as opposed to enjoining ongoing violations of the stay and that an arbitrator could award punitive damages and appropriate declaratory or injunctive relief substantially similar to that available to a bankruptcy court in any event.

The debtors, by contrast, contended that arbitration would impair the bankruptcy court's ability to enforce the automatic stay through contempt sanctions and injunctions under the Bankruptcy Code, undermine the debtors' fresh start and risk inconsistent decisions by arbitrators without bankruptcy judges' expertise. The debtors also argued that the outcome should not turn on whether a bankruptcy case remained open, noting that bankruptcy courts retain the power to issue injunctions even after a case is closed by, for example, issuing injunctions to enforce a debtor's discharge of pre-petition debts.

The bankruptcy court sided with the debtors—denying the motion to compel arbitration—and the district court affirmed, concluding that arbitration could undermine the bankruptcy court's authority to enforce the automatic stay and provide a centralized forum for all creditor-debtor disputes.

The Fourth Circuit's Decision. On March 18, 2026, a divided Fourth Circuit affirmed. The majority concluded that arbitration would conflict with the Bankruptcy Code's purposes, including centralized dispute resolution, protection of debtors from collection pressure and uniform enforcement of bankruptcy law. The decision also cited bankruptcy judges' expertise and the deterrence function served by public punitive-

damages awards, which would be undermined by private confidential arbitration. The majority agreed that the claims at issue were "core" bankruptcy proceedings because they arose from the bankruptcy cases but acknowledged that core status alone does not make a claim not arbitrable.

Judge Robert King dissented. He concluded that arbitration would not interfere with creditor distributions because Maze's Chapter 7 case was closed and Brown's Chapter 13 plan already had been approved. He also noted that the majority's decision conflicted with *MBNA America Bank, N.A. v. Hill*, 436 F.3d 104 (2d Cir. 2006), in which the Second Circuit compelled arbitration of an automatic-stay damages claim, where the debtor's estate had been fully administered and her debts discharged just like Maze's case. The majority distinguished *Hill* based on Brown's ongoing Chapter 13 case.

Key Takeaways. For lenders, financial institutions, and other commercial counterparties, the Supreme Court's decision could have significant implications for the enforceability of arbitration provisions in bankruptcy-related disputes. If the Court requires debtors to demonstrate that arbitration would actually interfere with the administration of their bankruptcy cases, creditors may have a stronger basis to enforce arbitration provisions, particularly where the bankruptcy case has concluded or the dispute principally concerns damages for past conduct. Conversely, if the Court concludes that bankruptcy courts may decline to enforce arbitration agreements based on their broader authority to enforce the automatic stay and centralize creditor-debtor disputes, creditors may find it more difficult to compel arbitration, even where arbitration would not directly affect estate administration.

While the question presented in *Goldman Sachs* concerns section 362(k) damages claims and not the arbitrability of bankruptcy-related disputes writ large, the Supreme Court's reasoning in any ultimate opinion could clarify whether, and under what circumstances, bankruptcy law permits courts to decline to enforce arbitration agreements more generally. For example, in its briefing at the certiorari stage, Goldman Sachs identified discharge-injunction disputes, state-law claims seeking estate recoveries and avoidance actions as other areas potentially affected by any ultimate decision.

The decision could also have important consequences for class litigation: Because the agreements here require individual arbitration and prohibit class arbitration, the outcome may also affect the availability of putative class litigation involving alleged stay violations. More broadly, a decision from the Supreme Court articulating when statutory structures and purposes can displace the FAA may provide greater clarity concerning the enforcement of arbitration provisions in contexts outside bankruptcy as well.

Debevoise will be monitoring developments in *Goldman Sachs*.

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Please do not hesitate to contact us with any questions.



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