BANKRUPTCY-CONSEQUENCES-RIGHTS AND LIABILITIES UNDER LAW.

By MR.KALYAN RAO PEDDI REDDI B.COM (HONS) IN COMPANY LAW & SECRETARIAL PRAC. & BUSINESS ADMINISTRATION & ECONOMICS, ECONOMIC DEVELOPMENT; LL.M (CONSITUTIONAL LAW of India), COMPARATIVE STUDY IN (**U. S. American Constitution, Swiss Constitution, FRENCH CONSTITUTION & British Constitution)**,

C.E.O OF KALYAN LEGAL EXCEL CARE SERVICES ONLINE FOR CITIZENS & N.R.Is.

www.legalexcelcare.com

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Former District & Sessions Judge, now lives at HYDERABAD, INDIA

**What is Bankruptcy?**

Bankruptcy allows individuals, couples, and businesses that cannot meet their financial obligations to be excused from repaying some or all of their debt. Bankruptcy has been in existence since ancient times. In the United States, the rules and procedures for filing bankruptcy are governed by federal law. States are prohibited from legislating in this area of the law.

In INDIA

The **Insolvency and Bankruptcy Code, 2016** (**IBC**) is the bankruptcy law of India which seeks to consolidate the existing framework by creating a single law for insolvency and bankruptcy. The Insolvency and Bankruptcy Code, 2015 was introduced in Parliament in December 2015. It was passed by Lok Sabha on 5 May 2016.[[1]](https://en.wikipedia.org/wiki/Insolvency_and_Bankruptcy_Code#cite_note-1) The Code received the assent of the President of India on 28 May 2016.[[2]](https://en.wikipedia.org/wiki/Insolvency_and_Bankruptcy_Code#cite_note-2) Certain provisions of the Act has come into force from 5 August and 19 August 2016.[[3]](https://en.wikipedia.org/wiki/Insolvency_and_Bankruptcy_Code#cite_note-3)

**Insolvency Resolution** : The Code outlines separate insolvency resolution processes for individuals, companies and partnership firms. The process may be initiated by either the debtor or the creditors. A maximum time limit, for completion of the insolvency resolution process, has been set for corporates and individuals. For companies, the process will have to be completed in 180 days, which may be extended by 90 days, if a majority of the creditors agree. For start ups (other than partnership firms), small companies and other companies (with asset less than Rs. 1 crore ), resolution process would be completed within 90 days of initiation of request which may be extended by 45 days. [[6]](https://en.wikipedia.org/wiki/Insolvency_and_Bankruptcy_Code#cite_note-6)

**Insolvency regulator**: The Code establishes the Debt Recovery Tribunal, to oversee the insolvency proceedings in the country and regulate the entities registered under it. The Board will have 10 members, including representatives from the Ministries of Finance and Law, and the

**Insolvency professionals**: The insolvency process will be managed by licensed professionals. These professionals will also control the assets of the debtor during the insolvency process.[[5]](https://en.wikipedia.org/wiki/Insolvency_and_Bankruptcy_Code#cite_note-:0-5)

**Bankruptcy and Insolvency Adjudicator**: The Code proposes two separate tribunals to oversee the process of insolvency resolution, for individuals and companies: (i) the National Company Law Tribunal for individuals and the establishments; and (ii) the Debt Recovery Tribunal for individuals and partnerships.

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## Procedure

A plea for insolvency is submitted to the adjudicating authority (NCLT in case of corporate debtors) by financial or operation creditors. The max time allowed to either accept or reject the plea is 14 days. If the plea is accepted, the tribunal has to appoint an Insolvency Resolution Profession (IRP) to draft a resolution plan within 180 days (extendable by 90 days). For the said period, the board of directors of the company stands suspended, and the promoters do not have a say in the management of the company. The IRP, if required, can seek the support of the company’s management for day-to-day operations.[[4]](https://en.wikipedia.org/wiki/Insolvency_and_Bankruptcy_Code#cite_note-lm0817-4)

When your liabilities exceed assets, you can apply to the court for protection. While India has taken steps towards bringing in a Bankruptcy Law for corporates, there are ways in which individuals can get similar protection when they are genuinely in debt and in no position to repay their creditors. Understanding bankruptcyBy filing for bankruptcy, you are announcing that you are in no position to pay off your debts and are an insolvent individual. To safeguard yourself from attacks physically sometimes.

Generally speaking, there are two types of bankruptcy. In a liquidation bankruptcy, debtors must surrender their property, which is sold, and the proceeds distributed to creditors. In return, all debts are permanently discharged. In a reorganization bankruptcy, debtors are allowed to keep their property. But the debtors must agree to an installment plan to repay creditors a portion of the amount they owe.

Filing for bankruptcy involves submitting a petition and fee to the bankruptcy court. The fee is close to $300 for most personal bankruptcies. The petition will contain sworn statements by the debtors concerning the amount of money they owe, their income and expenses, as well as a complete list of all of their assets. After filing, a court hearing is held to review the information in the petition.

satyameva jayethe=== Mera Bharat Mahaan Hai=== jai hind.