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PRESS RELEASE

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BANKRUPTCY PETITION PREPARER
FINED \$48,000 FOR VIOLATIONS
IN 96 BANKRUPTCY CASES

SACRAMENTO--Bankruptcy petition preparer Barry Ernest of Sacramento, Calif., was fined \$48,000 on February 9 by the Bankruptcy Court for the Eastern District of California, for violations of 11 USC 110 in 96 different bankruptcy cases, Assistant United States Trustee Antonia Darling announced today.

A bankruptcy petition preparer is a non-lawyer who prepares bankruptcy filing documents for a fee. Section 110 is the Bankruptcy Code provision that regulates the conduct of bankruptcy petition preparers.

"Mr. Ernest deceived his clients and perpetrated a fraud on the court and creditors by having debtors file bankruptcy cases that were never intended to be completed," Darling stated. "The bankruptcy cases were used as a mere stalling technique. This sort of fraudulent bankruptcy mill is exactly the kind of abuse Section 110 was designed to catch."

Ernest, operating as Park Oak Paralegal and Greater Sacramento Services, was found in In Re Robinson, Bankruptcy Case #99-32278, to have engaged in a willful scheme to defraud the Bankruptcy Court and creditors. Ruling from the bench, Bankruptcy Judge Christopher M. Klein stated that Ernest's scheme involved the "cynical sale of the bankruptcy automatic stay" to frustrate landlords who were owed back rents and were attempting to evict tenants.

Ernest solicited customers by running advertisements in local giveaway papers under the category "rentals." His ads told people facing eviction that he could help them stall the eviction for 30 days or more. The Bankruptcy Court found that in all 96 cases Ernest charged his clients at least \$175--that is, \$125 for forms and \$50 for counseling. He advised them to file for bankruptcy, selected the chapter under which they should file, prepared a skeletal filing, and told them how to file the petition and then take it to the sheriff's office to stop the eviction.

The Bankruptcy Court also found that Ernest specifically advised his customers to lie to the Bankruptcy Clerk about whether they had received any assistance with the bankruptcy filing, so they could appear eligible to pay their filing fee via installment payments. Only consumer debtors who have not paid anyone to assist them in preparing their bankruptcy papers are eligible to pay their filing fee in installments.

The court filing fees were not paid in any of the 96 bankruptcy cases. Nor did Ernest prepare any bankruptcy schedules or statement of financial affairs in the cases. In only one case did a debtor appear at the required meeting of creditors; that debtor had retained a lawyer by the time of the meeting.

The action to assess sanctions against Ernest and to review his fees was filed by the Sacramento office of the United States Trustee Program, a component of the Justice Department that monitors bankruptcy case administration nationwide. Darling is the Assistant United States Trustee in the Sacramento office.

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