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Lawsuit Challenges New Bankruptcy Law

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NEW HAVEN, Conn. -- Organizations representing thousands of attorneys are challenging the nation's tough new bankruptcy law, saying it illegally restricts the advice lawyers can give and makes it harder for clients to navigate the bankruptcy system.

A lawsuit filed in U.S. District Court in Hartford on Thursday claims that the law treats attorneys the same as unlicensed document preparers or credit counseling firms, which are required under the new law to give specific advice - including not to go deeper into debt.

That illegally hampers the attorney-client relationship, the lawsuit argues, and might even prevent lawyers from recommending that clients hire them in the first place. Attorneys say legal advice isn't one-size-fits-all.

"Someone could be down and out but have access to a student loan to go to school for retraining," said attorney Barry S. Feigenbaum, who filed the suit. "We couldn't advise that client to take that student loan."

The law is written so broadly, Feigenbaum argues, that it also restricts the advice given by divorce attorneys and others who don't handle bankruptcy cases.

The Justice Department was looking into the lawsuit Friday morning.

The Connecticut Bar Association and the National Association of Consumer Bankruptcy Attorneys asked a judge to temporarily block provisions of the bankruptcy law until the case is settled.

No ruling has been made and no hearings have been scheduled.

The new law, the most sweeping overhaul of the U.S. Bankruptcy Code in a generation, took effect in October. It bars those with above-average incomes from Chapter 7 - where debts can be wiped out entirely - except under special circumstances.

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