

Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

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MARRAMA *v.* CITIZENS BANK OF MASSACHUSETTS
ET AL.CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR
THE FIRST CIRCUIT

No. 05–996. Argued November 6, 2006—Decided February 21, 2007

In filing his petition under Chapter 7 of the Bankruptcy Code, petitioner Marrama misrepresented the value of his Maine property and that he had not transferred it during the preceding year. Respondent DeGiacomo, the trustee of Marrama’s estate, stated his intention to recover the Maine property as an estate asset. Thereafter, Marrama sought to convert the proceeding to Chapter 13, but the trustee and respondent bank, Marrama’s principal creditor, objected, contending that the request to convert was made in bad faith and would constitute an abuse of the bankruptcy process. The Bankruptcy Judge denied Marrama’s request, finding bad faith. Affirming, the First Circuit’s Bankruptcy Appellate Panel rejected Marrama’s argument that he had an absolute right to convert under §706(a) of the Bankruptcy Code, which provides that a Chapter 7 debtor “may convert a case” so long as it has not been converted previously, and that a waiver of the right to convert is unenforceable. The First Circuit also rejected that argument, emphasizing, *inter alia*, that a bankruptcy court has the authority to dismiss a Chapter 13 petition based on a debtor’s bad faith, and that a first-time motion to convert a Chapter 7 case to Chapter 13 should not be treated differently from the filing of a Chapter 13 petition in the first instance.

Held: Marrama forfeited his right to proceed under Chapter 13. The broad description of the right to convert as “absolute” in Senate and House Committee Reports fails to give full effect to the express limitation of §706(d), which provides that “a case may not be converted to a case under another chapter of this title unless the debtor may be a debtor under such chapter.” That text expressly conditioned Marrama’s right to convert on his ability to qualify as a Chapter 13

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“debtor.” Marrama does not qualify as such a debtor under §1307(c), which provides that a Chapter 13 proceeding may be either dismissed or converted to a Chapter 7 proceeding “for cause.” Bankruptcy courts routinely treat dismissal for prepetition bad-faith conduct as implicitly authorized by the words “for cause,” and a ruling that an individual’s Chapter 13 case should be dismissed or converted to Chapter 7 because of bad faith is tantamount to a ruling that the individual does not qualify as a Chapter 13 debtor. Congress gave “‘honest but unfortunate debtor[s]’” *Grogan v. Garner*, 498 U. S. 279, 287, the chance to repay their debts should they acquire the means to do so, and §706(a) protects a debtor from being forced to waive that right. However, a provision protecting a borrower from waiver is not a shield against forfeiture. Neither §706 nor §1307(c) limits a court’s authority to take appropriate action in response to fraudulent conduct by the atypical litigant who has demonstrated that he is not entitled to the relief available to the typical debtor. On the contrary, bankruptcy judges’ broad authority to take necessary or appropriate action “to prevent an abuse of process” described in Code §105(a) is adequate to authorize an immediate denial of a §706 motion to convert in lieu of a conversion order that merely postpones the allowance of equivalent relief and may give a debtor an opportunity to take action prejudicial to creditors. Pp. 5–10.

430 F. 3d 474, affirmed.

STEVENS, J., delivered the opinion of the Court, in which KENNEDY, SOUTER, GINSBURG, and BREYER, JJ., joined. ALITO, J., filed a dissenting opinion, in which ROBERTS, C. J., and SCALIA and THOMAS, JJ., joined.