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Benesch Attorneys Publish Law360 Expert Analysis on Chapter 11 Default Interest Ruling

MAY 21, 2026

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Featured Practices: Bankruptcy Reorganizations

Restructuring & Bankruptcy Partner Kevin Capuzzi and Associate Melissa Sobrepera authored an Expert Analysis published in Law360 examining a significant recent Chapter 11 ruling impacting default interest claims.

In their article, titled “Ch. 11 Ruling Raises Bar for Avoiding Default Interest,” Capuzzi and Sobrepera analyze a recent decision from the U.S. Bankruptcy Court for the Southern District of New York that heightens the burden for debtors seeking to avoid contractual default interest. The ruling clarifies that, under Section 506(b) of the Bankruptcy Code, solvent debtors face a substantial challenge in rebutting the presumption that oversecured creditors are entitled to post-petition default interest at the contract rate.

The authors explain that the court treated solvency as a threshold issue-meaning that if a debtor is solvent, the presumption in favor of awarding default interest is effectively irrebuttable before any equitable considerations can be applied. This decision signals a meaningful shift in how courts may approach post-petition interest disputes and underscores the importance of careful planning for both borrowers and lenders in Chapter 11 proceedings.

Capuzzi and Sobrepera’s analysis offers practical insights into how this evolving legal landscape may impact restructuring strategies, particularly for companies navigating complex capital structures and creditor negotiations.

To read the full article: Ch. 11 Ruling Raises Bar For Avoiding Default Interest - Law360