

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA**

IN RE:

Leanne Marie Boyle,

Debtor(s).

C/A No. 24-02132-HB

Chapter 13

**ORDER GRANTING MOTION TO
CONVERT CASE FROM CHAPTER
13 TO CHAPTER 7**

THIS MATTER came before the Court for a hearing on March 5, 2025, to consider the Motion to Convert Chapter 13 Case to Chapter 7 pursuant to [11 U.S.C. § 1307\(c\)](#) (the “Motion”) filed by the United States Trustee (the “UST”)¹ and the response thereto of Debtor Leanne Marie Boyle (“Boyle”).² Appearances were made by B. Keith Poston for the UST, Caleb J. Farmer (“Farmer”) for Boyle, and Christine D. Loftis for Chapter 13 Trustee Gretchen D. Holland (the “Chapter 13 Trustee”), Boyle testified, and exhibits were submitted into evidence, including a recording of Boyle’s testimony at the [11 U.S.C. § 341](#) meeting of creditors. The Court finds as follows.

FACTS

On June 12, 2024 (the “Petition Date”), Boyle filed a petition for relief under Chapter 13 of the Bankruptcy Code, schedules, and statements, with the assistance of Farmer as counsel.³ On Part 6, Question 16 of the petition, Boyle represented that her debts are primarily business debts.

On the Summary of Your Assets and Liabilities, Boyle valued her assets at \$15,590.00 and estimated her liabilities to be \$1,552,372.59. No creditors were listed on Schedule D (Creditors Who Have Claims Secured by Property). On Schedule E/F (Creditors Who Have Unsecured

¹ ECF No. 21, filed Nov. 22, 2024.

² ECF No. 23, filed Dec. 16, 2024.

³ ECF No. 1; UST’s Ex. 1.

Claims), Boyle listed the New Jersey Division of Taxation as having a disputed priority claim for taxes in the amount of \$8,208.00, and nonpriority claims of other creditors totaling \$1,544,164.59 arising from civil judgments obtained in New Jersey and for credit cards and other loans.⁴ Twelve (12) claims have been filed totaling \$381,583.37, with \$3,377.65 claimed as priority unsecured and no secured claims filed.

On Schedule A/B (Property), Boyle listed a 2006 Nissan Xterra with a value of \$2,600.00; some personal property of minimal value such as a TV, a cell phone, and clothing; \$2,000.00 in cash; \$10,000.00 in a money market savings account at First Citizens Bank; and \$340.00 in a checking account at First Citizens Bank. On Schedule C (The Property You Claim as Exempt), Boyle claimed exemptions that cover the entire scheduled value of her assets.

Although she requested relief under Chapter 13, Schedule I (Your Income) indicated Boyle was not employed at filing and did not receive income from any source, but that she was seeking part-time employment and is unable to work full-time due to health issues.⁵ Schedule J (Your Expenses) listed monthly expenses of \$580.00 and indicated Boyle resides with her parents and contributes to household expenses when employed. On Part 2, Question 4 of the Statement of Financial Affairs for Individuals Filing for Bankruptcy (the “SOFA”), Boyle indicated she did not earn any income from January 1, 2024, to the Petition Date; received \$22.00 in “interest income” and \$3,720.00 in unemployment compensation in 2023;⁶ and earned \$18,437.00 from employment in 2022. In response to Part 3, Question 8, which asks “[w]ithin 1 year before you filed for bankruptcy, did you make any payments or transfer any property on account of a debt that

⁴ Boyle also listed the Internal Revenue Service, the South Carolina Department of Revenue, and the Spartanburg County Tax Collector for notice purposes only.

⁵ Boyle testified she has not worked since the end of 2022 and that her parents support her.

⁶ Boyle testified the amount of \$230.00 listed in the SOFA as being received from employment in 2023 came from wages earned at the end of 2022.

benefited an insider?”, Boyle checked “No”.⁷ Part 5, Question 13 asks “[w]ithin 2 years before you filed for bankruptcy, did you give any gifts with a total value of more than \$600 per person?” to which Boyle responded “No”. In response to Part 7, Question 18, which asks “[w]ithin 2 years before you filed for bankruptcy, did you sell, trade, or otherwise transfer any property to anyone, other than property transferred in the ordinary course of your business or financial affairs?”, Boyle responded “No”.

In response to Part 8, Question 20 of the SOFA, which asks “[w]ithin 1 year before you filed for bankruptcy, were any financial accounts or instruments held in your name, or for your benefit, closed, sold, moved, or transferred?”, Boyle listed only that a checking account at Truist Bank had been closed, sold, moved, or transferred⁸ in April of 2023 at which time it had a balance of \$0.00. Despite the representation on the petition that Boyle’s debts are primarily business debts, Boyle represented on Part 11, Question 27 of the SOFA that she did not have an ownership interest or management position in any business in the four (4) years preceding the Petition Date. Boyle signed the SOFA under penalty of perjury that she had read her answers thereon and they were true and correct.

On June 13, 2024, Boyle filed a Chapter 13 plan.⁹ The plan proposed that she would pay the Chapter 13 Trustee \$175.00 per month for thirty-six (36) months. The plan provided nonpriority unsecured claims would be paid less than 100%.

On July 23, 2024, the § 341 meeting of creditors was held. Boyle testified she personally read and signed the petition, schedules, and statements, that they were true and correct, and that no errors or omissions needed to be corrected. Despite this testimony, when questioned by the

⁷ “The term ‘insider’ includes. . . if the debtor is an individual. . . relative of the debtor”. [11 U.S.C. § 101\(31\)\(A\)\(i\)](#).

⁸ The response did not indicate the precise disposition of the account.

⁹ ECF No. 6.

Chapter 13 Trustee, Boyle then stated that she had placed about \$35,000.00 (the “Funds”) in a Provident Bank account in her brother’s name (the “Provident Account”) to avoid debt collectors and that once she thought such debts were uncollectible due to the passing of the statute of limitations, she transferred the Funds to a Truist Bank account in her own name.¹⁰ She testified that she then became aware that a debt collector was still trying to collect on a debt, so she transferred the Funds back to the Provident Account and then to a First Citizens Bank account in her mother’s name (the “First Citizens Account”) where some of it was being held at the time of the § 341 meeting.¹¹ She testified that around \$10,000.00 of the Funds were spent on her living expenses and to make repairs to her parents’ home. Boyle stated the account in her name was closed around March or April of 2023 and that the Provident Account has been closed. She testified that she was looking for part-time employment and had a job interview coming up. Boyle testified that some of her debt arose from one of her brothers “putting his debt into her name” around 2009. The Chapter 13 Trustee stated that a creditor, The Cadle Company, originally brought the undisclosed Provident Account and transfer of funds to her attention. A representative for that creditor also asked Boyle questions. During the meeting, the Chapter 13 Trustee requested Farmer provide her with an outline of the transfer dates, amounts, sources, and destinations and supporting copies of all bank statements involved in the transfers of the Funds.

On October 14, 2024, after the confirmation hearing had been continued twice, the Chapter 13 Trustee filed a request for an order denying confirmation.¹² The same day, the Court entered a form Order which denied confirmation of Boyle’s plan, required her to file a modified plan and

¹⁰ Boyle testified at the March 5, 2025, hearing that she opened the Truist Bank account around January of 2023.

¹¹ Boyle testified at the March 5, 2025, hearing that the transfer from her Truist Bank account back to the Provident Account occurred around April or May of 2023, and the transfer to the First Citizens Account took place sometime in 2023.

¹² ECF No. 18.

provide any requested documents and information within ten (10) days of the Order, and provided that if she failed to comply, the case may be dismissed without further notice or hearing.¹³

No amendments have been made to the schedules and statements, and no modified plan filed. No further requests for extensions to file a plan were made. As a result, on November 22, 2024, the UST filed the Motion requesting that this case be converted to Chapter 7, asserting Boyle's failure to disclose the Funds, the transfers of the Funds to various bank accounts, and the use of the Funds for her family members' benefit constitutes cause to convert or dismiss the case under § 1307(c). The Motion states "[a]s it appears the Funds have value above the Debtor's exemptions, it is in the best interests of creditors to convert the case" and "[a] conversion would also allow a chapter 7 trustee to review the Debtor's assets and review potential avoidance actions in order to recover funds to pay creditors." In the alternative, the Motion requests dismissal with prejudice for two (2) years.

On December 16, 2024, Boyle filed a response to the Motion, simply stating: "The debtor, through counsel, hereby responds to the Motion to Convert Chapter 13 Case to Chapter 7 filed on November 22, 2024 [Doc 21] and requests that a hearing be held on the matter as noticed, and for such other relief as the Court deems appropriate."

On January 8, 2025, the Court entered an Order continuing the scheduled January 15, 2025, hearing to February 12, 2025, and requiring the parties to file a joint statement of dispute that included (among other things) the parties' positions and the authority relied upon, noting that while the Motion contained some detail of the facts and law relied upon, the response did not.¹⁴ On

¹³ ECF No. 19.

¹⁴ ECF No. 25.

February 5, 2025, the Court continued the hearing again to March 5, 2025, per the agreement of the parties.¹⁵

On February 19, 2025, a Statement of Dispute was filed by counsel for the UST in which the UST set forth his position.¹⁶ The Statement of Dispute did not include any information supplied by Boyle and was not signed by her counsel.

Although the Motion was filed in November of 2024, for the reasons stated above, a hearing was not held until March 5, 2025. Boyle testified, confirming that her testimony at the § 341 meeting was accurate but asserting she was not acting in bad faith, stating incongruously that she “was never hiding anything from the Court or the lawyer; it was the debt collector who I was hiding things from.” She clarified that the Funds represented several years of savings when she was working and that she began depositing money into the Provident Account around 2008. Boyle testified that the First Citizens Account was “hacked” in September of 2024, so she closed the account and withdrew the remaining balance of around \$7,800.00 in cash. She testified that she had control of the Funds even though they were in accounts that were in family member’s names. She explained that therefore she never thought of the movement of any funds as a “transfer.” The Court finds that this explanation regarding her understanding of a transfer lacks credibility.

Boyle testified that she has been looking for employment but was still unemployed at the time of the hearing and has no income from any source. She also testified that she loaned a friend about \$4,000.00 in November of 2023 and another \$600.00 in December of 2023, though she did not list this information in her schedules and statements. She elaborated on her prior testimony about her brother putting his debt into her name around 2009, stating that her brother started a

¹⁵ ECF No. 28.

¹⁶ ECF No. 30.

business to flip houses and did not have good credit, wanted to incur debt using her good credit, and promised she could earn income as a partner, so she had agreed to incur joint debt.

No documentary evidence (bank account records or another form) was presented to corroborate Boyle's testimony, schedules and statements were never amended to add omitted information, and there is no dispute that this is not a viable Chapter 13 case. Counsel for the UST asserted conversion is in the best interest of creditors and the estate because there may be assets available, discoverable, or recoverable, by a Chapter 7 trustee. The UST called the Court's attention to the inconsistency between Boyle's high amount of unsecured debt and the fact that she has not been consistently employed, her admissions that she hid assets from creditors pursuing her, and her lack of candor in her schedules and statements. Counsel for the Chapter 13 Trustee supported conversion. Boyle's counsel requested that if the Court finds cause to convert or dismiss, that the case be dismissed, and, more than eight (8) months after this case was filed, almost five (5) months since entry of the Order denying plan confirmation, more than three (3) months after the Motion was filed, and without raising the issue in any pleading before the Court thus far, made an oral motion to dismiss the case under § 1307(b).

APPLICABLE LAW AND DISCUSSION

The Court has jurisdiction over this matter pursuant to [28 U.S.C. §§ 1334](#) and [157](#), this matter is a core proceeding pursuant to [28 U.S.C. § 157\(b\)\(2\)\(A\)](#), and the Court may enter a final order.

Section 1307(c) of the Bankruptcy Code provides, in relevant part, "on request of a party in interest or the United States trustee and after notice and a hearing, the court may convert a case under this chapter to a case under chapter 7 of this title, or may dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, for cause" and provides a non-

exclusive list of examples of “cause,” including “unreasonable delay by the debtor that is prejudicial to creditors” and “denial of confirmation of a plan under section 1325 of this title and denial of a request made for additional time for filing another plan or a modification of a plan”. See [11 U.S.C. § 1307\(c\)](#). Though bad faith is not listed in the statute, courts have recognized that bad faith may constitute “cause” under § 1307(c). *Sugar v. Burnett*, No. 24-1374, [2025 WL 699526](#), at *8 (4th Cir. Mar. 5, 2025) (citing *In re Kestell*, [99 F.3d 146, 148](#) (4th Cir. 1996)). Prepetition bad faith conduct may constitute “cause” under § 1307(c). See *Marrama v. Citizens Bank of Mass.*, [549 U.S. 365, 373](#) (2007) (“Bankruptcy courts . . . routinely treat dismissal for prepetition bad-faith conduct as implicitly authorized by the words ‘for cause.’”). “Bad faith constituting ‘cause’ under § 1307(c) also includes filing inaccurate or misleading schedules.” *In re Niemiec*, [662 B.R. 239, 248](#) (Bankr. D.S.C. 2024) (citing *In re Loper*, No. 08-03646-JW, [2009 WL 9084933](#), at *3 (Bankr. D.S.C. Feb. 18, 2009)); see also *In re Kinsale*, [617 B.R. 58, 67](#) (Bankr. D.S.C. 2020) (quoting *In re Simpson*, [306 B.R. 793, 797-98](#) (Bankr. D.S.C. 2003)) (“Since bankruptcy schedules and statements are carefully designed to elicit certain information necessary for the proper administration of cases, Debtors have a duty to complete these documents thoughtfully and thoroughly.”). “The burden of proof under § 1307(c) of the Bankruptcy Code rests with the moving party.” *Niemiec*, [662 B.R. at 248](#) (quoting *In re White*, [542 B.R. 762, 771](#) (Bankr. E.D. Va. 2015)).

Upon conversion, a disinterested person would be appointed as a trustee who is responsible to, *inter alia*, “collect and reduce to money the property of the estate for which such trustee serves, and close such estate as expeditiously as is compatible with the best interests of parties in interest;” “be accountable for all property received;” “investigate the financial affairs of the debtor;” and “if advisable, oppose the discharge of the debtor”. [11 U.S.C. § 704\(a\)](#). Further, such trustee may take

actions for the benefit of the estate, including to avoid preferential transfers under § 547 and to avoid fraudulent transfers and obligations under § 548, if appropriate. If no non-exempt assets are found, the trustee can abandon any assets and close the case.

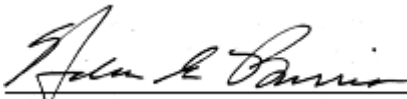
Based on the record before the Court, the UST has met the burden to show cause under § 1307(c). The Court concludes that conversion of this case to Chapter 7 is in the best interests of creditors and the estate. Given Boyle's pre-petition conduct and failure to fully and accurately present her financial situation, and lack of a reasonable explanation for the same, review by a trustee in Chapter 7 is necessary to determine if there are non-exempt assets that can be liquidated for the benefit of creditors, including actions under §§ 547 or 548.

IT IS, THEREFORE, ORDERED the Motion filed by the UST to convert this case to Chapter 7 is granted, and the above-captioned case is converted to one under Chapter 7 of the Bankruptcy Code.

**FILED BY THE COURT
03/19/2025**



Entered: 03/19/2025


Chief US Bankruptcy Judge
District of South Carolina