

# Delaware Court Protects Lenders from Fraudulent Transfer Suit For Payments Made and Collateral Granted on Account of Antecedent Debt

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In an important recent decision, *In re Champion Enterprises Inc.*, the U.S. Bankruptcy Court for the District of Delaware held that payments made and collateral granted on account of valid third-party antecedent debt, while potentially preferential, are per se not a fraudulent transfers. Prior to the Champion decision, courts outside of the Southern District of New York had nearly uniformly applied a more flexible “facts and circumstances test” to such transfers.

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