

UNITED STATES BANKRUPTCY COURT, N.D. GEORGIA

Francis Jarrett and Dameatra Jarrett v. Mohammad Asif
Balagamwala

No. 25-05167, United States Bankruptcy Court, N.D. Georgia (December 22, 2025)

SUMMARY

The United States Bankruptcy Court for the Northern District of Georgia partially granted and partially denied the debtor’s Rule 12(b)(6) motion to dismiss. The court held that the plaintiffs plausibly alleged that a debt arising from a fraudulent transfer and alter-ego liability was nondischargeable under 11 U.S.C. § 523(a)(2)(A), while dismissing their inadequately pleaded objection to discharge under § 727(a). The court allowed the parties thirty days to file dispositive motions.

CASE DETAILS

COURT	United States Bankruptcy Court, N.D. Georgia
WRITING FOR THE COURT	Paul Baisier
JURISDICTION	United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division
DECIDED	December 22, 2025
DOCKET	25-05167
DISPOSITION	affirmed_in_part_and_reversed_in_part
PROCEDURAL POSTURE	Adversary proceeding; Debtor's Rule 12(b)(6) motion to dismiss complaint for determination of dischargeability of debt and objection to discharge.
STANDARD OF REVIEW	Legal sufficiency of the complaint under Federal Rule of Civil Procedure 12(b)(6), applied through Federal Rule of Bankruptcy Procedure 7012(b).
PRECEDENTIAL VALUE	unpublished

TOPICS

- nondischargeable debts
- fraudulent transfer
- motions to dismiss
- bankruptcy
- civil procedure

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether Plaintiffs stated a plausible claim for nondischargeability of debt under 11 U.S.C. § 523(a)(2)(A) based on a state court judgment arising from alleged fraudulent transfer of corporate assets.
2. Whether Plaintiffs stated a plausible claim for objection to discharge under 11 U.S.C. § 727(a).

HOLDINGS

1. Plaintiffs stated a plausible claim for nondischargeability under § 523(a)(2)(A) because the debt arose from Debtor's participation in a fraudulent transfer scheme, which constitutes 'actual fraud' under the statute.
2. Plaintiffs failed to state a plausible claim for objection to discharge under § 727(a) because the complaint contained only a conclusory reference without citing statutory basis or specific factual allegations.

KEY QUOTATIONS

“‘actual fraud’ in § 523(a)(2)(A) encompasses forms of fraud, like fraudulent conveyance schemes, that can be effected without a false representation.” (at 7)

“In short, the [Supreme] Court agreed that § 523(a)(2)(A) cannot apply to the party who fraudulently transferred money because his debt preexisted the fraud.” (at 8)

“while it ‘may be rare,’ id., § 523(a)(2)(A) can apply to the party who received the money because his debt resulted from the fraudulent transfer.” (at 8)

FACTUAL BACKGROUND

Plaintiffs obtained a default judgment against Debtor in state court based on allegations of fraudulent transfer of corporate assets from Greenparts, Inc. to Green Parts International, Inc., an alter ego entity controlled by Debtor, to evade a prior personal injury judgment. The state court judgment awarded \$790,186 in damages, including punitive damages. Plaintiffs initiated this adversary proceeding seeking to have this debt excepted from discharge.

PROCEDURAL HISTORY

Plaintiffs filed a complaint for determination of dischargeability of debt under 11 U.S.C. § 523(a)(2)(A) and objection to discharge under 11 U.S.C. § 727(a). Debtor filed a motion to dismiss under Rule 12(b)(6).

DISPOSITION

affirmed_in_part_and_reversed_in_part

REMAND INSTRUCTIONS

The parties are allowed 30 days from entry of the order to file dispositive motions. If none are filed, the court will hold a status conference to determine whether discovery is needed or the matter should be set for trial on the remaining nondischargeability issue.

CASES CITED

- Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662 (2009)
- Husky Int'l Elecs., Inc. v. Ritz, 578 U.S. 355 (2016)
- PRN Real Estate & Inv., Ltd. v. Cole, 85 F.4th 1324 (11th Cir. 2023)
- In Re Gaddy, 977 F.3d 1051 (11th Cir. 2020)
- Grogan v. Garner, 498 U.S. 279 (1991)

INSTRUCTIONS FOR AN AI ASSISTANT

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