UNITED STATES BANKRUPTCY COURT FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

In re Patricia Bell Muhammad

Case No. 25-80269 (Bankr. M.D.N.C. Mar. 19, 2026) · No. 25-80269 · Decided March 19, 2026

SUMMARY

The United States Bankruptcy Court for the Middle District of North Carolina denied Patricia Bell Muhammad's motion for sanctions under 11 U.S.C. § 362(k), holding that the North Carolina Division of Motor Vehicles did not violate the automatic stay by revoking and refusing to reinstate her vehicle registration. The court concluded that the revocation was not an attempt to collect a prepetition debt and was independently authorized under North Carolina's Vehicle Financial Responsibility Act. The court further held that the DMV's actions fell within the Bankruptcy Code's exception for governmental units enforcing police or regulatory power under § 362(b)(4).

CASE DETAILS

COURT	United States Bankruptcy Court for the Middle District of North Carolina
WRITING FOR THE COURT	Mansori James
JURISDICTION	United States Bankruptcy Court for the Middle District of North Carolina, Durham Division
DECIDED	March 19, 2026
DOCKET	25-80269
DISPOSITION	other
PROCEDURAL POSTURE	The Chapter 7 debtor moved for an order compelling the North Carolina Division of Motor Vehicles to cease an alleged automatic-stay violation, rescind the revocation of her vehicle registration, and award sanctions and damages under 11 U.S.C. § 362(k). The bankruptcy court denied the motion.
STANDARD OF REVIEW	The debtor bears the burden of proving an alleged automatic-stay violation by a preponderance of the evidence. A willful violation requires knowledge of the bankruptcy filing and an intentional act. The court applied an objective, purpose-based inquiry to determine whether NCDMV's conduct fell within the police-or-regulatory-power exception.

PRECEDENTIAL VALUE	Unknown; bankruptcy court order with no reported citation
PARTIES	Patricia Bell Muhammad v. North Carolina Department of Transportation, Division of Motor Vehicles

TOPICS

automatic stay · chapter 7 · bankruptcy · remedies · administrative law

PRACTICE AREAS

bankruptcy · automatic stay · administrative law · remedies

QUESTIONS PRESENTED

1. Whether NCDMV's postpetition revocation of the debtor's vehicle registration violated the automatic stay by constituting an act to collect, assess, or recover a prepetition claim under 11 U.S.C. § 362(a)(6).
2. Whether the revocation violated the automatic stay by exercising control over property of the estate under 11 U.S.C. § 362(a)(3).
3. Whether NCDMV's enforcement of North Carolina's vehicle-financial-responsibility statute was excepted from the automatic stay under 11 U.S.C. § 362(b)(4)'s police-or-regulatory-power exception.

HOLDINGS

1. NCDMV did not violate § 362(a)(6) because the registration revocation was not an attempt to collect a prepetition debt. The revocation resulted from the debtor's failure to respond to the statutory notice and was independent of the civil penalty.
2. Even assuming the debtor's vehicle registration and license plate could be construed as property of the estate, NCDMV's revocation and refusal to reinstate the registration were excepted from the stay under § 362(b)(4).

KEY QUOTATIONS

> *"The inquiry is objective: we examine the purpose of the law that the state seeks to enforce rather than the state's intent in enforcing the law in a particular case."* (Discussion)

> *"Therefore, NCDMV's enforcement of N.C. Gen. Stat. § 20-311 by revoking, and refusing to reinstate, the Debtor's registration is excepted from the automatic stay as action taken to enforce a governmental unit's "police or regulatory power.""* (Discussion)

FACTUAL BACKGROUND

NCDMV received notice that Muhammad's vehicle-insurance policy had terminated on September 14, 2025, followed by notice that new insurance became effective on September 17, 2025. NCDMV sent her a statutory notice on October 17, 2025, requiring a response concerning the lapse, but she did not respond. After a statutory response period and an additional grace period, NCDMV assessed a civil penalty and revoked her vehicle registration on November 17, 2025, after the bankruptcy petition had been filed. Muhammad argued that the revocation was an effort to collect a prepetition penalty or exercise control over estate property; NCDMV maintained that it was enforcing North Carolina's vehicle-financial-responsibility laws.

PROCEDURAL HISTORY

Muhammad filed a voluntary Chapter 7 petition on November 3, 2025. NCDMV revoked her vehicle registration on November 17, 2025, after she failed to respond to a statutory notice concerning a lapse in motor-vehicle liability insurance. She filed the sanctions motion on December 29, 2025; following NCDMV's objection and a March 5, 2026 hearing, the court denied the motion in its entirety.

DISPOSITION

other

CASES CITED

- Houck v. Substitute Trustee Services, Inc., 791 F.3d 473, 480–81, 484 (4th Cir. 2015)
- In re Kuehn, 563 F.3d 289, 292–94 (7th Cir. 2009)
- In re Franklin, 614 B.R. 534, 544 (Bankr. M.D.N.C. 2020)
- In re Hightower, 542 B.R. 738, 747 (Bankr. M.D.N.C. 2015)
- Clayton v. King (In re Clayton), 235 B.R. 801, 806 (Bankr. M.D.N.C. 1998)
- Milk Industry Regulatory Office v. Ruiz (In re Ruiz), 122 F.4th 1, 13 (1st Cir. 2024)
- In re Universal Life Church, Inc., 128 F.3d 1294, 1297 (9th Cir. 1997)
- Safety-Kleen, Inc. v. Wyche, 274 F.3d 846, 865 (4th Cir. 2001)
- Harrelson v. State Farm Mutual Automobile Insurance Co., 158 S.E.2d 812, 818 (N.C. 1968)
- Jones v. State Farm Mutual Automobile Insurance Co., 155 S.E.2d 118, 123 (N.C. 1967)