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Preference Actions: What Is the Ordinary Course of Business Defense?

Creditor's Rights Toolkit

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The Bankruptcy Code's Section 547(b) allows a trustee to recover property given to a creditor by a debtor, a process known as a preference action. However, Section 547(c)(2) provides a defense known as the ordinary course of business, which safeguards regular transactions between debtor and creditor. This defense is evaluated based on various factors including the debtor-creditor relationship, payment history, industry norms, and the creditor's responsibility to prove the transfer aligns with ordinary business practices.

This article discusses what to remember when using the ordinary course of business defense during a bankruptcy case. To access this article and read other insights from our Creditor's Rights Toolkit, [please click here](#).

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