

## Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

**SUPREME COURT OF THE UNITED STATES**

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COHEN v. DE LA CRUZ ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR  
THE THIRD CIRCUIT

No. 96–1923. Argued January 20, 1998– Decided March 24, 1998

After the local rent control administrator ordered petitioner to refund \$31,382.50 in excessive rents he had charged respondent tenants, he sought to discharge his debts under Chapter 7 of the Bankruptcy Code. The tenants filed an adversary proceeding, arguing that the debt owed to them was nondischargeable under §523(a)(2)(A) of the Code, which excepts from discharge “any debt . . . for money, property, services, or an extension, renewal, or refinancing of credit, to the extent obtained by . . . actual fraud.” They also sought treble damages, attorney’s fees, and costs under the New Jersey Consumer Fraud Act. The Bankruptcy Court ruled in their favor, finding that petitioner had committed “actual fraud” within the meaning of §523(a)(2)(A) and that his conduct violated the New Jersey law. The court therefore awarded the tenants treble damages totaling \$94,147.50, plus attorney’s fees and costs. The District Court affirmed, as did the Third Circuit, which held that debts resulting from fraud are nondischargeable in their entirety under §523(a)(2)(A), and that the award of treble damages (plus attorney’s fees and costs) in this case was therefore nondischargeable.

*Held:* Because §523(a)(2)(A) excepts from discharge all liability arising from fraud, treble damages (plus attorney’s fees and costs) awarded on account of the debtor’s fraud fall within the scope of the exception. The most straightforward reading of §523(a)(2)(A) is that it prevents discharge of “any debt” respecting “money, property, services, or . . . credit” that the debtor has fraudulently obtained. See *Field v. Mans*, 516 U. S. 59, 61, 64. First, an obligation to pay treble damages satisfies the threshold condition that it constitute a “debt.” That word is defined as liability on a “claim,” §101(12), which in turn is defined as a “right to payment,” §101(5)(A), which this Court has said means an

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enforceable obligation, *Pennsylvania Dept. of Public Welfare v. Davenport*, 495 U. S. 552, 559. An award of treble damages is an enforceable obligation of the debtor, and the creditor has a corresponding right to payment. Moreover, the phrase “to the extent obtained by” in §523(a)(2)(A) modifies “money, property, services, or . . . credit”—not “any debt”—so that the exception encompasses “any debt . . . for money, property, [etc.], to the extent [that the money, property, etc., is] obtained by” fraud. The phrase thereby makes clear that the share of money, property, etc., so obtained gives rise to a nondischargeable debt. Once it is established that specific money or property has been obtained by fraud, however, “any debt” arising therefrom is excepted from discharge.

The Court rejects petitioner’s argument that a “debt for” money, property, etc., is necessarily limited to the value of the “money, property, services, or . . . credit” the debtor obtained by fraud, such that a restitutionary ceiling would be imposed on the extent to which a debtor’s liability for fraud is nondischargeable. That argument is at odds with the meaning of “debt for” in parallel exceptions to discharge set forth in §523(a), which use “debt for” to mean “debt as a result of,” “debt with respect to,” “debt by reason of,” and the like. The Court’s reading of §523(a)(2)(A) is also reinforced by the fraud exception’s history. Moreover, §523(a)’s various exceptions from discharge reflect Congress’ conclusion that the creditors’ interest in recovering full payment of debts in these categories outweighs the debtors’ interest in a complete fresh start, see *Grogan v. Garner*, 498 U. S. 279, 287. But petitioner’s construction of the fraud exception would leave creditors short of being made whole whenever the loss to the creditor from the fraud exceeds the value obtained by the debtor. Because, under New Jersey law, the debt for fraudulently obtaining \$31,382.50 in rent payments includes treble damages and attorney’s fees and costs, petitioner’s entire debt of \$94,147.50 (plus attorney’s fees and costs) is nondischargeable in bankruptcy. Pp. 4–10.

106 F. 3d 52, affirmed.

O’CONNOR, J., delivered the opinion for a unanimous Court.