

IN RE SUNDALE, LTD., Debtor
Case No. 07-21016-BKC-LMI

The Debtor contested a secured creditor's entitlement to post-petition default interest, arguing the rate was a disguised penalty, which is unenforceable under Florida law and 11 U.S.C. §506(b), and that the rate was unreasonable. The Court found no basis for deeming the default interest to be a penalty. Further, the Court found that such interest was allowed under the loan documents and under Florida law. State law not only allows default interest, but prohibits a court from modifying unambiguous and undisputed terms in a contract.

Because default interest was allowed under state law, it is similarly permitted pursuant to 11 U.S.C. §506(b), without consideration of whether such interest is reasonable.