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QVC: $5 Billion Confirmation Opinion Highlights the "Quality, Value, and Convenience" of Disinterested Directors

The recent QVC confirmation opinion serves as a powerful reminder that the success or failure of complex restructurings increasingly turns on the processes that a company takes prepetition, often with the aid of independent directors. Prior to the bankruptcy filing, the Debtors established a network of independent directors. The independent directors at each entity were advised by separate counsel and empowered to conduct their own investigations. Their efforts culminated in a global settlement that became the cornerstone of the chapter 11 plan, which was confirmed over the vigorous objections of Preferred Shareholders who attacked the process through which the independent directors reached their global resolution. In rejecting the Preferred Shareholders' arguments, the Court emphasized the independence of the independent fiduciaries, the rigor of their investigations, and the arm's-length nature of the negotiations. Notably, the Court held that the settlement was entitled to business-judgment deference rather than heightened entire-fairness scrutiny. QVC thus joins a growing body of restructuring precedent demonstrating that well-functioning independent director frameworks can create the evidentiary and governance foundation necessary to resolve complex intercompany disputes, preserve value, and secure judicial approval of contested restructuring transactions.

The Bankruptcy Filing and Disputes Over the Intercompany Claim

On July 15, 2026, Judge Alfredo R. Pérez of the United States Bankruptcy Court for the Southern District of Texas (the "Court") confirmed the prepackaged chapter 11 plan of QVC Group, Inc. ("QVCG") and its debtor affiliates (the "Debtors") over the objections of a "vocal minority" of preferred shareholders of QVCG (the "Preferred Shareholders"). The Preferred Shareholders argued that the settlement of intercompany claims that formed the cornerstone of the plan unfairly siphoned value away from QVCG, thereby artificially eliminating the Preferred Shareholders' recovery. However, after undertaking a detailed analysis, Judge Pérez approved the intercompany settlement as fair and equitable under the business judgment standard, emphasizing that it was negotiated at arms' length by disinterested directors at multiple entities that maintained independence from one another. The plan, once consummated, will deleverage one of the world's largest multimedia retail businesses by approximately $5 billion.

Prepetition, the Debtors had installed a network of disinterested directors across their principal entities including, among others, QVCG, QVC, Inc. ("QVC"), and Cornerstone Brands ("Cornerstone"). Each set of directors retained its own counsel and, among other things, embarked on a months-long investigation of potential intercompany claims pursuant to which the directors reviewed tens of thousands of documents, participated in more than twenty-five meetings, and conducted executive interviews. Upon conclusion of the investigations, the independent directors at QVC threatened QVCG with over $3 billion in litigation claims. Ultimately, the independent directors at each entity agreed to a settlement of the alleged intercompany claims. Under the settlement's terms, QVC was granted an allowed $400 million claim against QVCG, which will be settled by a distribution to QVC of all of QVCG's distributable cash along with its equity interest in Cornerstone.

The Preferred Shareholders alleged that the intercompany settlement improperly deprived them of a recovery that otherwise would have been available at the QVCG level. They argued that heightened entire-fairness scrutiny rather than business-judgment review should apply to the Court's review of the settlement and that, under that heightened standard, the settlement should not be approved. According to the Preferred Shareholders, the underlying intercompany claims lacked merit, and the $400 million settlement amount was an arbitrary figure manufactured to facilitate the settlement and wipe out QVCG's equity. In their opinion, the settlement process was "predestined" to favor creditor recovery at their expense, which was a direct result of QVCG's independent directors' capitulation to creditor demands.

The Court Rejects the Preferred Shareholders' Challenge

The Court rejected the Preferred Shareholders' challenges across the board. First, Judge Pérez declined to apply the heightened entire-fairness standard typically associated with conflicted insider transactions. The Court held that business-judgment deference was appropriate because the relevant entities had appointed disinterested fiduciaries represented by separate counsel and the evidence demonstrated a genuinely adversarial negotiating process free from conflicts, collusion, or predetermined outcomes. Applying the traditional Rule 9019 factors to the proposed settlement, the Court concluded that the probable outcomes of the potential litigation were highly uncertain, that any litigation would have been extraordinarily complex and expensive, and that the settlement represented a reasonable exercise of business judgment that overwhelmingly benefitted creditors and maximized estate value. The factual record supporting the Court's conclusions was extensive: at the June 2026 contested confirmation trial, the Debtors presented testimony from multiple disinterested directors along with restructuring, financial, and tax professionals, all of whom the Court found highly credible.

QVC is the latest in a growing line of restructuring decisions highlighting the importance of independent directors in resolving multifaceted, high-value intercompany disputes. This relatively recent development has quickly become a fixture in complex restructurings because it allows potentially contentious claims to be investigated and resolved before the bankruptcy process commences. Addressing these issues before a bankruptcy filing avoids the delay and attendant professional-fee burn often associated with post-petition committee investigations. Here, independent fiduciaries conducted credible investigations, negotiated from genuinely adverse positions, and created a factual record that supported judicial approval of a settlement under the deferential business judgment standard rather than heightened entire fairness review. The Preferred Shareholders have appealed confirmation of the plan and sought a stay of the confirmation order pending their appeal. Judge Pérez denied the request for a stay. The Preferred Shareholders have renewed that request in the District Court, where they will need to convince the District Court that Judge Pérez erred in relying on the business judgment of neutral, independent fiduciaries. Absent a reversal on appeal, QVC provides yet another significant example of independent directors successfully negotiating an intercompany settlement that can become the central pillar of a plan of reorganization confirmed over vigorous objections from parties in interest.

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