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Voyager Bankruptcy: Will Locked Account Holders Receive Their Funds?

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Voyager Bankruptcy: Crypto broker and lender **Voyager Digital (VOYG)** has become the latest victim of the cryptocurrency contagion that began with the collapse of the [Terra ecosystem](#).

Voyager filed for bankruptcy proceedings on 6 July 2022, after the now-defunct crypto hedge fund [Three Arrows Capital \(3AC\) defaulted on a more than \\$650 million worth of loan](#).

Account holders at Voyager were deeply concerned about whether they would ever see their crypto holdings again. Shareholders of Toronto Stock Exchange (TSX)-listed Voyager also had cause to worry, as the company announced it sent a notice to delist from the stock exchange.

Read on for more about the Voyager bankruptcy and relevant VGX coin news leading up to the bankruptcy and for an exploration of what could lie ahead for VGX coin holders and Voyager customers.

Voyager Crypto Bankruptcy: How Many VGX Tokens Will Locked Account Holders Get?

According to Voyager's 6 July press release, account holders with cryptocurrencies in their Voyager accounts will receive a combination of cryptos, proceeds from 3AC recovery, common shares in a newly reorganised company and VGX tokens.

How many VGX tokens will account holders receive? According to Voyager, its plan "contemplates an opportunity" to allow customers to elect the proportion of common equity and crypto they received, subject to maximum thresholds.

However the compensation plan requires court approval and could change based on the ongoing discussions between parties, the company added.

Customers with US dollar deposits in their accounts will receive access to funds after a reconciliation and fraud prevention process is completed with Metropolitan Commercial Bank.

Robert Honeywell, restructuring partner at multinational law firm K&L Gates, speaking to Axios about Voyager said:

“If you look at the plan they filed, they’re still trying to treat this like a broker/dealer bankruptcy, because they put customers in a different class of unsecured creditors. And everyone else is in other classes. In a broker/dealer bankruptcy, customers get priority for their “securities accounts” and everyone else gets what’s left.”

Voyager said on 6 July that it had over \$110m in cash and crypto in hand, which would be used to support day-to-day operations during the bankruptcy process. The company held about \$1.3bn in crypto assets on its platforms and claims of over \$650m against Three Arrows Capital.

Bankruptcy filings showed that several other companies, including Alameda Research, Wintermute Trading and Genesis Global Capital, owed a total of \$1.12bn to Voyager, which included 3AC’s obligations.

Retrieving funds from 3AC may turn into an arduous task for Voyager, after the Singapore-based crypto hedge fund filed a Chapter 15 bankruptcy petition on 1 July. Chapter 15 cases seek complete investigation processes and protection from asset seizures.

Economist and former Forbes contributor Frances Coppola wrote in a blog post:

“But Voyager marketed high-risk investments to retail depositors with promises of safety and (non-existent) insurance. To my mind, this isn’t just bad, it is criminal. But crypto is an unregulated, borderless space. Even if Voyager has lied to its customers and embezzled their funds, it is unclear what if any power national authorities have to hold it to account. And even though there will undoubtedly be a forest of lawsuits, the money is gone.

“Sorry, Voyagers. You are going down with this ship, and no lifeboat will save you.”



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Rise And Fall of Crypto Lender Voyager Digital

Voyager Digital was founded in 2018 as a platform for trading and investing in cryptocurrencies. The company also offered interest to customers for depositing their crypto assets on the platform.

Voyager funded deposit yields as high as 12% annual percentage yield (APY) by lending cryptocurrencies to other companies. The crypto-native company also has its own cryptocurrency called the Voyager Token (VGX).

In September 2021, Voyager listed on the Toronto Stock Exchange. At that time the company was managing assets worth over \$5bn and boasted over 2 million users on its platform.

What is Voyager token? VGX coins are primarily used as reward and loyalty tokens on the Voyager platform. VGX token holders were offered cashback rewards, commission-free trading and interest. As a part of its loyalty programme, the company launched Voyager crypto back rewards, where users were paid in VGX for every trade they executed on the Voyager app.

According to CoinMarketCap, the Voyager token price was around \$0.06 during its early days in July 2017. It hit an all-time high of \$12.54 in January 2018. However, after Voyager's crypto problems grew out of control in 2022, VGX slumped. As of 8 July, the coin was trading 98% below its record high at around \$0.19.

Voyager Bankruptcy Updates: Road to Crash

In June 2022, a number of crypto firms such as [Celsius](#) (CEL) suspended cryptocurrency withdrawals for their customers after facing financial difficulties following the implosion of Terra, the collapse of 3AC and a crash in crypto prices.

Voyager had reassured account holders in a 14 June press release, saying:

“Voyager differentiates itself through a straightforward, low-risk approach to lending and asset management by working with a select group of reputable counterparties, which are all vetted through extensive due diligence by its Risk Committee.”

Voyager CEO Steve Ehrlich had added the company was “well capitalised and in a good position to weather this market cycle and protect customer assets”.

A few days later Voyager Digital received \$200m and 15,000 [bitcoin](#) (BTC) in a credit line from FTX-owned Alameda Research “to safeguard customer assets”.

Voyager’s bankruptcy risk surfaced on 22 June, when the company revealed it had lent 15,250 BTC and \$350m worth of USD coin ([USDC](#)) to collapsed hedge fund 3AC.

On 27 June, Voyager issued a notice of default to 3AC on its failure to repay the loans. By 2 July, Voyager announced that it would be “temporarily suspending” trading, deposits, withdrawals and loyalty rewards and said that it was pursuing all remedies to recover funds from 3AC.

On 6 July, Voyager filed for a voluntary Chapter 11 proceeding in the U.S. Bankruptcy Court of the Southern District of New York.

Two days later, the company said it sent a notice to the TSX requesting the delisting of its common stock.

“The prolonged volatility and contagion in the crypto markets over the past few months, and the default of Three Arrows Capital on a loan from the Company’s subsidiary, Voyager Digital, LLC, require us to take deliberate and decisive action now. The Chapter 11 process provides an efficient and equitable mechanism to maximise recovery,” said Voyager on 6 July.



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FAQs

What does Voyager's bankruptcy mean?

Voyager's ability to function as a company has been put into question after a collapse in crypto prices and the default of over \$650m by Three Arrows Capital.

According to the US Securities Exchange Commission (SEC), filing for protection under the federal bankruptcy laws can help companies make plans to repay their debts. A bankrupt company might use Chapter 11 of the Bankruptcy Code to reorganise its business and try to become profitable again.

How many users does Voyager have?

According to its March quarter earnings report, total verified users on Voyager stood at 3.5 million.

Will I get my frozen crypto back from Voyager?

Voyager has filed a Chapter 11 bankruptcy petition. According to the company, account holders with cryptocurrencies in their Voyager accounts will receive a combination of cryptos, proceeds from Three Arrows Capital recovery, common shares in a newly reorganised company and VGX tokens.

However the compensation plan is subject to court approval and may change depending on ongoing discussions between the parties.