Celsius Network Files For Bankruptcy, Customers Unlikely to Getting Their Money Back



This so-called “crypto winter” will likely continue to be chilly for those hoping to get their money from crypto lender Celsius Network.

On Wednesday, the company filed for Chapter 11 bankruptcy, according to the Washington Post. Celsius had already paused all withdrawals in early June, “due to extreme market conditions.”

“I am confident that when we look back at the history of Celsius, we will see this as a defining moment, where acting with resolve and confidence served the community and

strengthened the future of the company," Alex Mashinsky, CEO and co-founder of Celsius said in a statement on Wednesday.

In Chapter 11 proceedings, a company is given a chance to reorganize its finances while still functioning. However, in those processes, smaller-time investors or shareholders rarely get a return on money back – they're considered lower priority.

That is likely to be the case with Celsius' customers, Adam Levitin, Georgetown law professor and Gordian Crypto Advisors principal, told CNBC.

Jonathan G. Blanco, a founder in the crypto space since 2017 and CEO of NiftMint, told *Entrepreneur* that it was sad organizations like Celsius were not prepared for a market downturn, which contributed to the crypto downturn.

Such companies "gambled too much and it didn't work out the way they wanted it to," he said.

The term "crypto winter" refers to a season of low crypto prices. This particular downturn has been more intense and impacted more people. Bitcoin, for example, had its worst quarter in 11 years in Q2 2022, according to CNBC.

"We want our community to know that our objective continues to be stabilizing our liquidity and operations. This process will take time," the company said in a blog post in June.

Celsius has been called a "Ponzi scheme" in a lawsuit, and several state regulators are looking into the company, *The Washington Post* reported.

Celsius gave people extremely high-interest rates for depositing crypto with them, then lent out the money, which worked for years, bringing it to a $4.1 billion valuation in November 2021, Quartz previously reported.

Representatives for Celsius declined to comment but pointed to

a microsite for the case.

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