



21 March 2002

BANKRUPTCY CRACKDOWN

Today I have introduced into Parliament legislation cracking down on people who try to use bankruptcy as a way to avoid paying their debts.

Bankruptcy should be a last resort for people who have overwhelming debts and need a fresh start. However, some people see it as a way to get out of paying debts they can afford to pay.

The new bankruptcy laws will make it harder for these people to abuse Australia's bankruptcy system.

Changes under the Bankruptcy Legislation Amendment Bill 2002 include:

- a new discretion for Official Receivers to reject a debtor's petition where it appears that the debtor can afford to pay their debts and the petition is an abuse of the bankruptcy system;
- the removal of early discharge provisions that have permitted some people to be bankrupt for only six months;
- the strengthening of trustee powers to object to the discharge from bankruptcy of uncooperative bankrupts after the standard three-year bankruptcy period;
- the confirmation of the Court's power to annul a bankruptcy if the bankruptcy petition was an abuse of process, even if the debtor is insolvent; and
- an increase in the debt agreement income threshold by 50% (to about \$46,800, after tax, to encourage more use of debt agreements as an alternative to bankruptcy).

The Bill will not include the previously proposed mandatory 30-day cooling-off period for people filing for their own bankruptcy.

Consultation with stakeholders in the personal insolvency industry revealed that most believed it would add unnecessary complexity to the system and questioned whether it would significantly reduce the number of avoidable bankruptcies.

These amendments are designed to stop abuses of the bankruptcy system and to encourage people to consider alternatives to bankruptcy such as debt agreements. They address concerns that bankruptcy is 'too easy' and better balance the interests of debtors and creditors.

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21/03/2002