Australian Government
Insolvency and Trustee Service Australia

Profiles of Debtors 2009

Insolvency and Trustee Service Australia
GPO Box 821
Canberra ACT 2601
T: (02) 6270 3403
Internet: www.itsa.gov.au

Contents

INTRODUCTION 3

KEY CHARACTERISTICS 2007 AND 2009 4

BANKRUPTCIES 5

Characteristics of those who became bankrupt

DEBT AGREEMENTS 18

Characteristics of those who entered into debt agreements

PERSONAL INSOLVENCY AGREEMENTS 29

Characteristics of those who entered into personal insolvency agreements

COMPARATIVE RATES OF PERSONAL INSOLVENCY 40

Introduction

The Insolvency and Trustee Service Australia (ITSA) published the inaugural *Profiles of Debtors* in 1998. This publication, which reported on the socio-economic circumstances of insolvent debtors in the 1997 calendar year, was followed up with publications for 2002, 2003, 2005 and 2007. Individually, these documents provide snapshots of debtors' against specific periods in time, and when examined collectively, a valuable resource for examining the change in the circumstances of debtors over time.

The 2009 edition of *Profiles of Debtors* provides the latest update on debtor trends. More general statistical information in relation to bankruptcy is contained in the *Annual Report by the Inspector-General on the operation of the Bankruptcy Act 1966*, which can be found on ITSA's web site, **www.itsa.gov.au.**

Profiles of Debtors 2009 is divided into three sections: bankruptcies, debt agreements and personal insolvency agreements.

BANKRUPTCIES

A person can become bankrupt by filing their own debtor's petition with the Official Receiver or by a sequestration order made by the court on the petition of a creditor.

DEBT AGREEMENTS

Debt agreements provide a relatively simple, low-cost and flexible alternative to bankruptcy, allowing debtors to reach a legally binding arrangement with their creditors for the settlement of debt. A debtor can enter into a debt agreement only if their income, unsecured debts and assets are below the threshold amount as defined in the Bankruptcy Act. The thresholds are updated twice each year and the current figures can be obtained from ITSA's website.

PERSONAL INSOLVENCY AGREEMENTS

Personal insolvency agreements provide a process for debtors to make a proposal which is then voted on by their creditors in a formal meeting. Once the proposal is accepted by special resolution, the proposal is binding on the debtor and all creditors. Personal insolvency agreements are usually administered by registered trustees. The costs of setting up and administering a personal insolvency agreement ordinarily require property of significant value to be available to creditors for it to be cost effective. There are no limits on the level of income, unsecured debt and assets of a debtor who may enter a personal insolvency agreement.

METHODOLOGY

Every debtor who becomes bankrupt or proposes a debt agreement or a personal insolvency agreement is required to lodge a completed Statement of Affairs form with ITSA.

ITSA records information from the Statement of Affairs on its database. The data that is presented in *Profiles of Debtors* 2009 represents all bankrupts and debtors who lodged a Statement of Affairs in the 2009 calendar year.

Note: Throughout this booklet there are references to statistics applicable to the general Australian population. Those statistics were obtained from various publications of the Australian Bureau of Statistics and may relate to periods other than the 2009 year on which this publication is based

Statistics reported in this publication have been rounded to whole numbers using standard rounding conventions. For this reason percentages cited in tables and charts may not always add to 100%.

Key characteristics 2007 and 2009

Table 1: Historical picture of key characteristics of bankrupts, debt agreement debtors and personal insolvency agreement debtors

	Bankrupts		Debt Agreement Debtors		Personal Insolvency Agreement Debtors	
	2009	2007	2009	2007	2009	2007
Number	28 665	25 964	8 559	6 648	642	269
Gender % male	58%	58%	53%	53%	66%	76%
Age (most represented)	40-44 (14%)	35-39 (15%)	25-29 (21%)	15-24 (21%)	35-39 (17%)	35-39 (19%)
Indigenous Australians	2.98%	N/A**	N/A**	N/A**	1.28%	N/A**
% not employed	49%	44%	9%	8%	17%	20%
House property	12%	11%	20%	15%	52%	50%
Main source of information	ITSA (37%)	ITSA (37%)	DAA* (98%)	DAA (98%)	DAA (46%)	DAA (26%)
Income <$30 000	56%	62%	20%	31%	23%	35%
Assets <$1 000	71%	79%	71%	86%	31%	28%
Debt <$20 000	26%	33%	23%	35%	5%	5%

* Debt Agreement Administrator
** Not available

Bankruptcies

Characteristics of those who became bankrupt

KEY FINDINGS OF DEBTORS WHO BECAME BANKRUPT IN 2009

- Twelve percent had an income of less than $10 000 and 44% had an income of between $10 000 and $49 999 during the 12 months prior to their bankruptcy.
- Eleven percent owed less than $10 000 to their unsecured creditors and 46% owed between $10 000 and $49 999.
- 'Unemployment or loss of income' was stated as the single largest cause of non-business related bankruptcies. Business related bankrupts cited 'economic conditions affecting industry'[1] as the largest cause of bankruptcy[2].
- More men (58% of total bankrupts) became bankrupt than women (42% of total bankrupts).
- A total of 2.98% of bankrupts identifed as being Indigenous Australians.
- Fifteen percent of bankrupts had been bankrupt more than once.

FREQUENCY OF BANKRUPTS

A total of 28 665 people became bankrupt in 2009.

Table 2: Ratio of bankrupts to the general population by state or territory

	Population[3]	Number of Bankrupts	Ratio
New South Wales	7 099 700	10 526	1:674
Victoria	5 427 700	6 034	1:900
Queensland	4 406 800	6 973	1:632
South Australia	1 622 700	1 964	1:826
Western Australia	2 236 900	1 917	1:1167
Tasmania	502 600	858	1:586
Northern Territory	224 800	127	1:1770
Australian Capital Territory	351 200	266	1:1320
Australia (a)	21 874 900	28 665	1:763

(a) Includes other Territories comprising Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.

The ratio of bankrupts varies across the states and territories, with Tasmania having the highest frequency and Northern Territory having the lowest. The national ratio of bankrupts is one bankrupt per 763 people compared to one bankruptcy per 812 people in 2007.

1 The causes of bankruptcy cited in this publication are self-attributed by bankrupts and debtors from a list on the Statement of Affairs form and may be shortened throughout for ease of representation. For example 'economic conditions affecting industry' refers to 'economic conditions affecting industry, including competition, credit restrictions, fall in prices or increases in costs'.

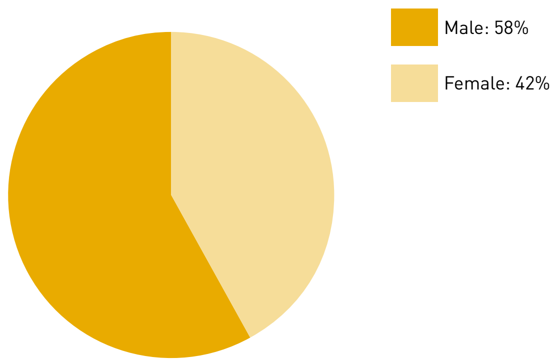
2 Bankruptcies are categorised as either business related or non-business related. In a 'business bankruptcy' the debtor's insolvency was reported as being directly related to the debtor's proprietary interest in a business.

3 National and state population figures are current as at March 2010. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, June 2009.

GENDER

Fifty percent of the Australian population is male[4]. However, 58% of those who became bankrupt in 2009 were male.

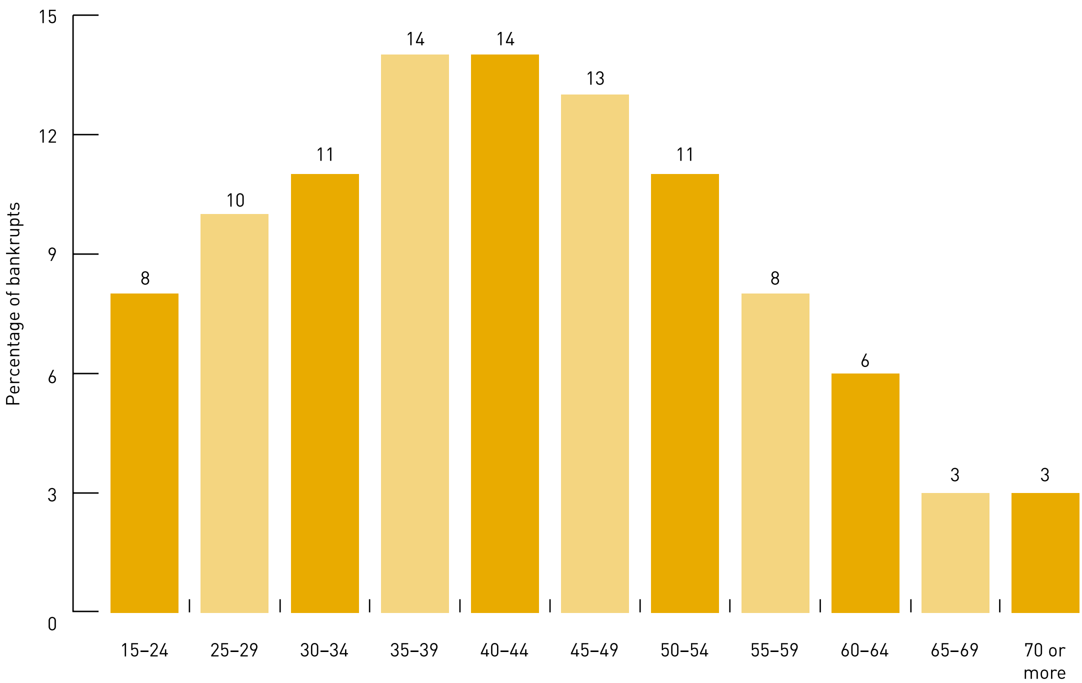
Figure 1: Bankrupts – Gender



AGE

The age distribution of bankrupts in 2009 is shown below.

Figure 2: Bankrupts – Age



4 Current as at March 2010. Source: Australian Bureau of Statistics, 2006 Census QuickStats

Eighteen percent of bankrupts were between the ages of 15 and 29, 25% were between the ages of 30 and 39 and 58% were 40 or over. The corresponding population ratios for the general population were 26%, 17% and 57% respectively[5].

Table 3: Bankrupts – Age distribution by gender

Age	Male	Female
15–24	8%	9%
25–29	9%	10%
30–34	11%	11%
35–39	14%	15%
40–44	14%	13%
45–49	13%	13%
50–54	11%	11%
55–59	8%	7%
60–64	6%	5%
65–69	3%	3%
70 or more	2%	3%

Table 4: Bankrupts – Age distribution compared to general population over 15 years of age

Age	Proportion of population per age group over 15	Proportion of bankrupts
15–24	17%	8%
25–29	9%	10%
30–34	8%	11%
35–39	9%	14%
40–44	9%	14%
45–49	9%	13%
50–54	8%	11%
55–59	7%	8%
60–64	7%	6%
65–69	5%	3%
70 or more	12%	3%

5 National and state population figures are current as at June 2009. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, December 2009

SOURCES OF INFORMATION ABOUT BANKRUPTCY AND ITS ALTERNATIVES

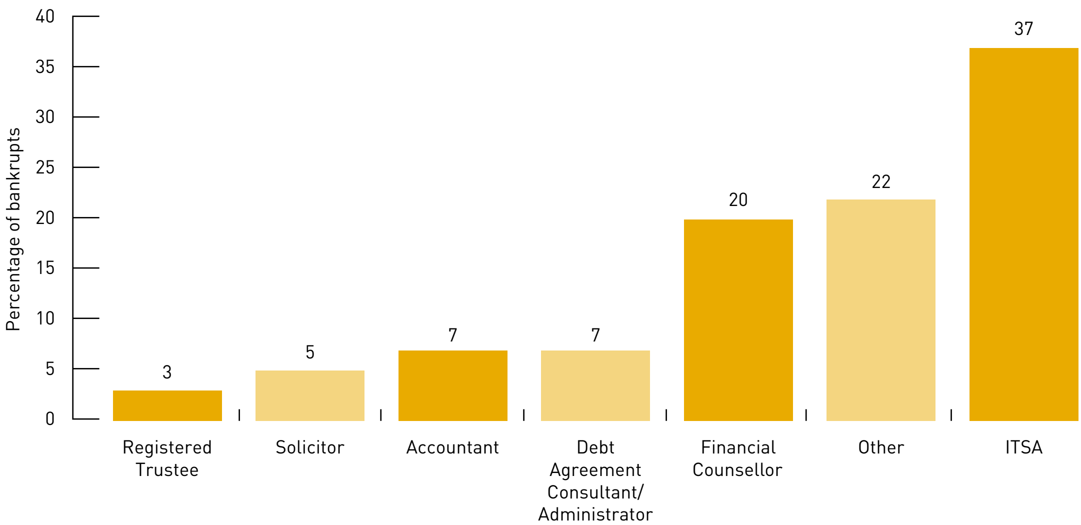
Forty two percent of bankrupts had obtained advice from professional sources, which include financial counsellors, solicitors, accountants, debt agreement administrators or registered trustees. These sources are described as 'professional' because they provide advice on bankruptcy and its alternatives as well as assistance to debtors in re-organising their affairs to help them overcome or prevent financial difficulty in the future. Financial counsellors (20%) were the most common professional source of bankruptcy information in 2009. In 2007, 44% of bankrupts obtained advice from professional sources, with 23% of bankrupts obtaining advice from financial counsellors.

ITSA provides comprehensive information on bankruptcy and its consequences and alternatives, but does not provide financial counselling or information about budgeting, debt management etc.

In 2009, 37% of bankrupts advised that they obtained information from ITSA including information obtained from our website and publications.

Twenty two percent of bankrupts stated that they did not obtain advice from either professional sources or ITSA.

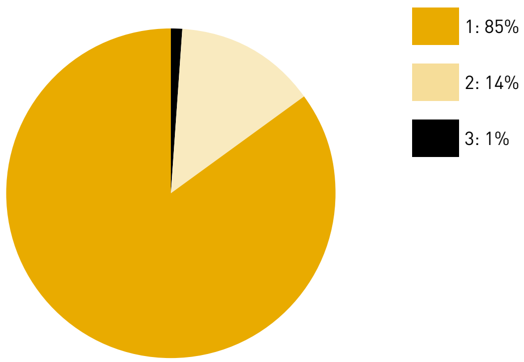
Figure 3: Bankrupts – Sources of information



REPEAT BANKRUPTCIES

Of those who became bankrupt in 2009, 14% had previously been bankrupt once and 1% had previously been bankrupt twice.

Figure 4: Bankrupts – Incidence of bankruptcy

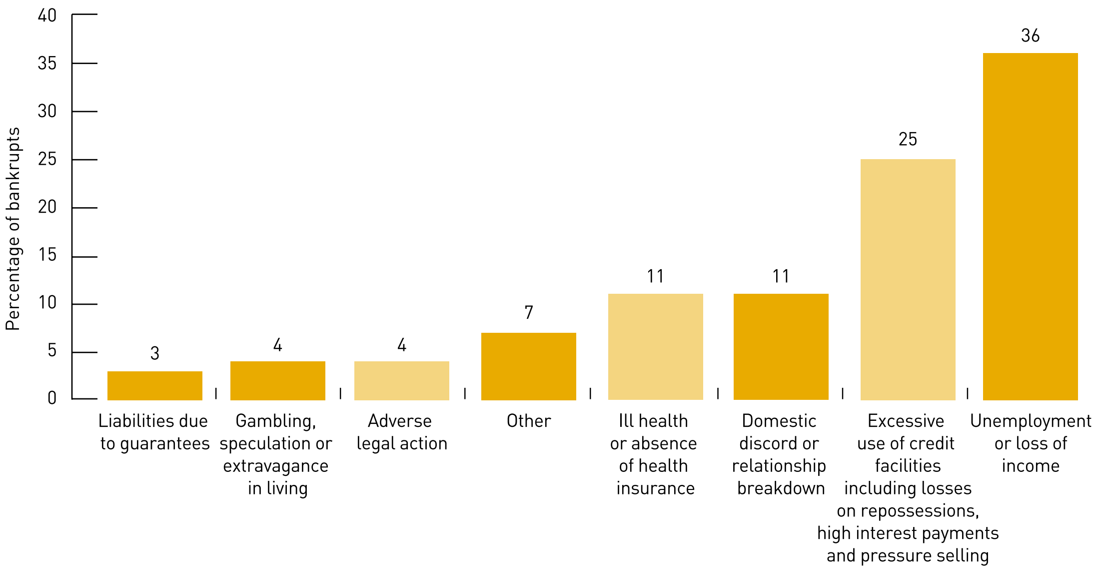


PRIMARY CAUSES OF BANKRUPTCY

During 2009, 'unemployment or loss of income' (36%) was stated as the primary cause for non-business related bankruptcies and 'economic conditions affecting industry' (49%) was stated as the most frequent primary cause for business related bankruptcies. Business related bankruptcies represented 15% of total bankruptcies in 2009[6].

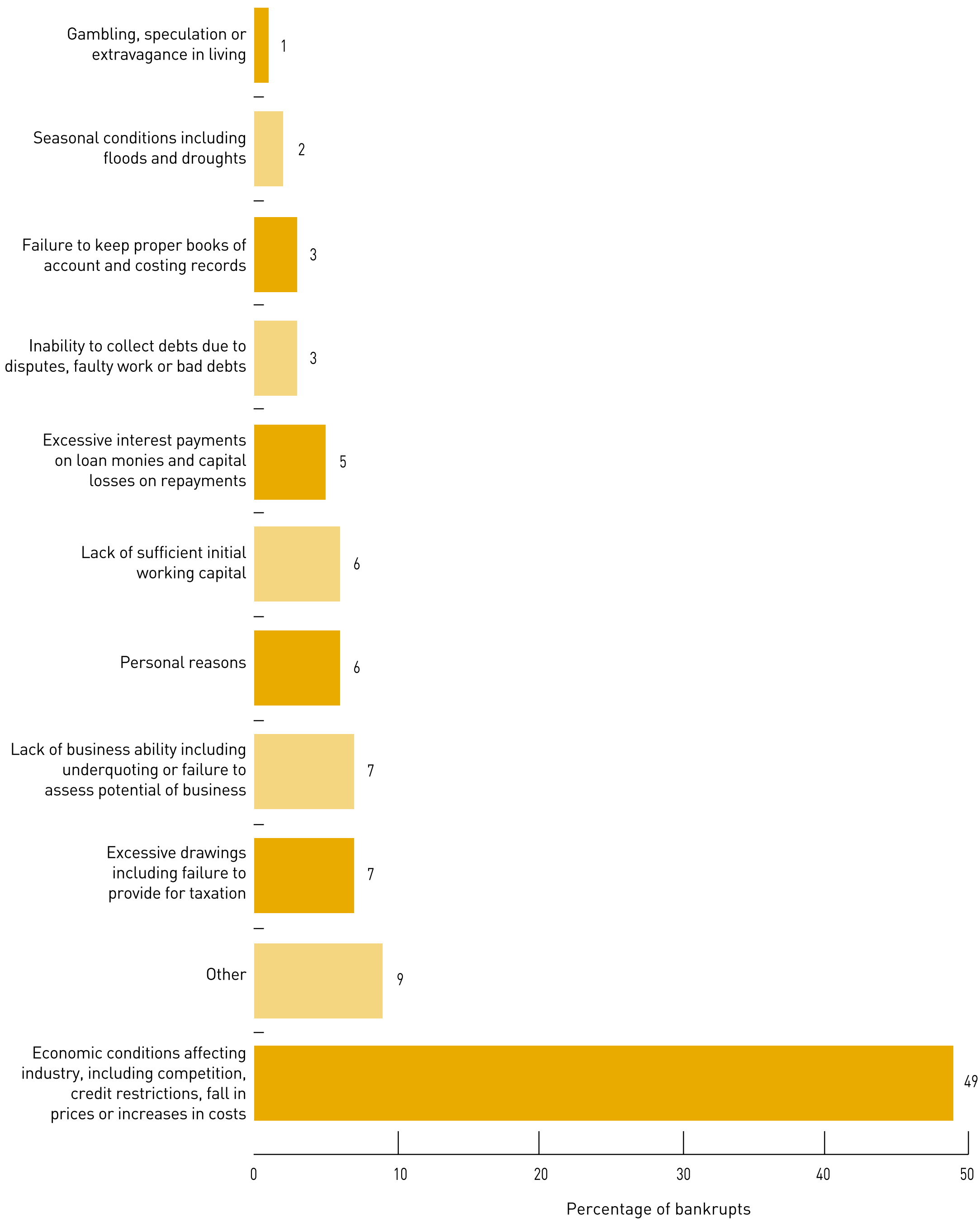
The Statement of Affairs form requires the debtor to select a single 'cause' from a given list. Therefore, the 'causes' of bankruptcy shown below represent debtors' opinions of what best describes the primary reason for becoming bankrupt and not an objectively determined cause of their insolvency.

Figure 5: Bankrupts – Causes (non-business related)



6 The causes of bankruptcy cited in this publication are self attributed by bankrupts from a list on the Statement of Affairs form and may be shortened throughout for ease of representation. For example 'economic conditions affecting industry' refers to 'economic conditions affecting industry, including competition, credit restrictions, fall in prices or increases in costs'.

Figure 6: Bankrupts – Causes (business related)

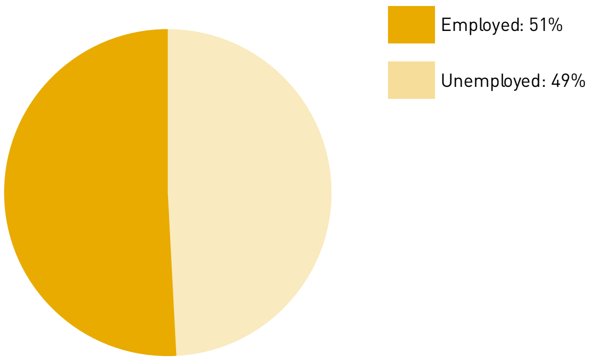


Employment status

Forty nine percent of bankrupts were not employed at the date of bankruptcy (includes unemployed, pensioners, self-funded retirees and those engaged in unpaid domestic duties). Forty seven percent of male bankrupts were not employed, while for women the rate was 53%.

The seasonally adjusted unemployment rate for Australia in June 2009 was 5.8%[7].

Figure 7: Bankrupts – Employment status



INCOME

Bankrupts' income

For the 12 month period immediately prior to bankruptcy, 2% of all bankrupts declared no income, 10% an income of less than $10 000, 44% an income between $10 000 and $29 999, 26% an income between $30 000 and $49 999, 11% an income between $50 000 and $69 999, and 6% declared an income of $70 000 or higher.

Table 5: Bankrupts – Comparative income earned in 12 months prior to bankruptcy

	2009	2007
$0	2%	4%
$1–$9 999	10%	11%
$10 000–$29 999	44%	47%
$30 000–$49 999	26%	25%
$50 000–$69 999	11%	9%
$70 000 or more	6%	4%

Note: All references to income relate to gross income unless stated otherwise.

7 The unemployment rate, in broad terms, is calculated by representing the number unemployed as a percentage of the labour force rather than of the total population – the labour force comprises persons engaged in employment and those seeking employment. As at June 2009 the seasonally adjusted participation rate was 65.3%. Source: Australian Bureau of Statistics, Catalogue number 6202.0 – Labour Force, Australia, March 2010

Bankrupts' household income

Information is collected on the bankrupt's household income (that is, the bankrupt's income and the income of their spouse or partner) from their Statement of Affairs. The proportions of bankrupts whose disclosed household income of less than $10 000, between $10 000 and $19 999 and between $20 000 and $29 999 were 10%, 24% and 16%, respectively.

Table 6 : Bankrupts – Comparative rates of household income		
	2009	2007
$0	2%	3%
$1–$9 999	8%	7%
$10 000–$19 999	24%	23%
$20 000–$29 999	16%	18%
$30 000–$49 999	25%	25%
$50 000–$69 999	13%	13%
$70 000 or more	13%	11%

DEBT LEVEL

Only unsecured debts (debts that are not secured by a mortgage or lien over property) were taken into consideration. Where a bankrupt listed a secured debt, only the amount owing above the estimated value of the security was included.

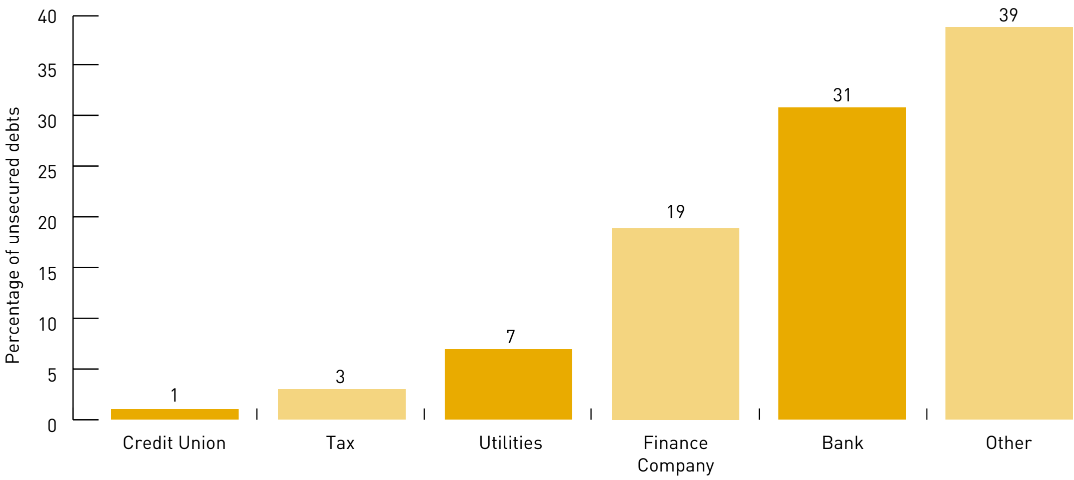
In 2009, 11% of bankrupts owed creditors less than $10 000, 15% owed between $10 000 and $19 999 and 31% owed between $20 000 and $49 999. The proportion of bankrupts that owed creditors more than $100 000 was 23% in 2009. This proportion was 16% in 2007.

Table 7: Bankrupts – Comparative unsecured debt level		
	2009	2007
<$2 000	3%	5%
$2 000–$4 999	2%	3%
$5 000–$9 999	6%	8%
$10 000–$19 999	15%	17%
$20 000–$49 999	31%	32%
$50 000–$99 999	20%	19%
$100 000–$499 999	18%	14%
$500 000 or more	5%	2%

CREDITORS

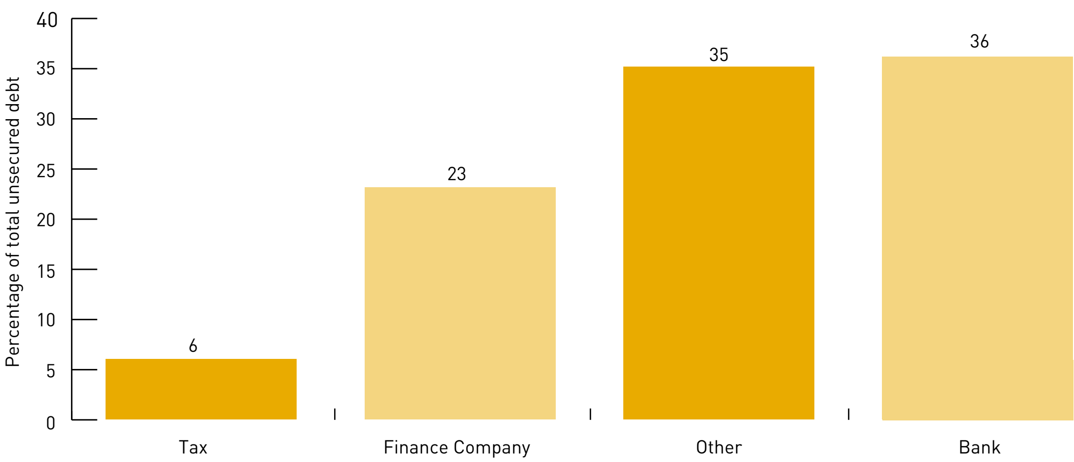
ITSA classifies creditors as banks, building societies, credit unions, finance companies, state housing, tax, utilities (gas, electricity etc) and 'other'. Creditors identified as 'other' may include trade creditors, store accounts, professional fees, medical bills, school fees, family loans and the like.

Figure 8: Bankrupts – Debts owed to creditor categories



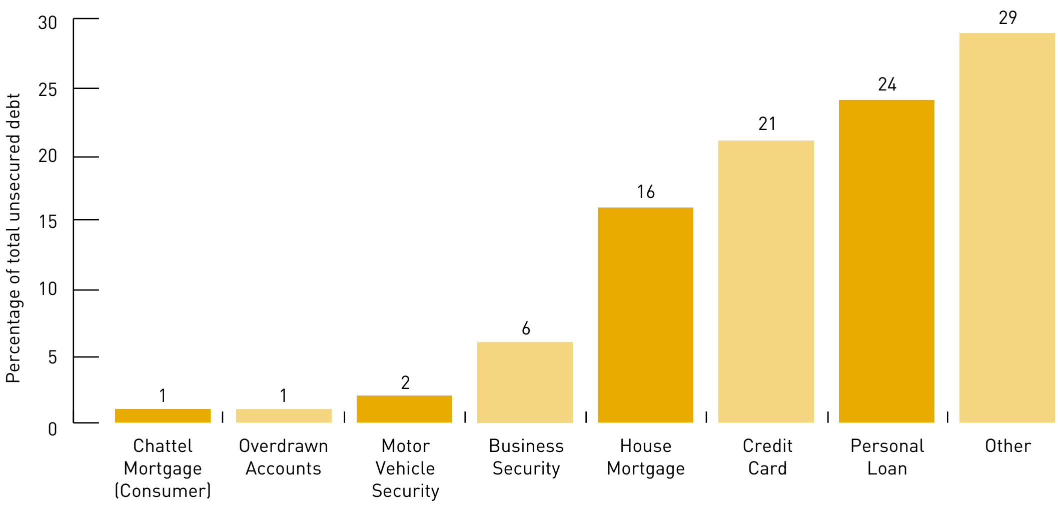
'Other' creditors accounted for 39% of total secured debt in dollar terms followed by banks at 31%. Finance companies accounted for 19% of total unsecured debt and tax accounted for 3%.

Figure 9: Bankrupts – Proportion of unsecured liability owed to different creditor types



All liability amounts refer only to the amount of net unsecured debt owed by the debtor. The greatest proportion of liabilities were represented in the 'other' category (28%) and personal loans (23%). Liabilities relating to 'Motor Vehicle Security' and 'House Mortgage' refer to debts where the amount owing exceeded the value of the security.

Figure 10: Bankrupts – Proportion of unsecured liability owed to financial institutions



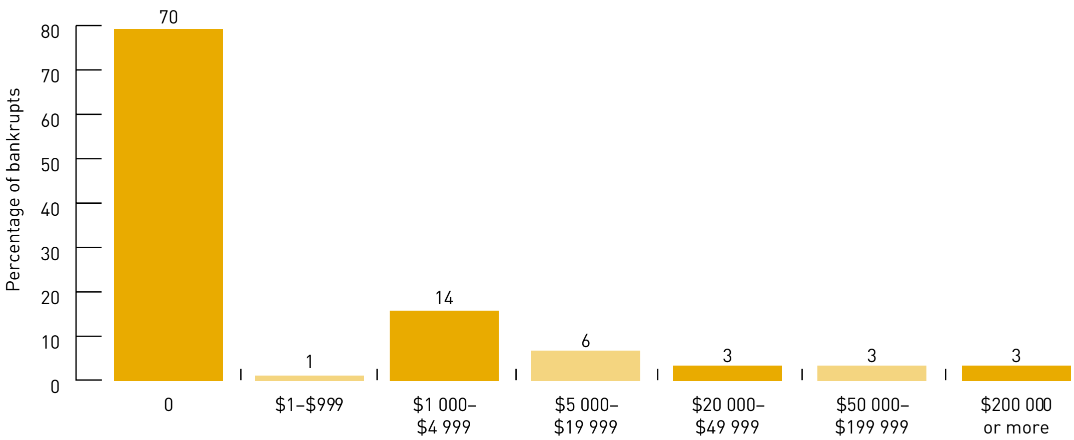
Note: Only financial institutions are displayed in this figure as other creditor types represented in Figure 8 do not generally have sub-types which reflect the type of debt owed.

ASSETS

Seventy percent of all bankrupts disclosed no 'divisible' or 'realisable' assets [8], this figure was 78% in 2007. Fourteen percent of bankrupts disclosed divisible assets between $1 000 and $4 999 in 2009. The proportion of bankrupts with this range of divisible assets in 2007 was 7%.

These assets are available to the trustee to sell (realise) to produce funds to pay creditors.

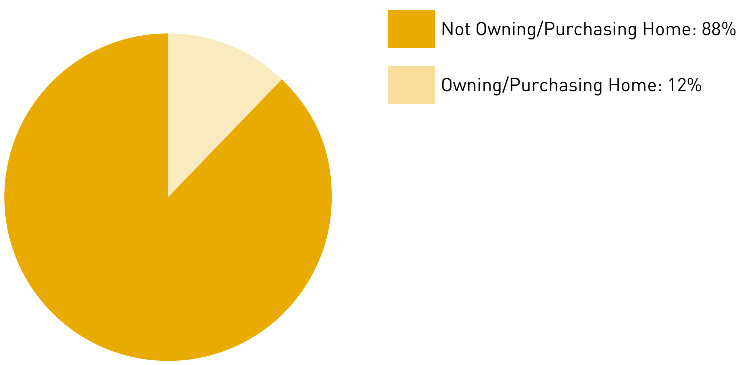
Figure 11: Bankrupts – Realisable assets



HOME OWNERSHIP

Twelve percent of bankrupts disclosed a house property (including their residence and/or other real estate) at the date of bankruptcy.

Figure 12: Bankrupts – Home ownership

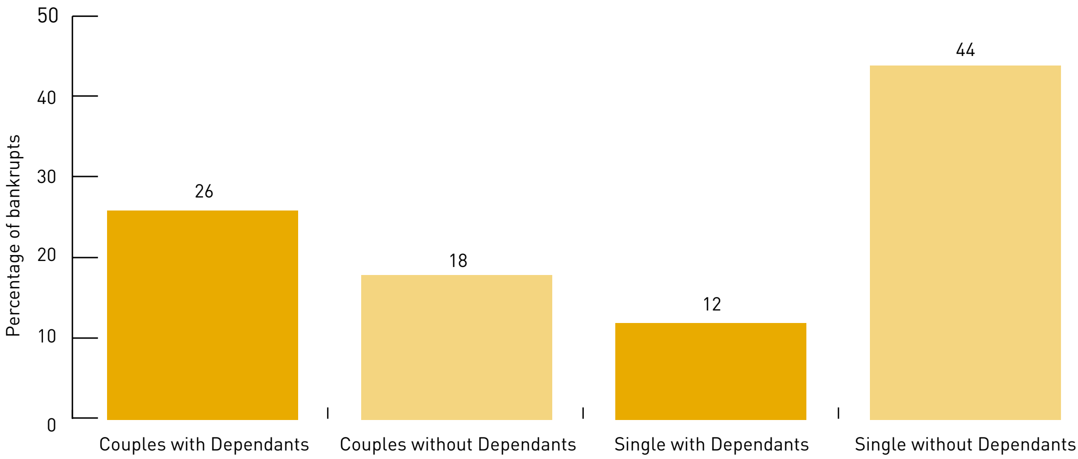


8 The Bankruptcy Act provides that some assets are 'non-divisible' and may not be seized and sold for the benefit of creditors. Examples include a motor vehicle up to a value of $6 700 (indexed), normal clothing, household furniture and most superannuation. These 'non-divisible' assets are not taken into account when determining the realisable assets of a debtor entering into bankruptcy, a debt agreement or a personal insolvency agreement.

FAMILY SITUATION

Forty four percent of bankrupts were single without dependants. This represents the largest group of bankrupts and is followed by bankrupts who are members of couples (ie married, de facto or same-sex partners) with dependants and couples without dependants, at 26% and 18% respectively. Bankrupts who are single with dependants constitute 12% of total bankrupts.

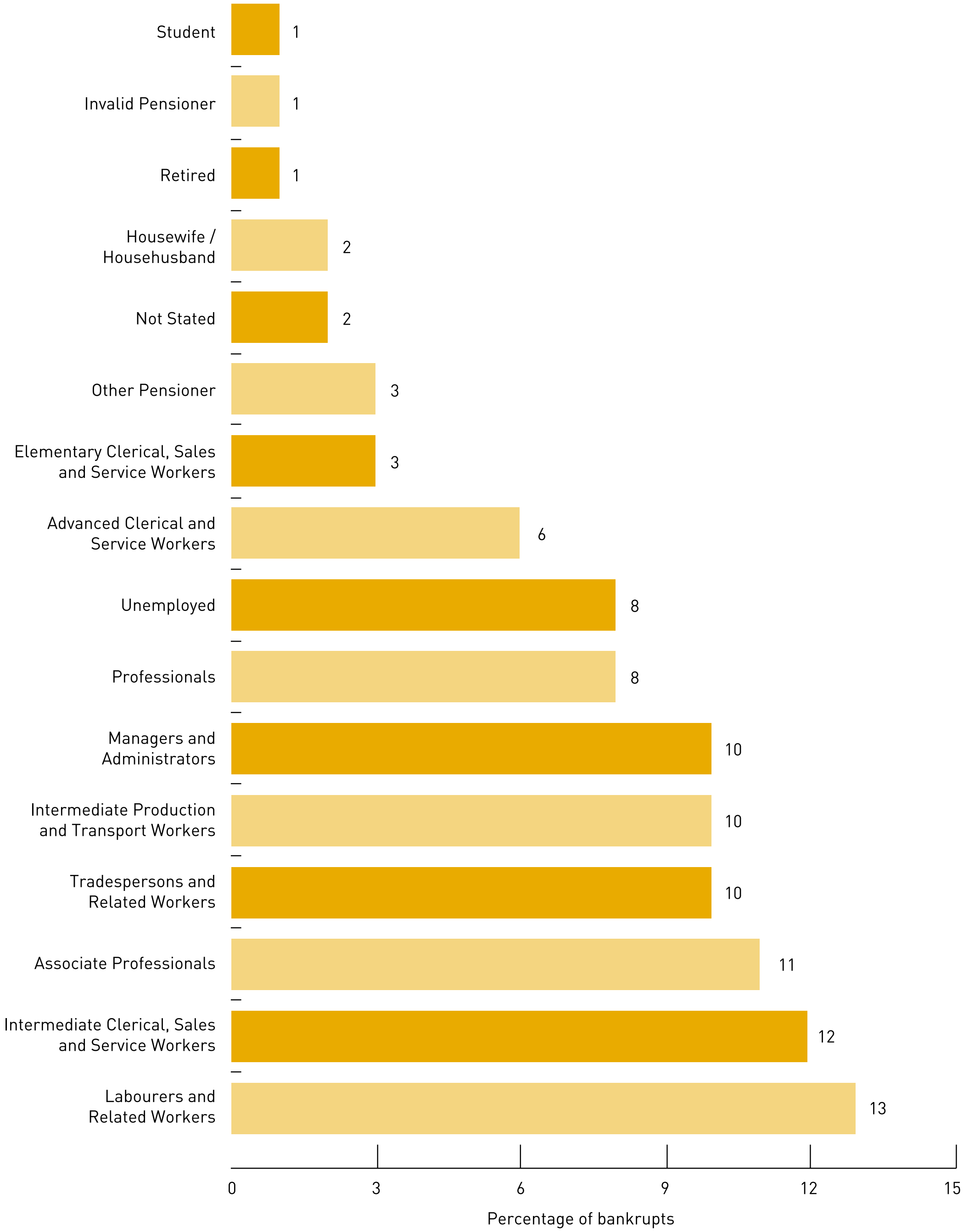
Figure 13: Bankrupts – Family situation



OCCUPATION

Figure 14 provides details of the occupations of bankrupts for 2009 by occupational group[9].

Figure 14: Bankrupts – Occupation



Note: In this figure, the occupational group 'unemployed' is not the same as employment status shown in Figure 7. Employment status represents the status at the date of bankruptcy, whereas occupation relates to the bankrupt's usual profession.

9 The occupations of bankrupts and debtors are self-attributed and are subsequently classified by ITSA using the Australian Standard Classification of Occupations (ASCO). On 1 July 2009, the Australian Bureau of Statistics replaced ASCO with the Australian and New Zealand Standard Classification of Occupations (ANZSCO). The 2009 edition of Profile of Debtors reports occupations exclusively in ASCO to avoid having to split the calendar year data between two tables.

Debt agreements

Characteristics of those who entered into debt agreements

KEY FINDINGS OF DEBTORS WHO ENTERED INTO DEBT AGREEMENTS IN 2009

- Twenty percent expected to earn a gross income of less than $30 000 in the 12 months after entering into the debt agreement.
- Four percent owed unsecured creditors less than $10 000, with 19% owing between $10 000 and $19 999.
- 'Unemployment or loss of income' was listed by debtors as the main cause of non-business related debt agreements. 'Other' reasons was the largest attributed cause for business related debt agreements[10].
- More men (53% of total debt agreements) entered into debt agreements than women (47% of total debt agreements).

FREQUENCY OF DEBTORS ENTERING INTO DEBT AGREEMENTS

A total of 8 559 debtors entered into debt agreements in 2009.

Table 8: Ratio of debt agreement debtors to the general population by state or territory [11]

	Population	Number of debt agreements	Ratio
New South Wales	7 099 700	2 824	1:2514
Victoria	5 427 700	2 228	1:2436
Queensland	4 406 800	2 129	1:2070
South Australia	1 622 700	296	1:5482
Western Australia	2 236 900	699	1:3200
Tasmania	502 600	59	1:2285
Northern Territory	224 800	55	1:3810
Australian Capital Territory	351 200	104	1:3377
Australia (a)	21 874 900	8 559	1:2555

(a) Includes other Territories comprising Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.

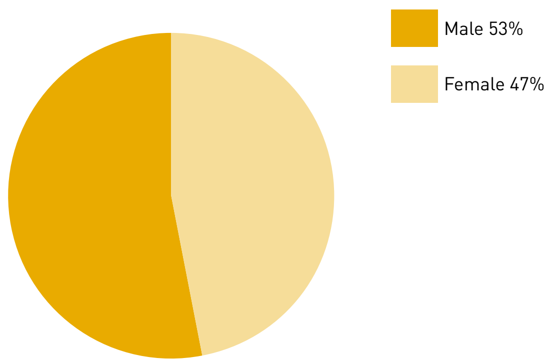
10 The causes of insolvency cited in this publication are self attributed by debtors from a list on the Statement of Affairs form and may be shortened throughout for ease of representation. For example 'economic conditions affecting industry' refers to 'economic conditions affecting industry, including competition, credit restrictions, fall in prices or increases in costs'.

11 National and state population figures are current as at March 2010. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, June 2009.

GENDER

Fifty three percent of those who entered into debt agreements in 2009 were male.

Figure 15: Debt agreements – Gender

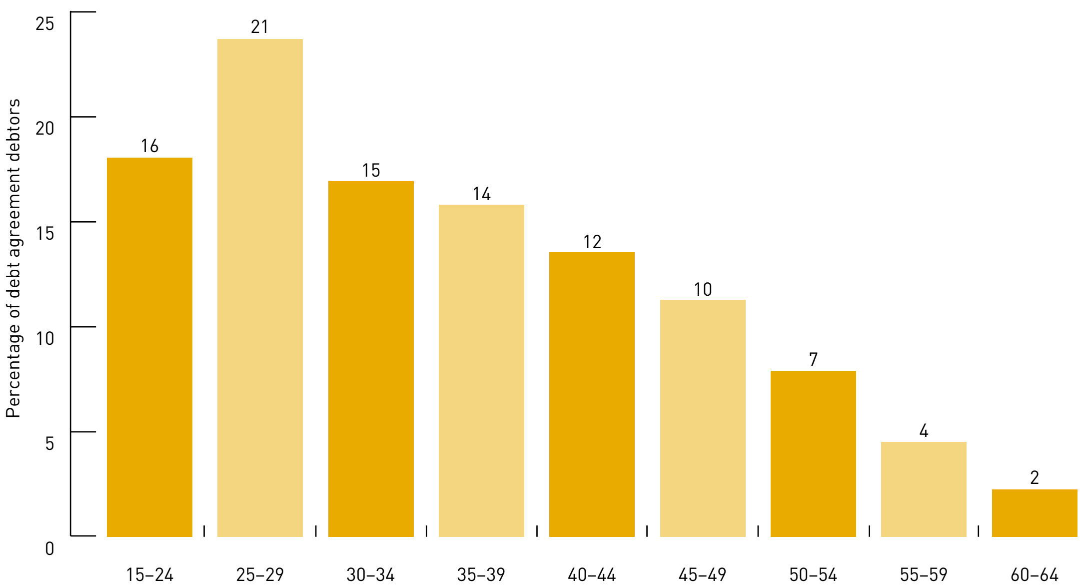


AGE

The age profile of debtors entering into debt agreements in 2009 is shown below.

Of all debt agreement debtors in 2009, 37% were between the ages of 15 and 29, 29% were between the ages of 30 and 39 and 35% were 40 or over. The corresponding population ratios for the general population were 26%, 17% and 57% respectively[12].

Figure 16: Debt agreements – Age



12 National and state population figures are current as at March 2010. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, June 2009.

Table 9: Debt agreements – Age distribution by gender		
Age	Male	Female
15–24	16%	17%
25–29	21%	20%
30–34	16%	14%
35–39	14%	14%
40–44	12%	12%
45–49	10%	9%
50–54	6%	8%
55–59	4%	3%
60–64	2%	2%
65–69	1%	0%

Table 10: Debt agreements – Age distribution of debt agreement debtors compared to general population over 15 years of age		
Age	Proportion of population over 15	Proportion of Debt Agreements
15–24	17%	16%
25–29	9%	21%
30–34	8%	15%
35–39	9%	14%
40–44	9%	12%
45–49	9%	10%
50–54	8%	7%
55–59	7%	4%
60–64	7%	2%
65–69	5%	0%
70 or more	12%	0%

SOURCES OF INFORMATION

Almost all debt agreements are administered by professional administrators (that is, not by the debtor, their family, a friend or creditor). Debt agreement administrators were the major source of advice for those who entered debt agreements in 2009 (98%).

PRIMARY CAUSES OF INSOLVENCY

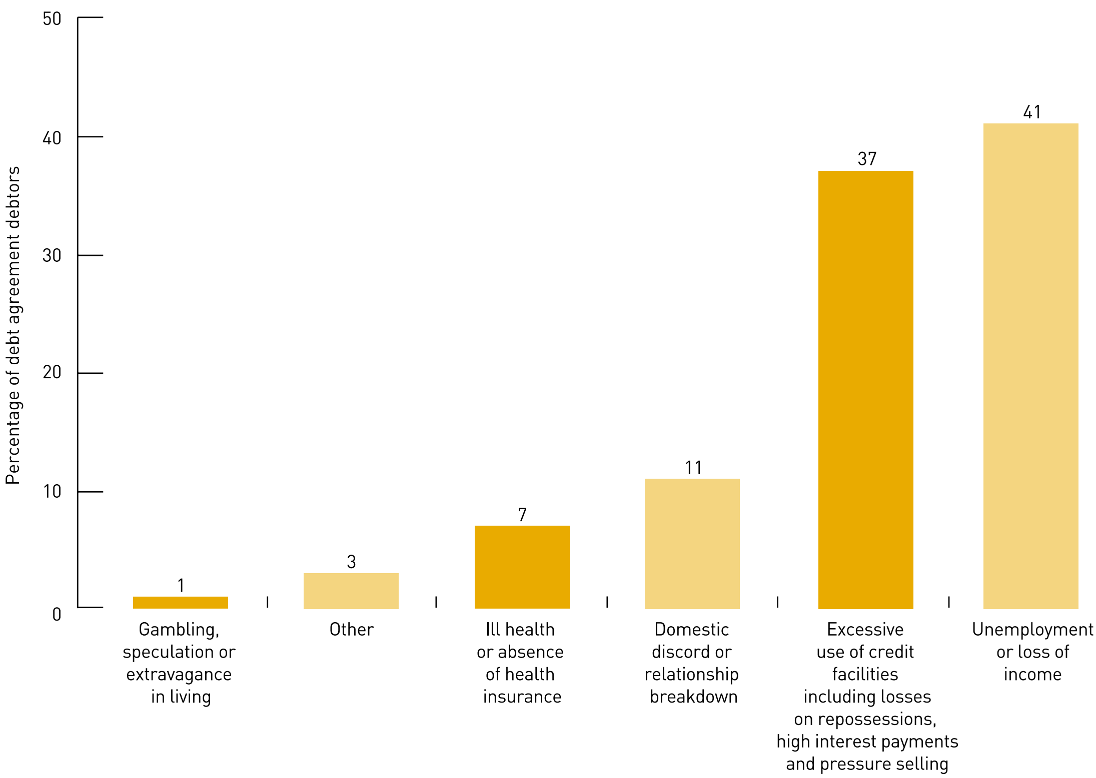
For non-business related debt agreements, 'unemployment or loss of income' was disclosed as the most frequent primary cause of insolvency at 41%, followed by 'excessive use of credit' and 'domestic discord' at 37% and 11% respectively[13].

For business related debt agreements, 'other' reasons was disclosed as the most frequent primary cause of insolvency at 43%, followed by 'economic conditions' and 'personal reasons' at 14% and 13% respectively.

Business related debt agreements represented 5% of total debt agreements in 2009.

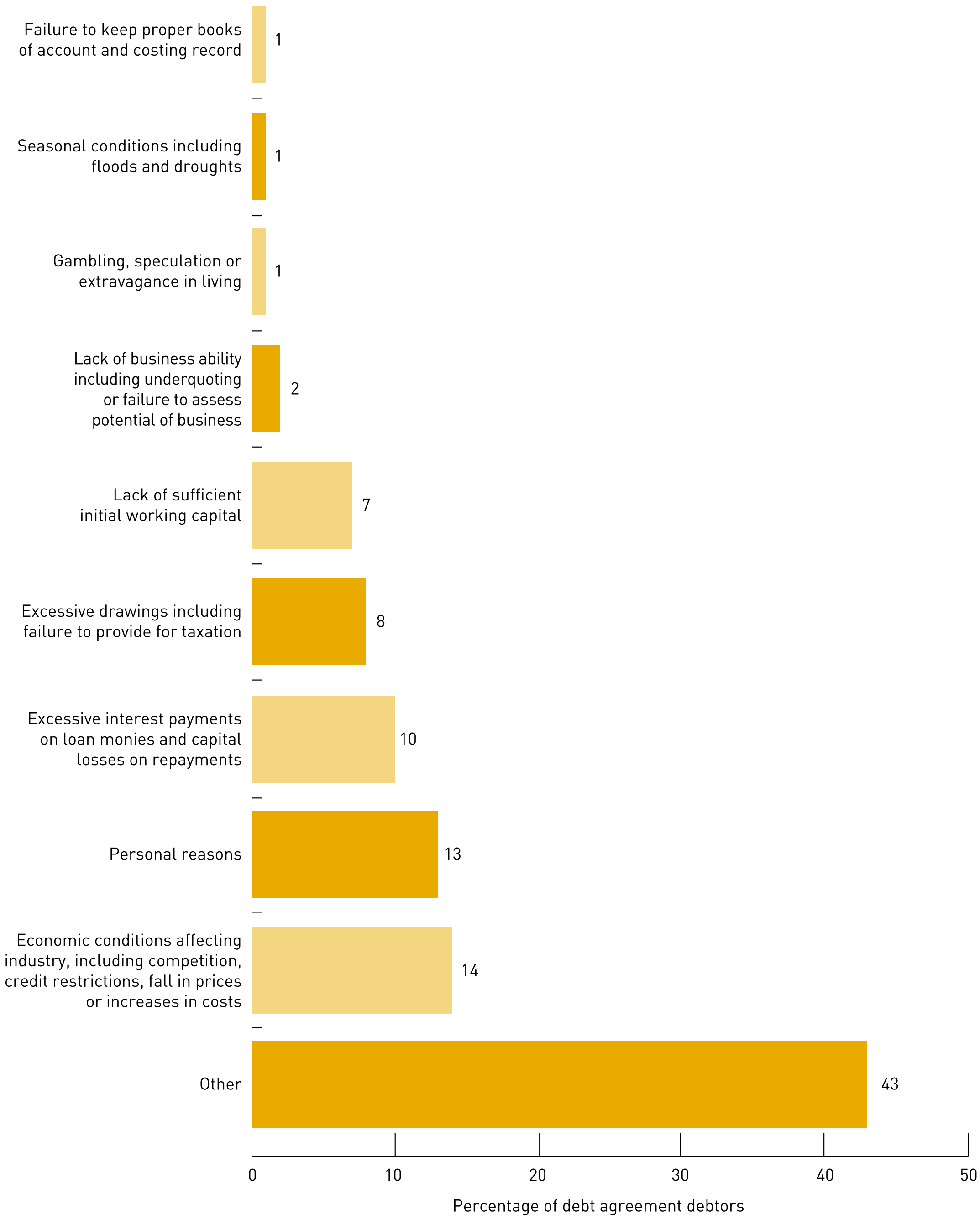
The Statement of Affairs form requires the debtor to select a 'cause' from a given list. Therefore, the 'causes' shown below represent debtors' opinions of what best describes their primary reason for becoming insolvent and not an objectively determined cause of their insolvency.

Figure 17: Debt agreements – Causes (non-business related)



13 The causes of insolvency cited in this publication are self-attributed by debtors from a list on the Statement of Affairs form and may be shortened throughout for ease of representation. For example 'economic conditions affecting industry' refers to 'economic conditions affecting industry, including competition, credit restrictions, fall in prices or increases in costs'.

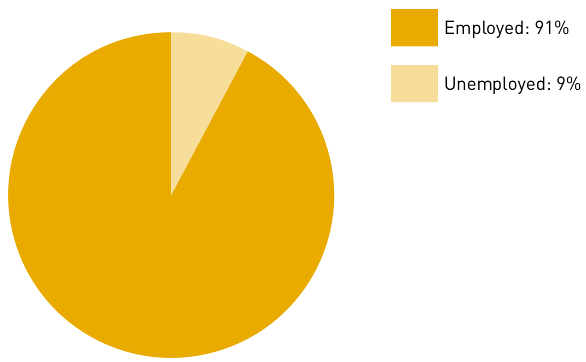
Figure 18: Debt agreements – Causes (business related)



EMPLOYMENT STATUS

Ninety one percent of debtors who entered into a debt agreement were employed, compared with 51% of those who became bankrupt.

Figure 19: Debt agreements – Employment status



INCOME

Debtors' income

The after-tax income of debt agreement debtors must be below a threshold and applies to the expected earnings of a debt agreement debtor in the 12 month period after entering a debt agreement[14].

Three percent of debtors expected a pre-tax income of less than $10 000, 17% expected a pre-tax income of between $10 000 and $29 999, 50% expected a pre-tax income between $30 000 and $49 999, 32% expected a pre-tax income of $50 000 or more.

Table 11: Debt agreements – Comparative income expected to be earned in 12 months after entering debt agreement

	2009	2007
$0	1%	0%
$1–$9 999	2%	2%
$10 000–$29 999	17%	29%
$30 000–$49 999	50%	52%
$50 000 or more	32%	17%

14 The income, debt and asset threshold amounts for entry into a debt agreement are indexed twice yearly in March and September. At the end of 2009, the threshold for after-tax income was $63 363.30.

Debtors' household income

One percent of households with debt agreement debtors expected to earn less than $10 000. A debtor's household income includes the debtor's income and the income of their spouse or partner as shown on their Statement of Affairs.

Table 12: Debt agreements – Comparative household income

	2009	2007
$0	0%	0%
$1–$9 999	1%	1%
$10 000–$19 999	4%	7%
$20 000–$29 999	9%	18%
$30 000–$49 999	34%	37%
$50 000–$69 999	26%	21%
$70 000 or more	26%	15%

DEBT LEVEL

Only unsecured debts were taken into consideration. A debtor is not eligible to propose a debt agreement if their unsecured debts exceed a threshold[15].

Four percent of debtors owed creditors less than $10 000 and 19% owed between $10 000 and $19 999, while 56% owed between $20 000 and $49 999.

Table 13: Debt agreements – Comparative unsecured debt level

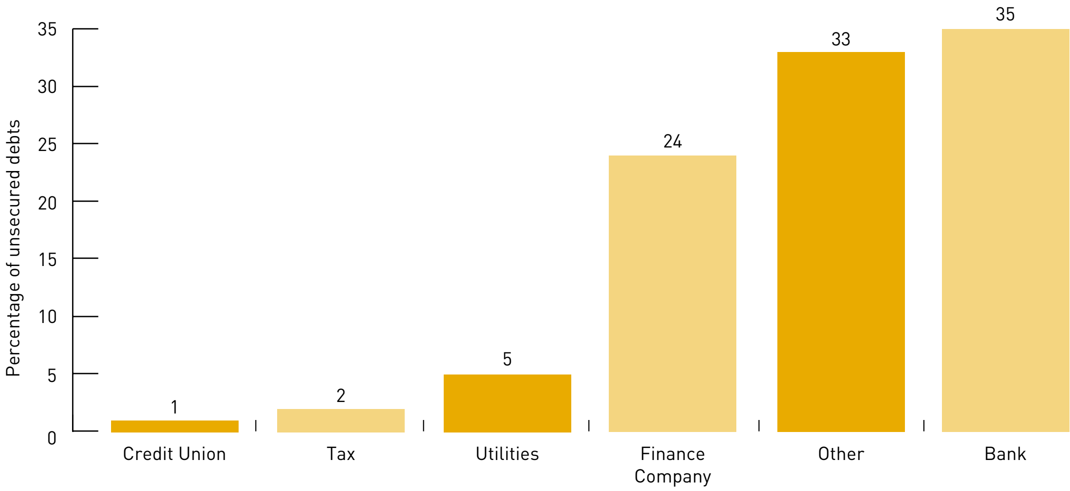
	2009	2007
$2 000–$4 999	0%	1%
$5 000–$9 999	4%	7%
$10 000–$19 999	19%	27%
$20 000–$49 999	56%	51%
$50 000 or more	21%	14%

15 The income, debt and asset threshold amounts for entry into a debt agreement are indexed twice yearly in March and September. At the end of 2009, the threshold for unsecured debt was $84 484.40.

CREDITORS

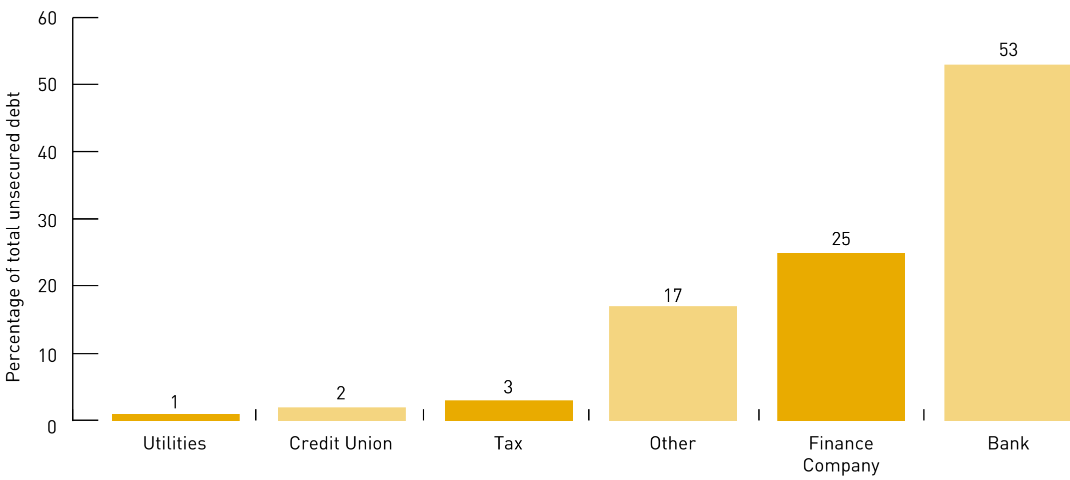
ITSA classifies creditors as banks, building societies, credit unions, finance companies, state housing, tax, utilities (gas, electricity etc) and 'other'. Creditors identified as 'other' may include trade creditors, store accounts, debt purchasers, professional fees, medical bills, school fees, family loans and the like.

Figure 20: Debt agreements – Debt owed to creditor categories



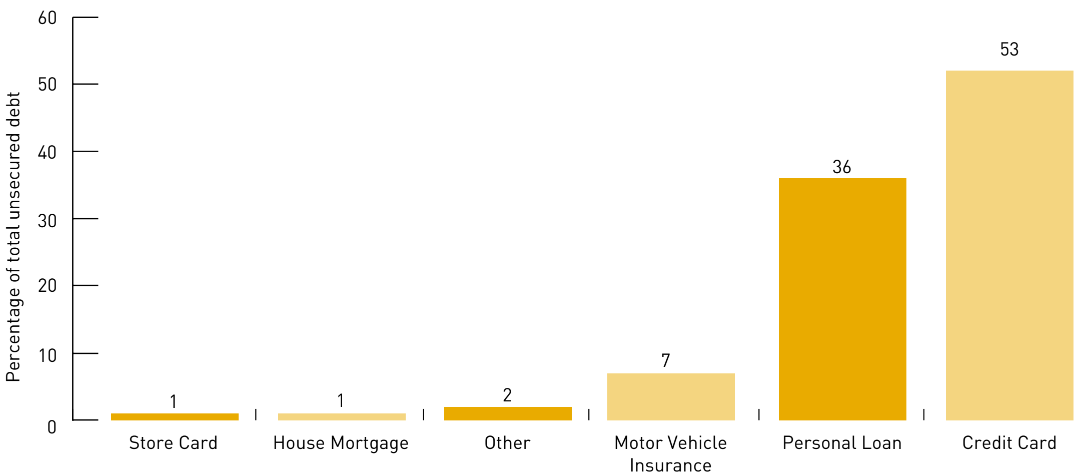
Banks accounted for 53% of total unsecured debt in dollar terms and finance companies 25%. Tax accounted for 3% of total unsecured debt.

Figure 21: Debt agreements – Proportion of unsecured liability owed to different creditor types



All liability amounts refer only to the amount of net unsecured debt owed by the debtor. Of those liabilities owed to financial institutions, 53% by value were characterised as credit card debt, followed by 36% characterised as personal loans. Liabilities relating to 'Motor Vehicle Security' and 'House Mortgage' refer to debts where the amount owing exceeds the value of the security.

Figure 22: Debt agreements – Proportion of unsecured liability owed to financial institutions

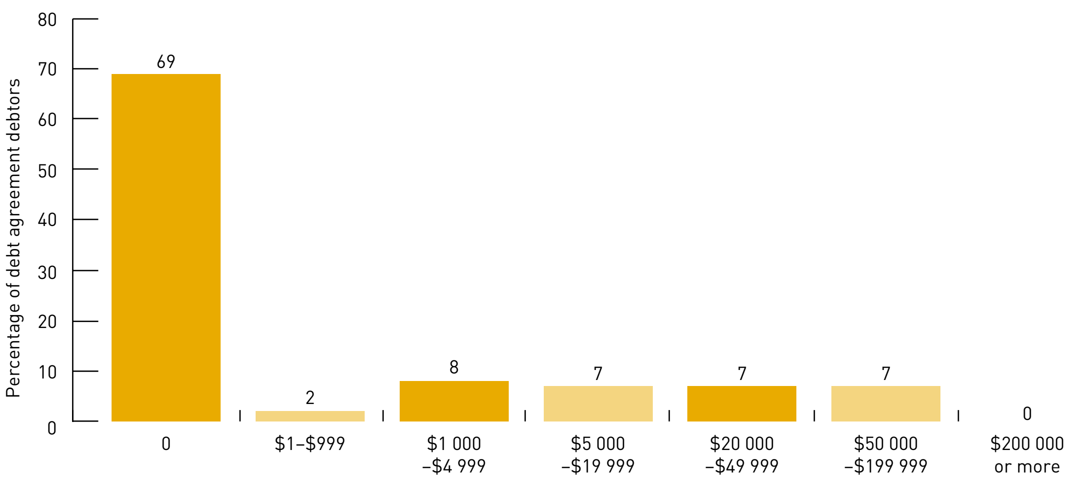


Note: Only financial institutions are displayed in this figure as other creditor types represented in Figure 20 do not generally have sub-types which reflect the type of debt owed.

ASSETS

A debtor is not eligible to propose a debt agreement if their realisable assets exceed a threshold[16]. Sixty nine percent of debt agreement debtors disclosed no realisable assets.

Figure 23: Debt agreements – Realisable assets

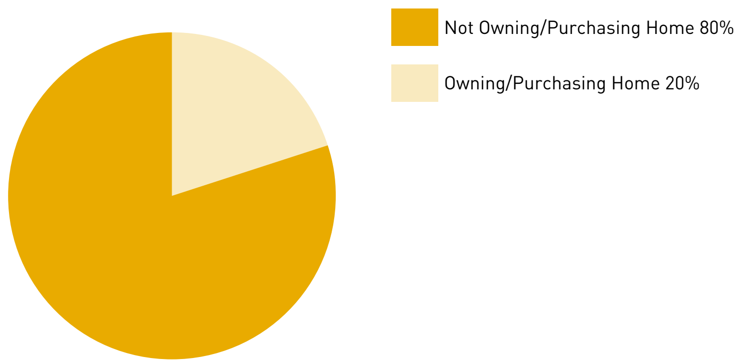


16 The income, debt and asset threshold amounts for entry into a debt agreement are indexed twice yearly in March and September. At the end of 2009, the threshold for realisable assets was $84 484.40.

HOME OWNERSHIP

Twenty percent of debt agreement debtors disclosed a house property (including their residence and/or other real estate) at the time of entering a debt agreement.

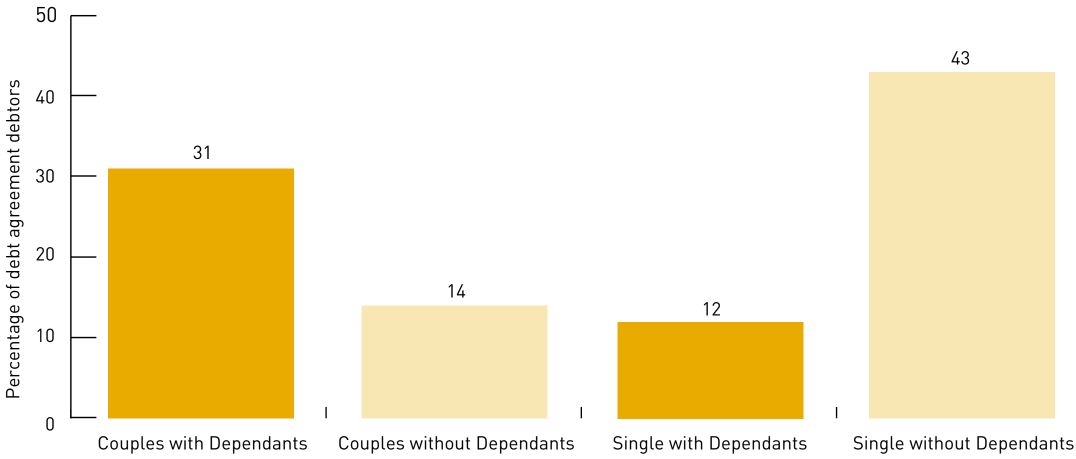
Figure 24: Debt agreements – Home ownership



FAMILY SITUATION

Forty three percent of debt agreement debtors were single without dependants. This represents the largest group and is followed by debtors who are members of couples (ie married, de facto or same-sex partners) with dependants at 31%, debtors who are members of couples without dependants at 14% and singles with dependants at 12%.

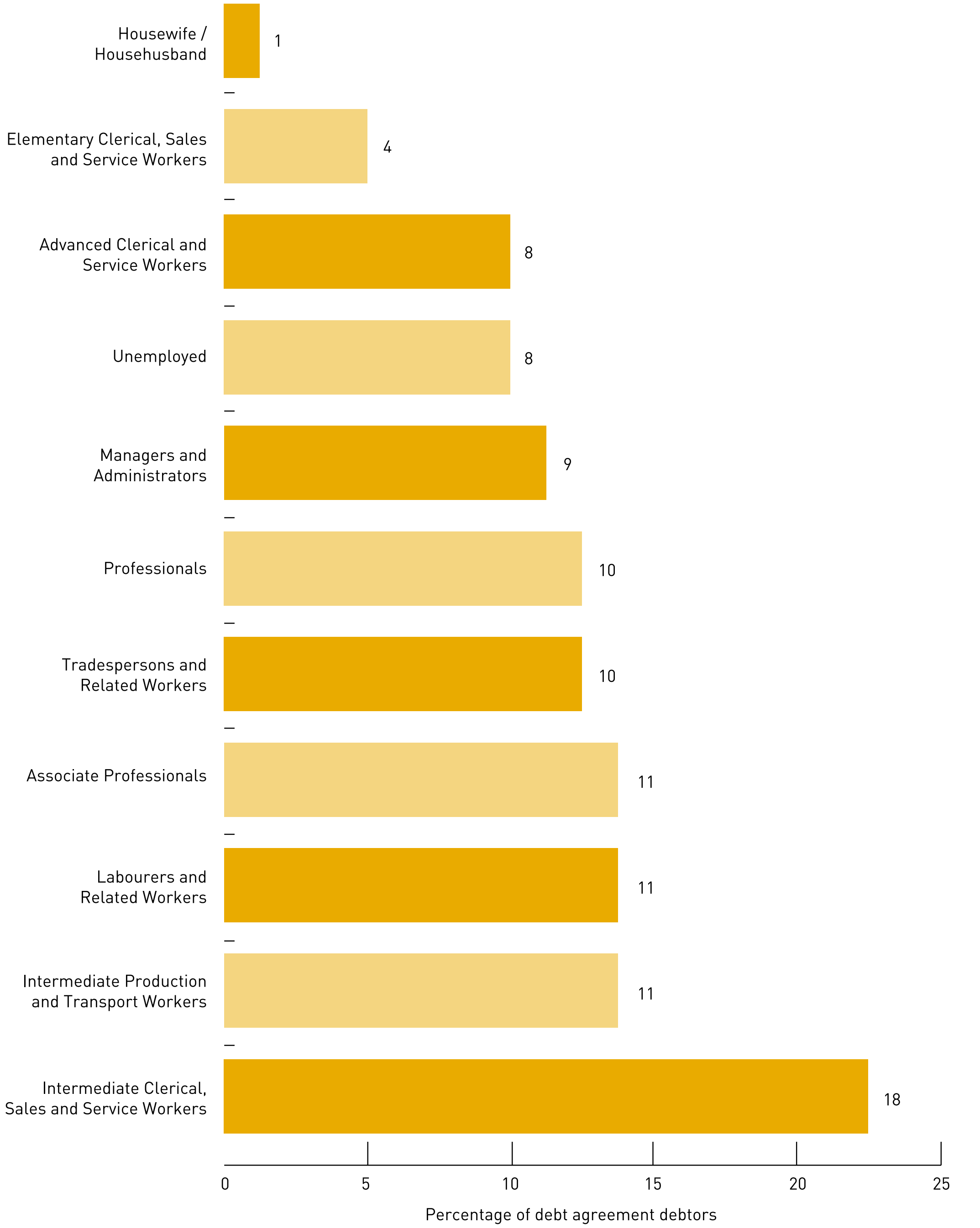
Figure 25: Debt agreements – Family situation



OCCUPATION

The following figure provides details of the occupations of debt agreement debtors for the year 2009 by occupational group[17].

Figure 26: Debt agreements – Occupation



Note: In this figure, the occupational group 'unemployed' is not the same as employment status shown in Figure 19. Employment status represents the status at the date of entering a debt agreement, whereas occupation relates to the debtor's usual profession.

17 The occupations of debtors are self-attributed and are subsequently classified by ITSA using the Australian Standard Classification of Occupations.

Personal insolvency agreements

Characteristics of those who entered into personal insolvency agreements

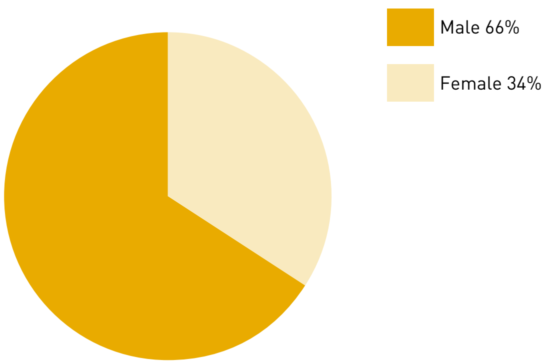
KEY FINDINGS OF DEBTORS WHO ENTERED INTO PERSONAL INSOLVENCY AGREEMENTS IN 2009

- Twenty three percent had an income of less than $30 000 in the year prior to entering into a personal insolvency agreement.
- 'Excessive use of credit' was the main attributed cause of non-business related insolvencies and 'economic conditions affecting industry' was the main attributed cause of business related insolvencies[18].
- More men (66% of total personal insolvency agreements) entered into personal insolvency agreements than women (34% of total personal insolvency agreements).
- A total of 1.28% of personal insolvency agreement debtors identified as being Indigenous Australians.

GENDER

Sixty six percent of those who entered into personal insolvency agreements were male.

Figure 27: Personal insolvency agreements – Gender



18 The causes of insolvency cited in this publication are self-attributed by debtors from a list on the Statement of Affairs form and may be shortened throughout for ease of representation. For example 'economic conditions affecting industry' refers to 'economic conditions affecting industry, including competition, credit restrictions, fall in prices or increases in costs'.

AGE

The age profile of personal insolvency agreement debtors in 2009 is shown in the figure below. Of all personal insolvency agreement debtors, 9% were between the ages of 15 and 29, 28% were between the ages of 30 and 39 and 64% were over 40. The corresponding population ratios for the general population were 26%, 17 and 57% respectively[19].

Figure 28: Personal insolvency agreements – Age

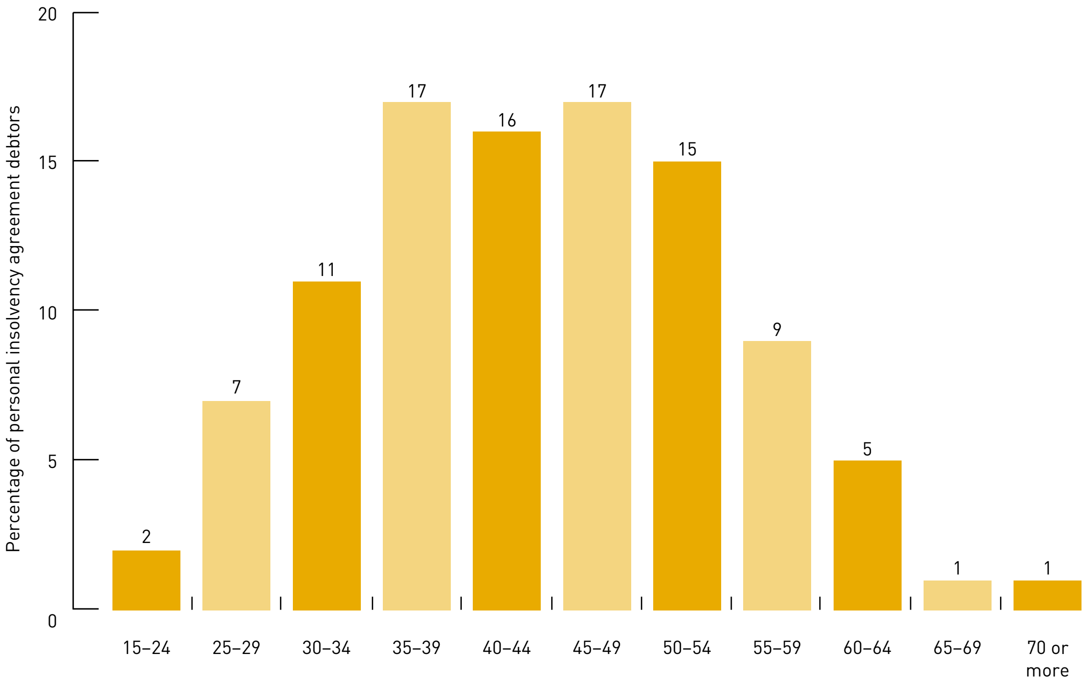


Table 14: Personal insolvency agreements – Age distribution by gender

Age	Male	Female
15–24	2%	3%
25–29	6%	9%
30–34	11%	10%
35–39	17%	17%
40–44	15%	17%
45–49	17%	19%
50–54	16%	12%
55–59	10%	6%
60–64	4%	5%
65–69	1%	1%
70 or more	1%	0%

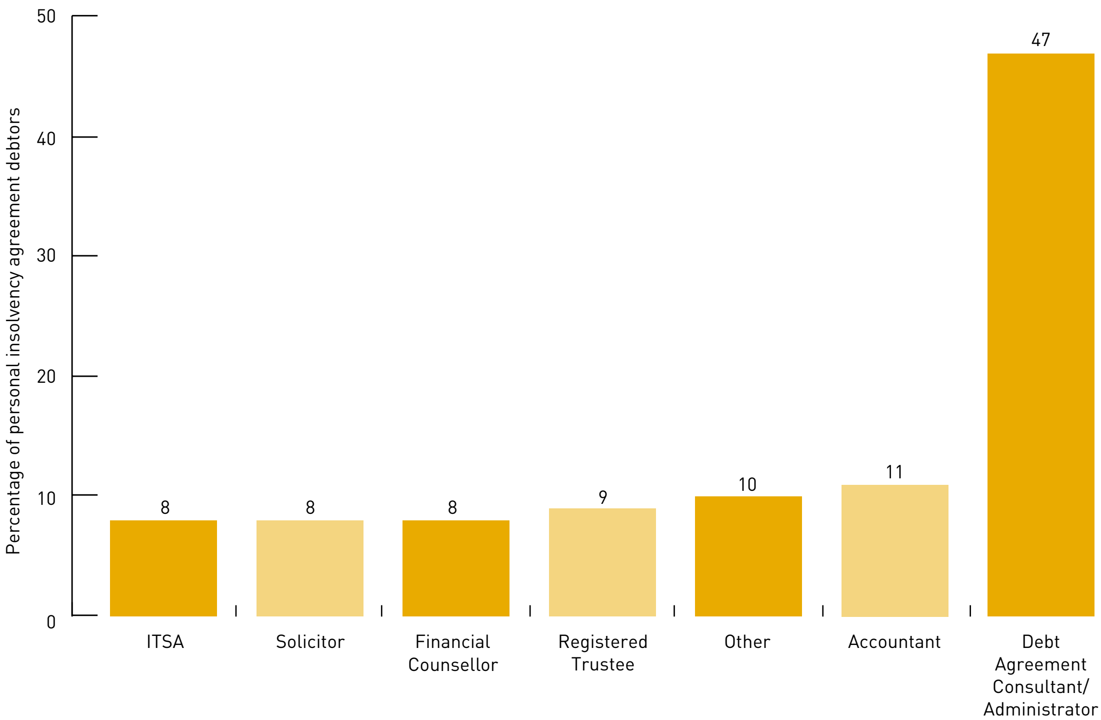
19 National and state population figures are current as at March 2010. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, June 2009.

Table 15: Personal insolvency agreements – Age distribution of personal insolvency agreement debtors compared to general population over 15 years of age		
Age	**Proportion of population over 15**	**Proportion of Part X Agreements**
15–24	17%	2%
25–29	9%	7%
30–34	8%	11%
35–39	9%	17%
40–44	9%	16%
45–49	9%	17%
50–54	8%	15%
55–59	7%	9%
60–64	7%	5%
65–69	5%	1%
70 or more	12%	1%

SOURCES OF INFORMATION

Of those who entered into personal insolvency agreements, 47% received advice from a debt agreement consultant/administrator followed by an accountant at 11%.

Figure 29: Personal insolvency agreements – Sources of information



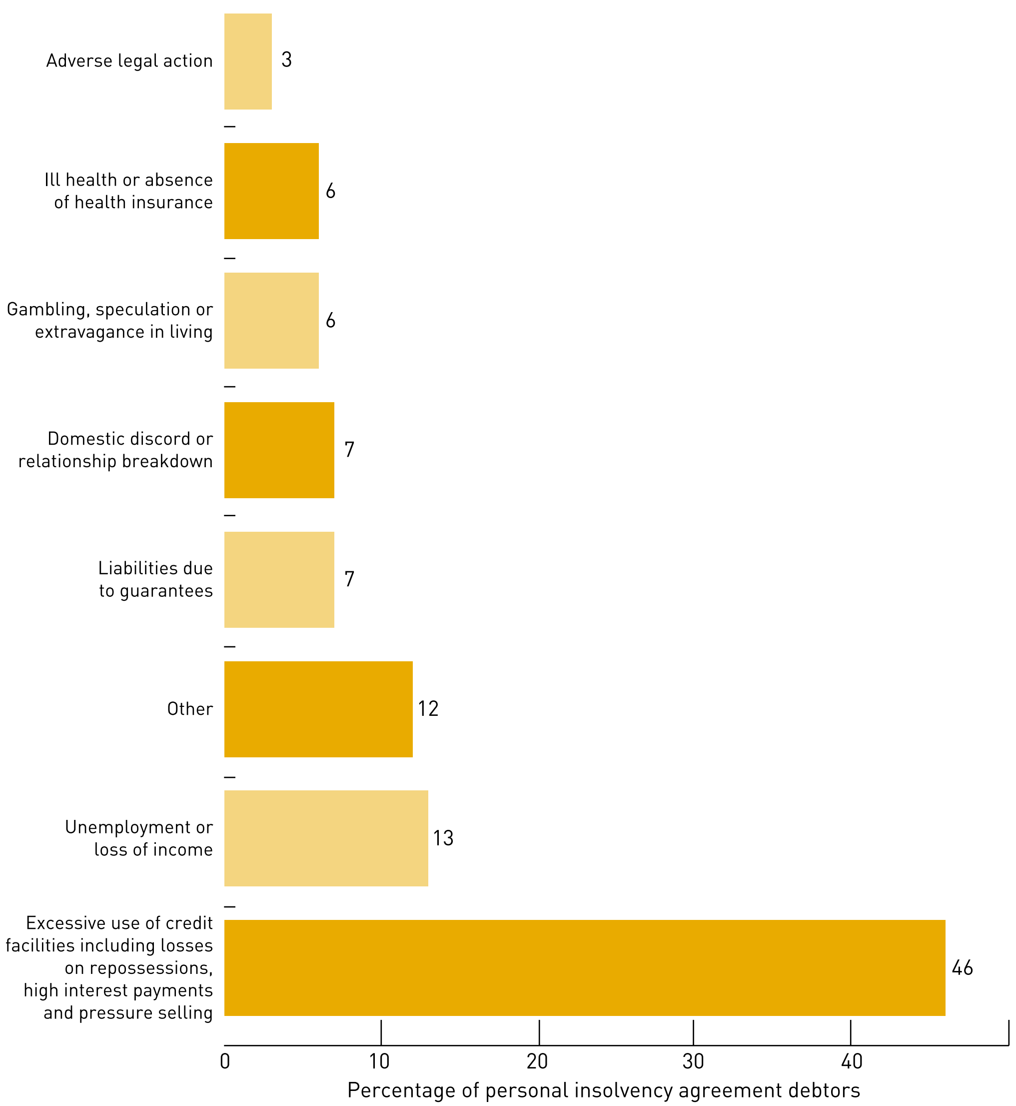
PRIMARY CAUSES OF INSOLVENCY

For non-business related personal insolvency agreements, 'excessive use of credit' was disclosed as the most frequent primary cause of insolvency at 46%, followed by 'unemployment or loss of income' at 13% and 'other' reasons at 12%[20].

For business related personal insolvency agreements, 'economic conditions affecting industry' was disclosed as the most frequent primary cause of insolvency at 53%, followed by 'other' reasons at 12%, and excessive drawings' and 'insufficient initial capital' both at 7%.

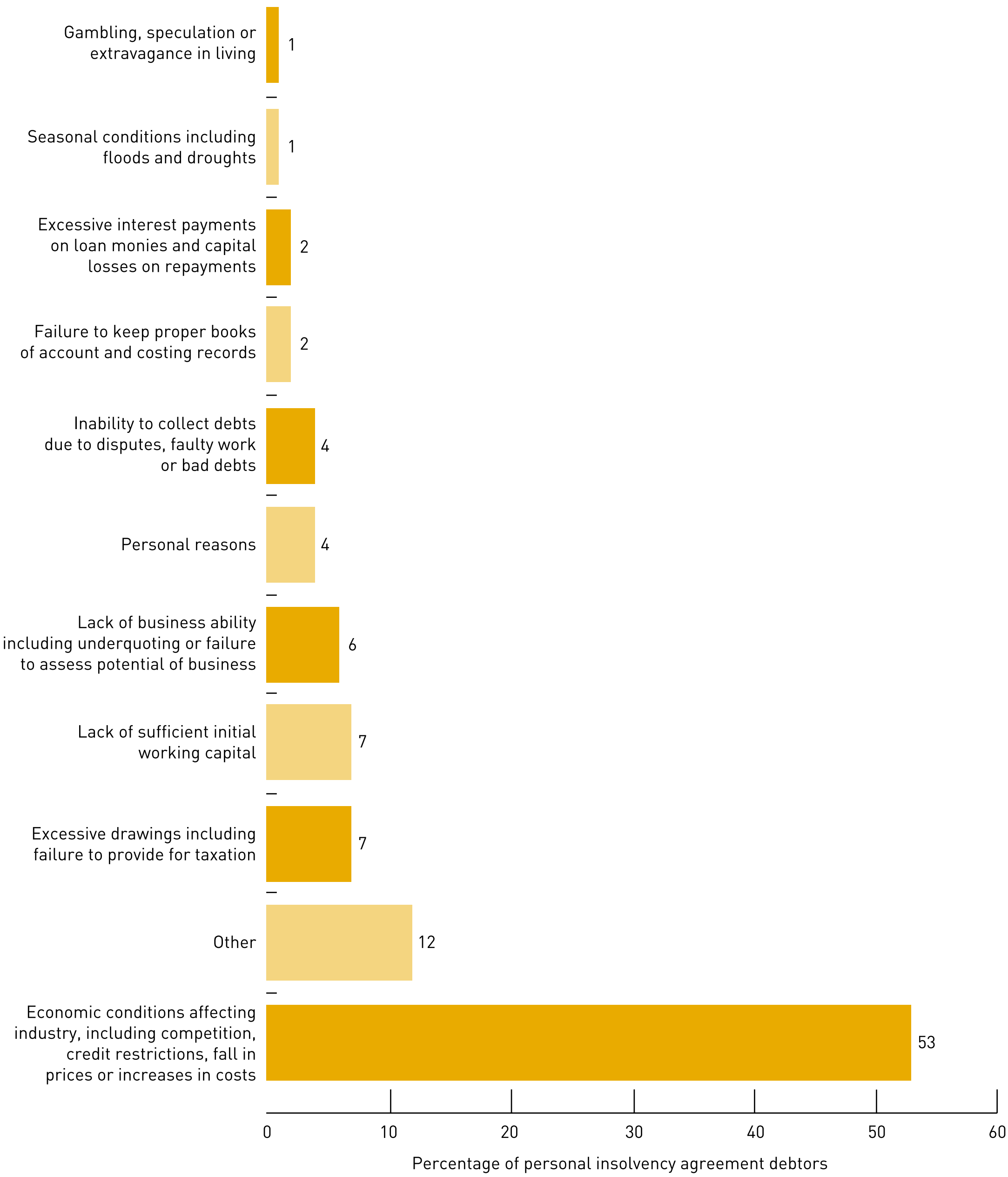
Business related personal insolvency agreements represented 21% of total personal insolvency agreements in 2009.

Figure 30: Personal insolvency agreements – Causes (non-business related)



20 The causes of insolvency cited in this publication are self-attributed by debtors from a list on the Statement of Affairs form and may be shortened throughout for ease of representation. For example 'economic conditions affecting industry' refers to 'economic conditions affecting industry, including competition, credit restrictions, fall in prices or increases in costs'.

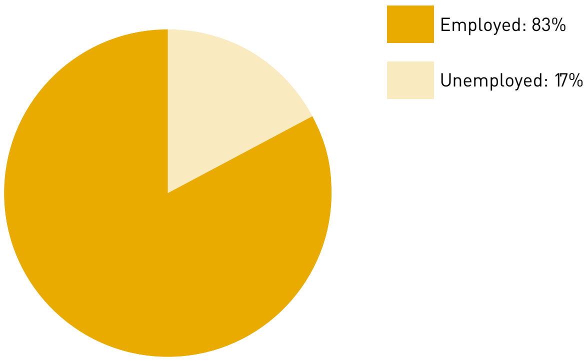
Figure 31: Personal insolvency agreements – Causes (business related)



EMPLOYMENT STATUS

Eighty three percent of personal insolvency agreement debtors were employed.

Figure 32: Personal insolvency agreements – Employment status



INCOME

Debtors' income

Three percent of personal insolvency agreement debtors declared no income, 5% an income of between $1 and $9 999, 15% an income between $10 000 and $29 999, 24% an income between $30 000 and $49 999, 24% an income between $50 000 and $69 999, and 29% declared an income of $70 000 or higher.

Table 16: Personal insolvency agreements – Comparative rates of income earned in 12 months prior to entering personal insolvency agreement

	2009	2007
$0	3%	6%
$1–$9 999	5%	6%
$10 000–$29 999	15%	23%
$30 000–$49 999	24%	24%
$50 000–$69 999	24%	15%
$70 000 or more	29%	25%

Note: All references to income relate to gross income unless stated otherwise.

Debtors' household income

Five percent of households with personal insolvency agreement debtors earned less than $10 000. A debtor's household income includes the debtor's income and the income of their spouse or partner as shown on their Statement of Affairs.

Table 17: Personal insolvency agreements – Comparative household income		
	2009	2007
$0	2%	4%
$1–$9 999	3%	1%
$10 000–$19 999	5%	7%
$20 000–$29 999	6%	10%
$30 000–$49 999	17%	15%
$50 000–$69 999	21%	18%
$70 000 or more	46%	45%

DEBT LEVEL

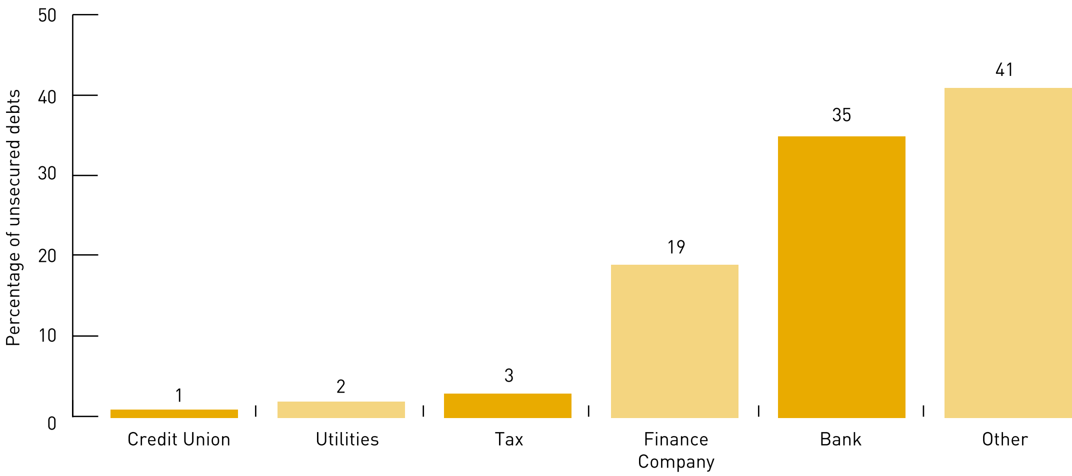
Only unsecured debts (debts that are not secured by a mortgage or lien over property) were taken into consideration. Where a debtor listed a secured debt, only the amount owing above the estimated value of the security was included.

Table 18: Personal insolvency agreements – Comparative unsecured debt levels		
	2009	2007
<$2 000	1%	2%
$2 000–$4 999	0%	0%
$5 000–$9 999	1%	0%
$10 000–$19 999	3%	3%
$20 000–$49 999	12%	6%
$50 000–$99 999	29%	20%
$100 000–$499 999	36%	50%
$500 000 or more	18%	19%

CREDITORS

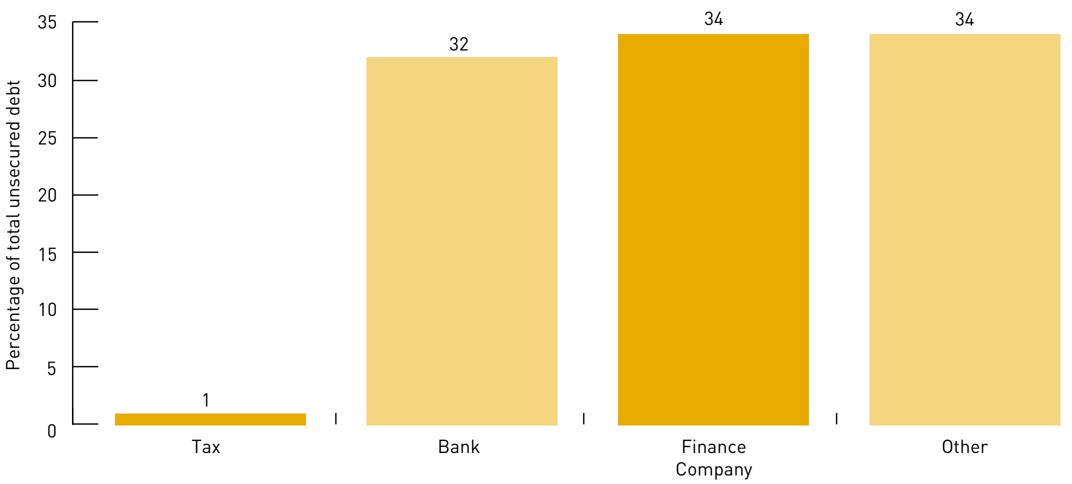
ITSA classifies creditors as banks, building societies, credit unions, finance companies, state housing, tax, utilities (gas, electricity etc) and 'other'. Creditors identified as 'other' may include trade creditors, store accounts, professional fees, medical bills, school fees, family loans and the like.

Figure 33: Personal insolvency agreements – Debts owed to creditor categories



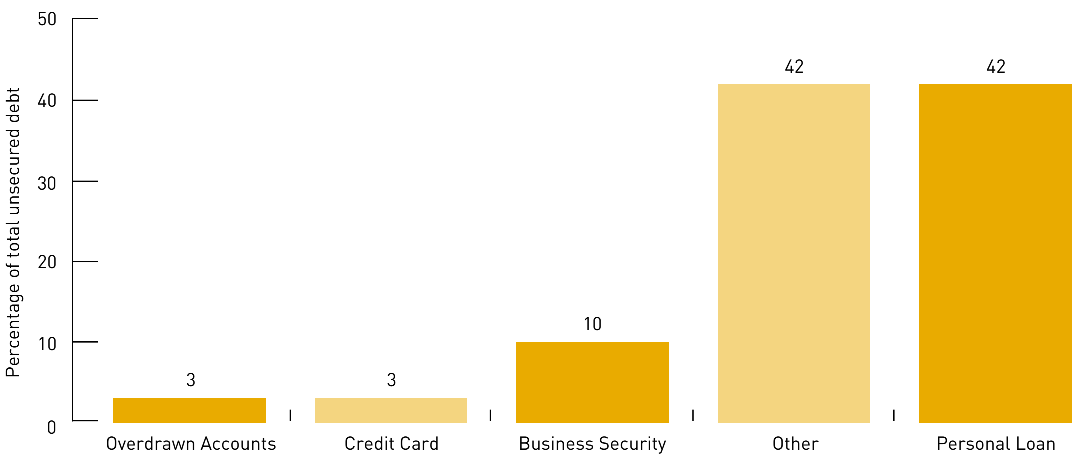
The most common categorisation of creditors by value in personal insolvency agreements were 'other', and 'finance companies' which were both at 33%. 'Banks' and 'tax' were owed 32% and 1% by value respectively.

Figure 34: Personal insolvency agreements – Proportion of unsecured liability owed to different creditor types



All liability amounts refer only to the amount of net unsecured debt owed by the debtor. Of those liabilities owed to financial institutions, 42% were categorised as personal loan debts followed by 'other' debts at 41%. The next highest liabilities by value were 'business security' debts, 'credit card' debt and 'overdrawn accounts' at 10%, 3% and 3% respectively. Liabilities relating to 'Motor Vehicle Security' and 'House Mortgage' refer to debts where the amount owing exceeds the value of the security.

Figure 35: Personal insolvency agreements – Proportion of unsecured liability owed to financial institutions

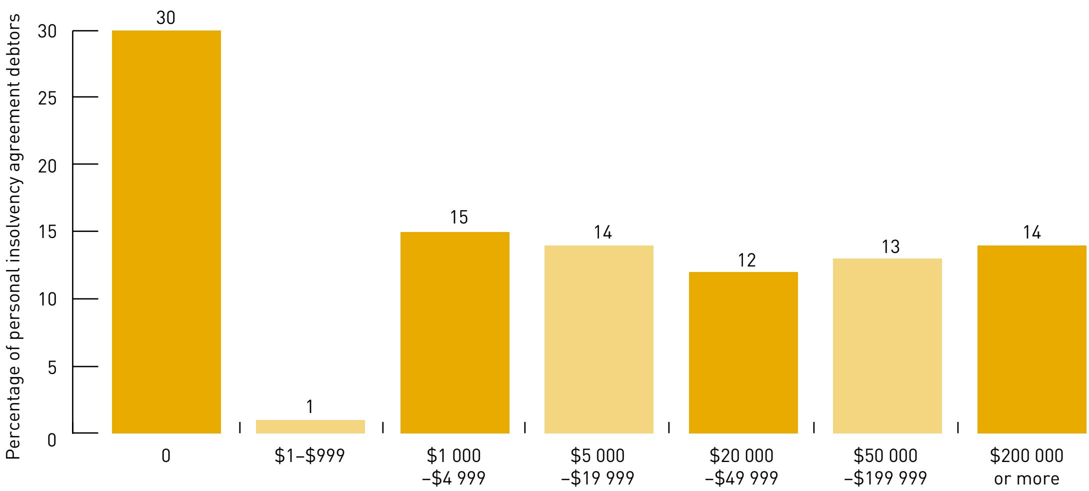


Note: Only financial institutions are displayed in this figure as other creditor types represented in Figure 33 do not generally have sub-types which reflect the type of debt owed.

ASSETS

Thirty percent of debtors disclosed no realisable assets and 14% of debtors disclosed realisable assets of $200 000 or more. These assets are available to sell (realise) to produce funds to pay creditors.

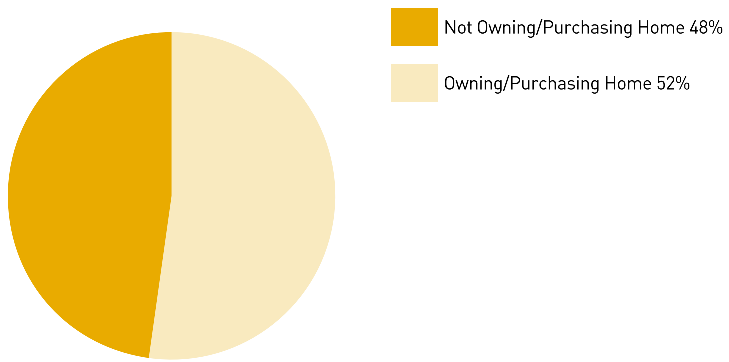
Figure 36: Personal insolvency agreements – Realisable assets



HOME OWNERSHIP

Fifty two percent of personal insolvency agreement debtors disclosed a house property (including their residence and/or other real estate) at the time of entering a personal insolvency agreement.

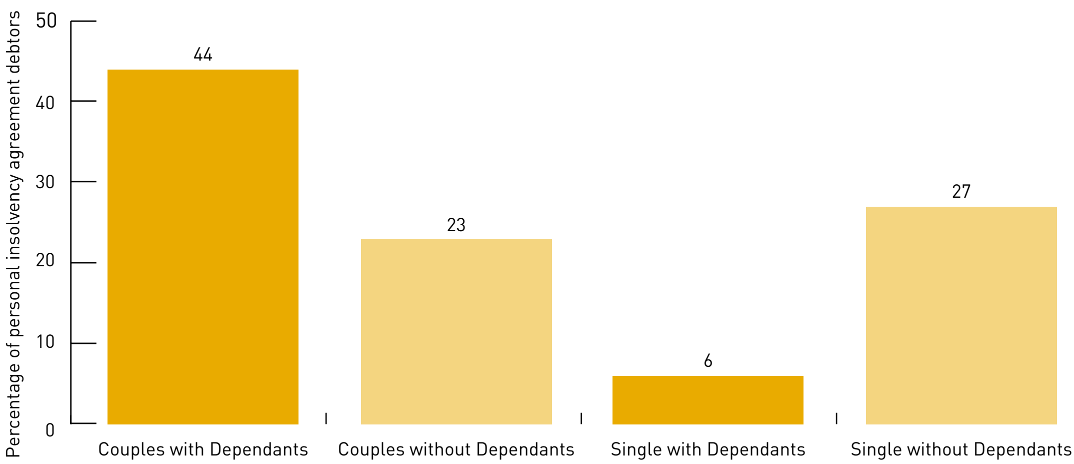
Figure 37: Personal insolvency agreements – Home ownership



FAMILY SITUATION

Forty four percent of personal insolvency agreement debtors were members of couples (ie married, de facto or same-sex partners) with dependants. This represents the largest group and is followed by singles without dependants at 27%, couples without dependants at 23% and singles with dependants at 6%.

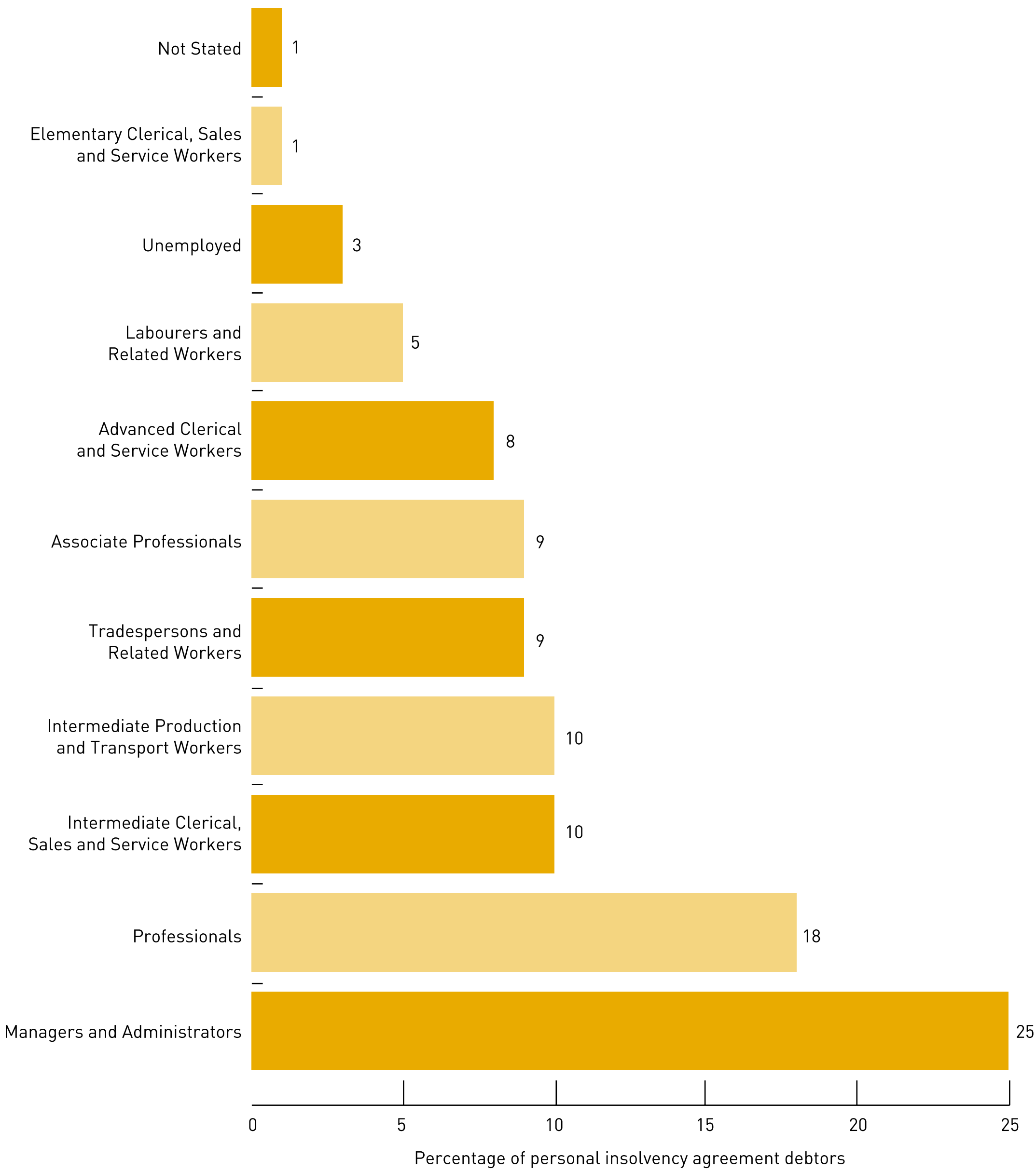
Figure 38: Personal insolvency agreements – Family situation



OCCUPATION

The following figure provides details of the occupations of personal insolvency agreement debtors for 2009 by occupational group[21].

Figure 39: Personal insolvency agreements – Occupation



Note: In this figure, the occupational group 'unemployed' is not the same as employment status shown in Figure 32. Employment status represents the status at the date of entering a personal insolvency agreement, whereas occupation relates to the debtor's usual profession.

21 The occupations of debtors are self-attributed and are subsequently classified by ITSA using the Australian Standard Classification of Occupations.

Comparative rates of personal insolvency

In 2009, 0.17% of the total population of Australia became bankrupt or entered into a debt agreement or personal insolvency agreement.

Comparisons of Australian personal insolvency rates with those of other jurisdictions can be difficult to make due to national differences in insolvency law and statistical methodologies.

Table 22 shows the rates of personal insolvency in 2009 for a number of jurisdictions in which the types of formal personal insolvency are more readily comparable to those of Australia.

Table 19: Annual rates of personal insolvency

	Population	Personal Insolvency Administrations	Ratio of personal insolvency
New Zealand[22]	4 315 800	5 654	0.13%
Australia[23]	21 874 900	37 866	0.17%
England and Wales[24]	54 440 000	134 142	0.25%
United States of America[25]	307 212 123	1 344 095	0.44%
Canada[26]	33 739 900	151 712	0.45%

22 'Personal Insolvencies' for 2009 financial year and population estimate as at July 2009; Source: http://www.insolvency.govt.nz/cms/site-tools/about-us/statistics/statistical-data-reports/ITS%20Statistical%20Data%20Report%202008-2009.pdf/view

23 Personal Insolvencies include bankruptcies, debt agreements and personal insolvency agreements.
Population estimate as at July 2009; Source: http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/EB76EA379A44E842CA2576F0001C70C9?opendocument

24 'Personal Insolvencies' include bankruptcies and individual voluntary arrangements; Source: http://www.insolvency.gov.uk/otherinformation/statistics/insolv.htm.
Population estimate as at mid 2008; Source: http://www.statistics.gov.uk/pdfdir/pop0809.pdf

25 The United States bankruptcy Code provides for common types of insolvency administration for both personal and corporate insolvencies. US statistics on bankruptcy distinguishes between business and non-business bankruptcies. The figure provided above is for non-business (or consumer) bankruptcies for the four quarters ending September 2009. Those personal insolvencies categorised as business bankruptcies are not included; Source: http://www.uscourts.gov/Press_Releases/2009/0909_f2.xls
Population estimate as at July 2009; Source: https://www.cia.gov/library/publications/the-world-factbook/geos/us.html

26 'Personal Insolvencies' include consumer bankruptcies and proposals; Source: http://www.ic.gc.ca/eic/site/bsf-osb.nsf/vwapj/Annual_report2009_eng.pdf/$file/Annual_report2009_eng.pdf
Population estimate as at July 2009; Source: http://www40.statcan.gc.ca/l01/cst01/demo02a-eng.htm