Australian Government

Insolvency and Trustee Service Australia

Profiles of Debtors

2011

Insolvency and Trustee Service Australia

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Contents

Introduction

Welcome to the seventh edition of *Profiles of Debtors*.

Profiles of Debtors reports on the socioeconomic circumstances of insolvent debtors in the calendar year. The Insolvency and Trustee Service Australia (ITSA) produces this publication biennially.

This publication is divided into three sections which represent different types of personal insolvency: bankruptcies, debt agreements and personal insolvency agreements. Each section begins with a summary of key concepts and time series comparisons followed by more detailed statistics relating to each type of personal insolvency.

In addition, the rate of personal insolvency in Australia is compared to a number of other jurisdictions for comparative purposes.

Profiles of Debtors 2011 contains new tables providing information on the number and value of credit and store card debts disclosed by debtors, the age profile linked to the number of credit and store cards, the duration of unemployment for debtors who were not employed at the time of insolvency, private health insurance coverage and ethnicity of debtors.

This publication aims to provide insight into the socioeconomic circumstances of debtors to assist in analysis and decision making by government, the private sector and the general community.

The statistics presented in this publication were the most recent available at the time of its compilation. More current and detailed statistics may be available from the websites of the other organisations listed throughout this publication and from the ITSA website: www.itsa.gov.au.

The quality and reliability of statistics published by ITSA rely on the accuracy of the information provided by bankrupts and debtors in the Statement of Affairs and systems and processes within ITSA such as data entry. I extend my thanks and appreciation to debtors for their continued cooperation and to ITSA staff who were involved in the preparation of this publication.

I trust that you will find the information presented in *Profiles of Debtors 2011* informative and useful. As always, ITSA welcomes your feedback on this publication and our statistical services. Comments can be directed to cckmwork@itsa.gov.au.

Veronique Ingram

Chief Executive and
Inspector–General In Bankruptcy

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 and applies relevant classifications, such as the Australian and New Zealand Standard Classification of Occupations. The data that is presented in *Profiles of Debtors 2011* represents all bankrupts and debtors who lodged a Statement of Affairs in the 2011 calendar year.

In 2011 there were 28 joint bankruptcies in which one of the bankrupts did not lodge a Statement of Affairs. These debtors are classified as bankrupt and included in the total number of bankruptcies; no socioeconomic information is available until the bankrupt lodges a Statement of Affairs.

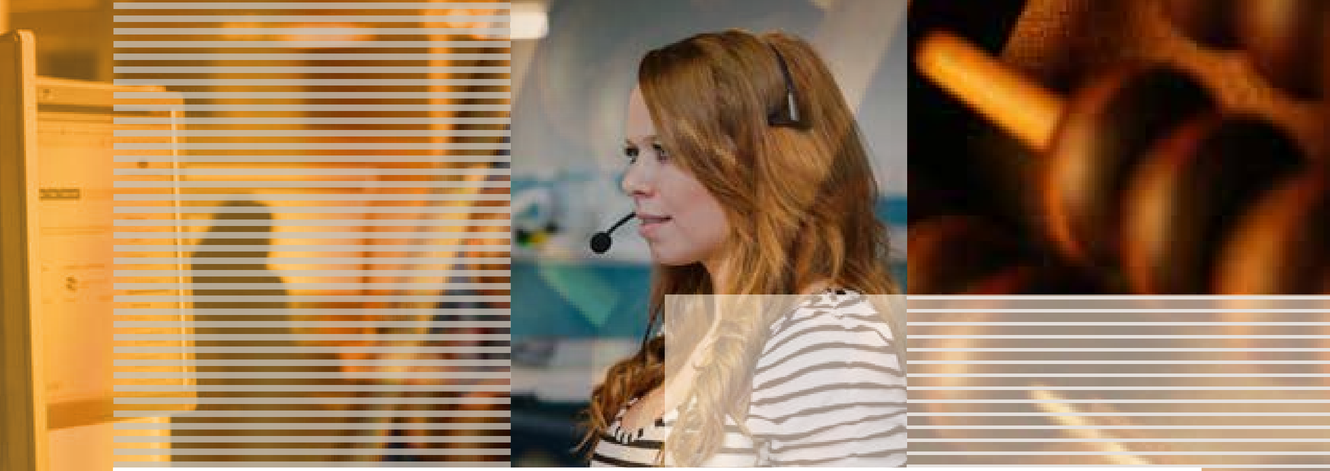
The Statement of Affairs completed by debtors entering into debt agreements does not currently require disclosure of ethnicity or private health insurance. Therefore ITSA is unable to report on this information for debt agreement debtors.

The quality and reliability of statistics published by ITSA rely on the accuracy of the information provided by bankrupts and debtors in the Statement of Affairs and systems and processes within ITSA such as data entry.

Relevant information on the scope and integrity of the data has been noted alongside the published information. Clients are advised to read this information to assess whether the published data is suitable for their purposes.

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%.

Throughout this publication there are references to statistics applicable to the general Australian population. Those statistics were obtained from other sources and may relate to periods other than the 2011 year on which this publication is based, and are noted throughout this publication.



Bankruptcies

Bankruptcy is a process where people, who cannot pay their debts, become bankrupt to receive the protection of the *Bankruptcy Act 1966* and their estate is administered by a trustee. It allows for the fair distribution of property among creditors and the prosecution of dishonest debtors. 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.

Bankruptcy generally lasts for a period of three years but can be extended in certain circumstances. There is a permanent record of a bankrupt's bankruptcy on the National Personal Insolvency Index (an electronic public register which can be accessed by anyone for a fee). Details may also appear on a record held by a credit reporting organisation for up to seven years.

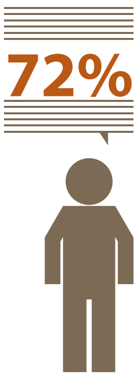
A bankrupt's creditors are notified of the bankruptcy and unsecured creditors should stop pursuing the bankrupt for payment of his or her debts.

Bankrupt's estates are administered by a trustee. In order to pay the bankrupt's creditors, this trustee will:

- sell his or her assets (although the bankrupt is able to keep certain types of assets)
- mandate contributions from the bankrupt's income once he or she earns over a certain amount
- investigate the bankrupt's financial affairs and may recover property or money that the bankrupt transferred to someone else for inadequate consideration.

Further information on the process and consequences of bankruptcy is available from the ITSA website at **www.itsa.gov.au**

Bankruptcies are consistently the largest category of personal insolvency activity in Australia. However, the proportion of bankruptcies in total personal insolvency activity has declined since the introduction of debt agreements. Bankruptcies accounted for 72% of personal insolvency activity in Australia in 2011.



CHANGES IN CIRCUMSTANCES OF BANKRUPTS FROM 2003 TO 2011

Since 2003, the following patterns in the socio economic characteristics of bankrupts are noted:

Demographics

- Males consistently comprise more than half of all bankrupts.
- The age of bankrupts has consistently increased since 2003, with the proportion of bankrupts aged 18 to 39 declining and those aged 40 and over increasing.
- Single people without dependants are consistently the most represented family situation in bankruptcies.
- The proportion of bankrupts who are members of couples with dependants has increased and the proportion of single bankrupts with dependants has fallen since 2003.

Primary causes of bankruptcy[1]

- 'Unemployment or loss of income' has consistently been nominated as the most frequent primary cause of insolvency for non-business related bankruptcies since 2003.
- 'Economic conditions affecting industry' have consistently been nominated as the most frequent primary cause of insolvency for business-related bankruptcies[2] since 2003. In 2009, an unprecedented proportion of bankrupts nominated 'economic conditions affecting industry' as the primary cause of business-related bankruptcies. This declined in 2011 but remains high relative to previous years.
- There has been a consistent decline in the proportion of bankrupts attributing the primary cause of business-related bankruptcies as 'lack of business ability'.
- The proportion of male bankrupts who were not employed at the time of bankruptcy has fallen 11% and the proportion of female bankrupts who were not employed at the time of bankruptcy has fallen 15% since 2003.

Income and debt

- The proportion of bankrupts who earned \$0 to \$29 999 has consistently fallen and the proportion of bankrupts who earned \$30 000 or more has increased since 2003. However, the majority of bankrupts continue to earn less than \$30 000.
- The majority of bankrupts have debts of \$20 000 or more. The proportion of bankrupts with debts below \$20 000 has steadily declined since 2003. The proportion of bankrupts with unsecured debts of \$100 000 or more has increased from 11% in 2003 to 27% in 2011.
- The proportion of unsecured debt to finance institutions owed on credit cards and personal loans has declined since 2003.

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.

Table 1: Bankrupts - Time series of selected data as proportion of total bankrupts

	2011	2009	2007	2005	2003
Demographics					
Gender					
Male	57%	58%	58%	57%	55%
Female	43%	42%	42%	43%	45%
Age (years)					
18-29	14%	18%	19%	20%	22%
30-39	23%	25%	27%	28%	30%
40-49	29%	27%	26%	26%	26%
50-59	21%	19%	17%	16%	15%
60 or more	13%	12%	10%	8%	7%
Number of bankrupts	23 125	28 665	25 964	21 076	21 900
Family situation					
With dependants					
Couple	27%	26%	32%	20%	21%
Single	12%	12%	17%	15%	18%
Without dependants					
Couple	20%	18%	13%	18%	17%
Single	40%	44%	37%	47%	44%
Selected causes of bankruptcy					
Proportion of non-business related bankruptcies					
Unemployment or loss of income	34%	36%	33%	35%	37%
Excessive use of credit facilities including losses on repossessions, high interest payments and pressure selling	22%	25%	28%	26%	23%
Domestic discord or relationship breakdowns	12%	11%	13%	14%	15%
Proportion of business related bankruptcies					
Economic conditions affecting industry, including competition, credit restrictions, fall in prices or increases in costs	42%	49%	31%	30%	30%
Lack of business ability including underquoting or failure to assess potential of business	5%	7%	11%	13%	13%
Excessive drawings including failure to provide for taxation	4%	7%	12%	10%	9%
Not employed at time of bankruptcy					
Not employed at time of bankruptcy					
Proportion of bankrupts	47%	49%	44%	46%	60%
Proportion of bankrupt males	43%	47%	39%	47%	54%
Proportion of bankrupt females	53%	53%	52%	63%	68%

	2011	2009	2007	2005	2003
Income					
Income earned in the 12 months prior to bankruptcy					
$0	2%	2%	4%	4%	N/A*
$1 - $9 999	8%	10%	11%	12%	N/A*
$10 000 - $29 999	42%	44%	47%	53%	N/A*
$30 000 - $49 999	26%	26%	25%	22%	N/A*
$50 000 - $69 999	13%	11%	9%	6%	N/A*
$70 000 or more	9%	6%	4%	3%	N/A*
Debt					
Unsecured debt level					
‹$2 000	4%	3%	5%	4%	4%
$2 000 - $4 999	2%	2%	3%	6%	8%
$5 000 - $9 999	5%	6%	8%	11%	15%
$10 000 - $19 999	12%	15%	17%	20%	23%
$20 000 - $49 999	29%	31%	32%	32%	28%
$50 000 - $99 999	21%	20%	19%	14%	11%
$100 000 - $499 999	21%	18%	14%	10%	9%
$500 000 or more	6%	5%	2%	2%	2%
Selected unsecured debts owed to financial institutions - proportion of value of unsecured debt					
Credit Card	21%	21%	33%	37%	N/A*
Personal Loan	12%	24%	25%	21%	N/A*
House Mortgage	12%	16%	16%	2%	N/A*
Business Security	3%	6%	‹1%	‹1%	N/A*
Overdrawn Accounts	2%	1%	3%	5%	N/A*
Motor Vehicle Security	2%	1%	7%	13%	N/A*
Chattel Mortgage (Consumer)	1%	1%	‹1%	1%	N/A*

*This data is not available due to a change in reporting by ITSA.
Note: ITSA does not adjust income or debt levels to derive 'real' measures e.g. by applying changes in the Consumer Price Index.

CHARACTERISTICS OF THOSE WHO BECAME BANKRUPT IN 2011

To examine the socioeconomic characteristics of bankrupts in 2011, ITSA has constructed a profile of the average bankrupt. This is based on statistical averages of the data in this publication. For example, more than half of all bankrupts are male.

In 2011, the average bankrupt is male, aged between 35 and 54 years and single without dependants. This is his first bankruptcy.

It is most likely that he is employed at the time of a non-business related bankruptcy, and he is most likely to nominate 'unemployment or loss of income' as the primary reason for bankruptcy[3].

He earned less than $30 000 in the 12 month period immediately prior to bankruptcy, which is below the average taxable income of $48 027 in 2009-10[4].

He is most likely to owe more than $20 000 and banks are likely to be the largest creditor both in terms of number and value of debt. It is unlikely that he was purchasing or owned real estate at the time of bankruptcy or that he has any assets that the trustee can sell (realise) to repay his creditors.

ITSA is most likely to have been his primary source of information about bankruptcy.

CHARACTERISTICS OF THOSE WHO BECAME BANKRUPT IN 2011 AT A GLANCE

- Ten percent had an income of less than $10 000 and 68% 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 41% owed between $10 000 and $49 999.
- 'Unemployment or loss of income' was stated as the largest cause of non-business related bankruptcies. Bankrupts cited 'economic conditions affecting industry'[5] as the largest cause of business-related bankruptcy[6].
- More men became bankrupt than women.
- Sixteen percent of bankrupts had been bankrupt more than once.

3 ITSA does not ask debtors for enough detail about their employment to comment further. For example, we do not know how many debtors work for more than one employer and lost one or more jobs prior to bankruptcy, are employed on a part time or casual basis and involuntarily have their hours reduced, or lose their jobs altogether.

4 Source: Australian Taxation Office, 2012, ATO, Canberra.

5 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'.

6 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.

DISTRIBUTION OF BANKRUPTS

A total of 23 125 people became bankrupt in 2011.

Table 2: Ratio of bankrupts to the general population[7] by state or territory

	Population	Number of Bankruptcies	Ratio
New South Wales	7 317 469	7 961	1:919
Victoria	5 640 884	4 450	1:1268
Queensland	4 599 362	6 297	1:730
South Australia	1 659 818	1 619	1:1025
Western Australia	2 366 859	1 796	1:1318
Tasmania	510 953	731	1:699
Northern Territory	231 192	93	1:2486
Australian Capital Territory	366 938	178	1:2061
Australia [(a)]	22 695 975	23 125	1:981

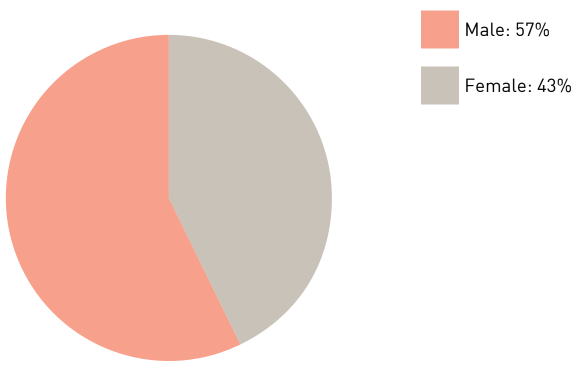
(a) Includes Other Territories comprising Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.

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 981 people compared to one bankrupt per 763 people in 2009.

GENDER

Fifty percent of the Australian population is male[8]. However, 57% of those who became bankrupt in 2011 were male.

Figure 1: Bankrupts – Gender



7 National and state population figures are current as at March 2012. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

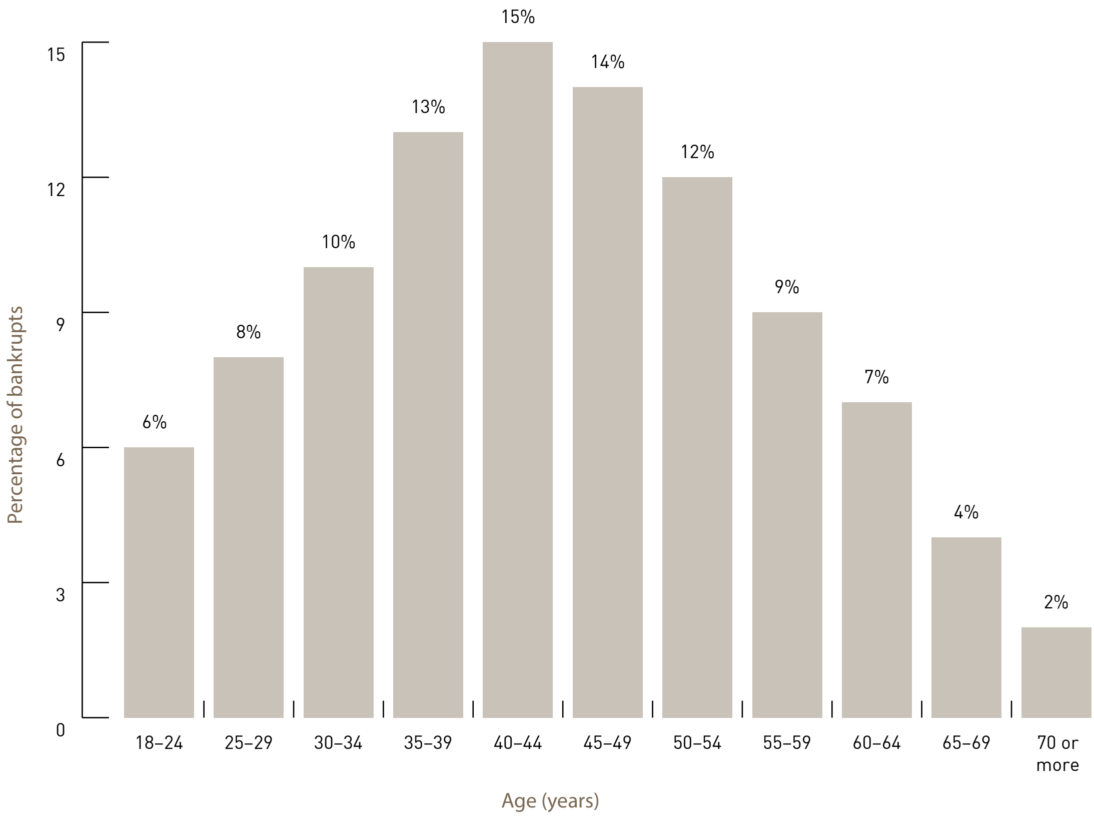
8 Current as at March 2012. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

AGE

The proportion of people aged 18 to 24 and people aged 70 or more was at least double in the general population compared to bankrupts in 2011[9]. Fifty four percent of bankrupts were aged between 35 and 54 years compared to 36% of the general population. This indicates that younger and older people are under-represented in bankruptcy data and people aged 35 to 54 are over-represented.

The age distribution of bankrupts in 2011 is shown below.

Figure 2: Bankrupts – Age



9 June 2011 population aged 18 and over. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

Table 3: Bankrupts – Age distribution by gender compared to general population over 18 years of age[10]

	Male		Female	
Age	Proportion of bankrupts	Proportion of population aged over 18 years	Proportion of bankrupts	Proportion of population aged over 18 years
18–24	6%	14%	6%	12%
25–29	8%	10%	9%	9%
30–34	10%	9%	10%	9%
35–39	13%	9%	14%	9%
40–44	15%	9%	15%	9%
45–49	14%	9%	14%	9%
50–54	12%	9%	13%	9%
55–59	9%	8%	9%	8%
60–64	7%	7%	6%	7%
65–69	4%	5%	3%	5%
70 or more	2%	11%	2%	14%

ETHNICITY

Three percent of bankrupts disclosed that they were Aboriginal and Torres Strait Islander people in 2011. Aboriginal and Torres Strait Islander people comprise 2.5% of the total Australian population[11].

Twenty five percent of bankrupts disclosed that they were born overseas in 2011. Twenty seven percent of the Australian population is born overseas[12].

10 National and state population figures for June 2011. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

11 Population estimate as at 30 June 2006. Source: Australian Bureau of Statistics, 2008, *Experimental Estimates of Aboriginal and Torres Strait Islander Australians, June 2006*, catalogue number 3238.0.55.001, ABS, Canberra.

12 Estimated resident population at 30 June 2010. Source: Australian Bureau of Statistics, 2011, *Migration, Australia, 2009-10*, catalogue number 3412.0, ABS, Canberra.

SOURCES OF INFORMATION ABOUT BANKRUPTCY AND ITS ALTERNATIVES

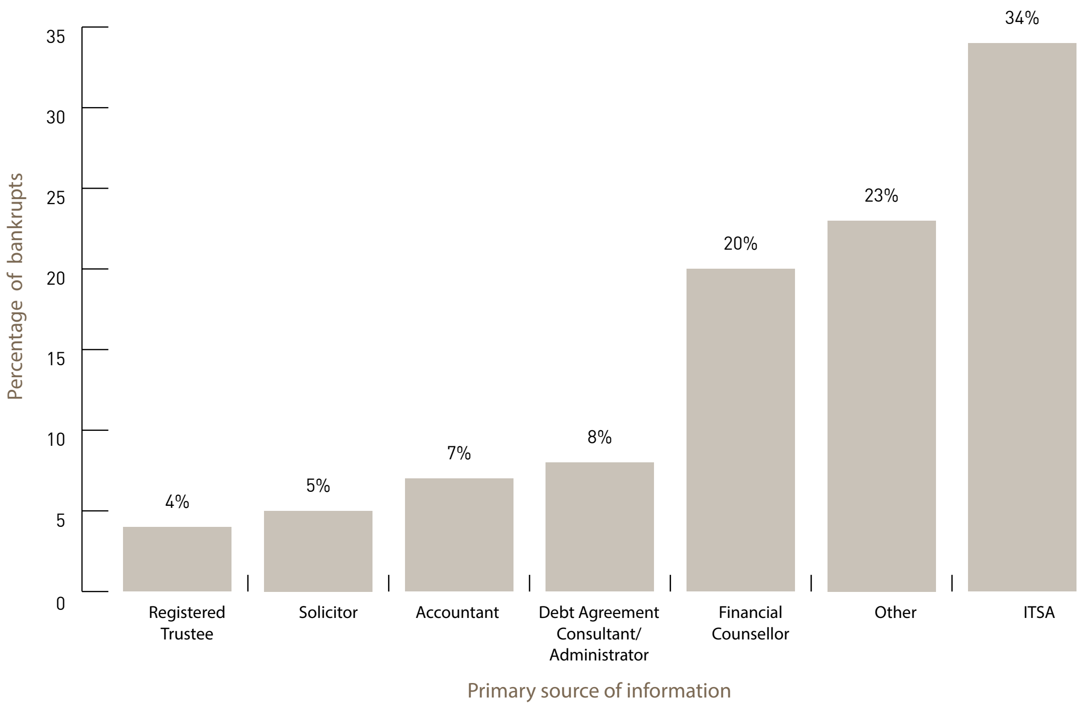
These figures show the primary source of information about bankruptcy as identified by bankrupts in the Statement of Affairs. While it is recognised that bankrupts may obtain information from a number of sources, the Statement of Affairs directs debtors to select only one source of information.

Forty four percent of bankrupts obtained advice from professional sources, which include financial counsellors, solicitors, accountants, debt agreement administrators and registered trustees. These sources are described as 'professional' because they provide specialist guidance 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 2011. In 2009, 42% of bankrupts obtained advice from professional sources, with 20% of bankrupts obtaining advice from financial counsellors.

ITSA provides comprehensive information on bankruptcy and its consequences and alternatives, but does not provide services such as financial counselling, information about budgeting and debt management. In 2011, 34% of bankrupts advised that they obtained information from ITSA including information from our website and publications.

Twenty three percent of bankrupts stated that they did not obtain advice from either professional sources or ITSA during 2011.

Figure 3: Bankrupts – Sources of information

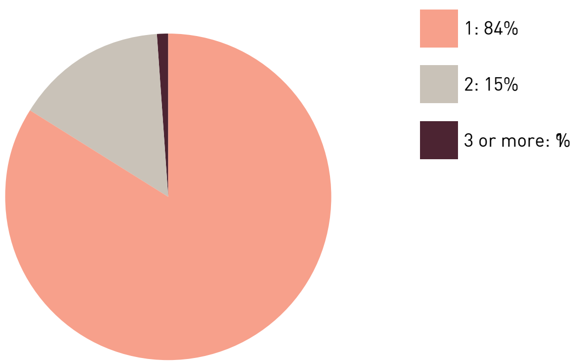


REPEAT BANKRUPTCIES

The Statement of Affairs requires that debtors disclose information on previous bankruptcies or insolvency; however it is not designed to capture the details of more than two bankruptcies. Bankrupts may have been bankrupt more than twice, however for the purposes of reporting ITSA uses the categories of previously bankrupt once and previously bankrupt more than once. Data on repeat bankruptcies may be affected by circumstances where a debtor's name changes or an alias is used. ITSA conducts limited validation of the responses on the incidence of bankruptcy.

Of those who became bankrupt in 2011, 15% had previously been bankrupt once and 1% had been bankrupt more than once.

Figure 4: Bankrupts – Incidence of bankruptcy



PRIMARY CAUSES OF BANKRUPTCY

The Statement of Affairs form requires the debtor to select a single 'cause' of bankruptcy from a given list. Therefore, the 'causes' of bankruptcy shown in figures 5 and 6 represent debtors' opinions of what best describes the primary reason for becoming bankrupt and not an objectively determined cause of their insolvency. There are some instances where the cause of bankruptcy field is not completed and instead ITSA attributes the cause based on the debtor's response in the free text box provided on the Statement of Affairs. This primarily affects the 'other' and 'personal reasons' categories.

During 2011, 'unemployment or loss of income' (34%) was the most frequent primary cause of non-business related bankruptcies and 'economic conditions affecting industry' (42%) was the most frequent primary cause for business related bankruptcies[13]. This is consistent with previous years in which the *Profiles of Debtors* has been produced.

A business related bankruptcy is defined as being one in which an individual's bankruptcy is directly related to his or her proprietary interest in a business. ITSA does not provide guidance, including this definition of business, on the Statement of Affairs. This information may be affected by differences in debtors' interpretations of what constitutes a business.

Business related bankruptcies represented 22% of total bankruptcies in 2011. In 2009, 15% of total bankruptcies were business related.

13 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 5: Bankrupts – Causes (non-business related)

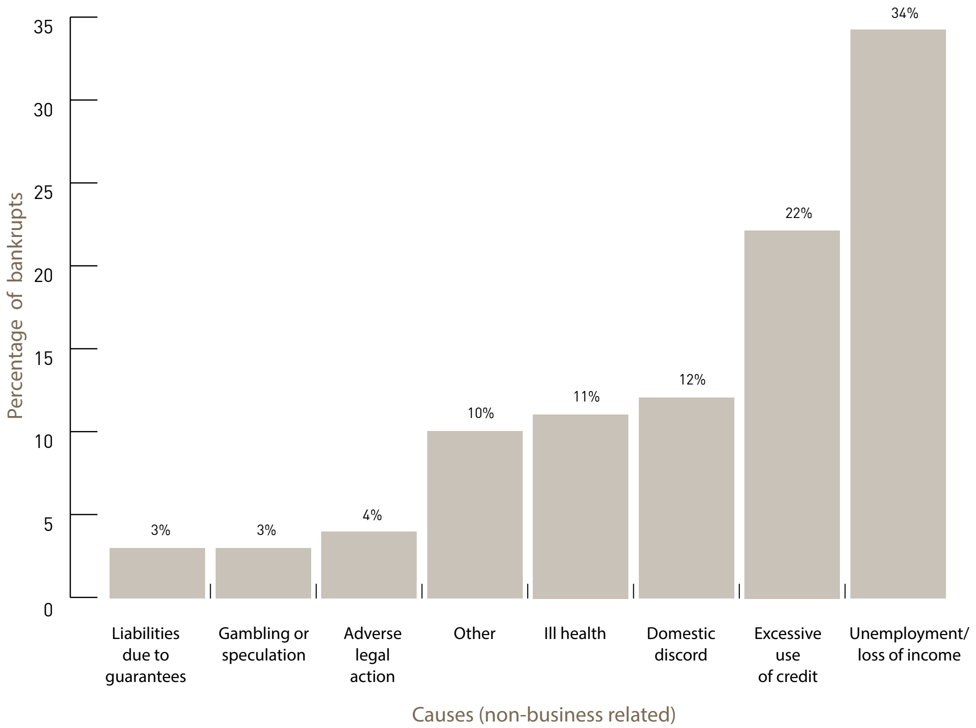
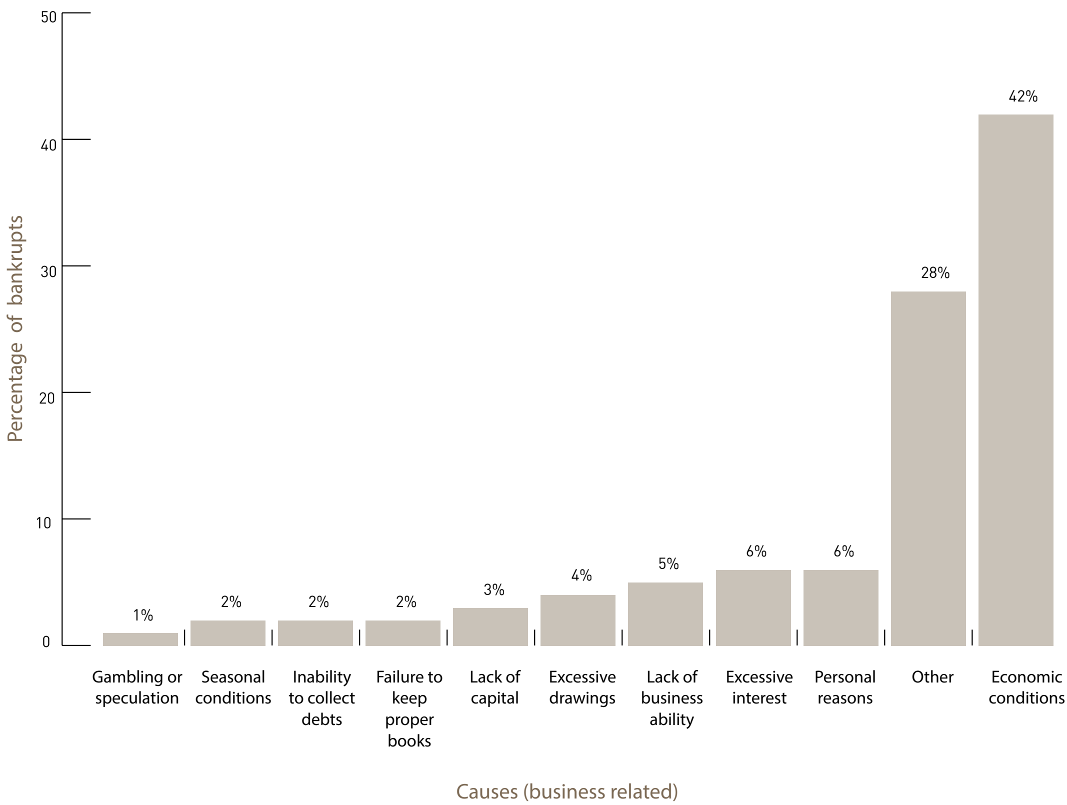


Figure 6: Bankrupts – Causes (business related)



Employment status

The employment status of bankrupts is self-attributed from the Statement of Affairs. The Statement of Affairs does not provide a definition or list of criteria for employment, such as a minimum of one hour of work per week for remuneration or in a family business or farm, or actively looking and available to work. Therefore the employment status of bankrupts may not be comparable with the official ABS rate of unemployment[14].

The classification of not employed at the date of bankruptcy includes the unemployed, pensioners, self-funded retirees and those engaged in unpaid domestic duties.

The proportion of bankrupts who were not employed at the date of bankruptcy declined consistently until rising in 2009. In 2011, the proportion of total bankrupts and male bankrupts not employed at the time of bankruptcy decreased compared to 2009. The proportion of female bankrupts who were not employed at the date of bankruptcy remained steady at 53%.

ITSA does not ask bankrupts and debtors for enough detail about their employment to comment further. For example, we do not know how many bankrupts and debtors worked for more than one employer and lost one or more jobs prior to bankruptcy, were employed on a part time or casual basis and involuntarily had their hours reduced, or lost their jobs altogether.

Table 4: Employment status and gender of bankrupts

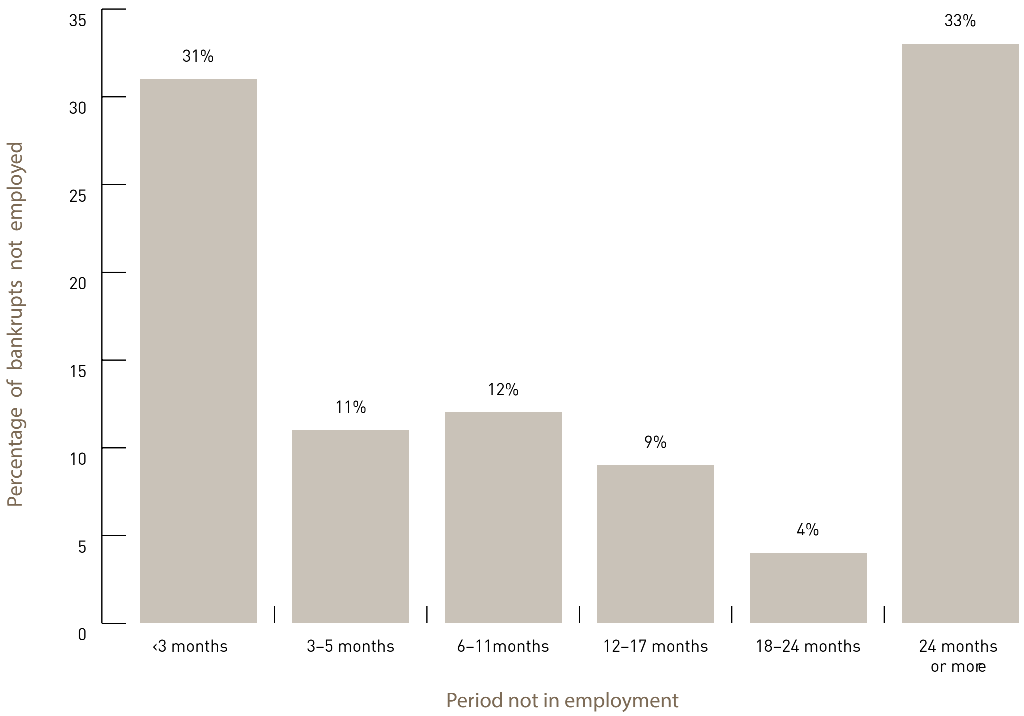
	2011	2009
Proportion of male bankrupts*		
Employed	57%	53%
Not employed	43%	47%
Proportion of female bankrupts*		
Employed	47%	47%
Not employed	53%	53%
Proportion of total bankrupts		
Employed	53%	51%
Not employed	47%	49%

*Note: aggregating male and female employment status will not add to 100%. Employment status based on males and females are reported as a proportion of the total male bankrupts and female bankrupts respectively.

Thirty one percent of bankrupts who were not employed at the date of bankruptcy reported that they had not been employed for three months or less in 2011, a decline from 33% in 2009. The number of bankrupts who had not been employed for 24 months or more increased from 30% in 2009 to 33% in 2011.

14 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. In June 2011 the seasonally adjusted participation rate for Australia was 65.6% and the seasonally adjusted unemployment rate was 5.0%. Source: Australian Bureau of Statistics, 2012, *Labour Force Australia, March 2012*, catalogue number 6202.0, ABS, Canberra.

Figure 7: Bankrupts – Period not in employment



INCOME

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

Bankrupts' income

Over half of all bankrupts earned less than $30 000 in 2011, although the proportion fell from 56% in 2009 to 52% in 2011. The average taxable income for all individuals in 2009-10 was $48 027[15]. This implies that the income of the majority of bankrupts is below the average income in Australia.

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

	2011	2009
$0	2%	2%
$1 - $9 999	8%	10%
$10 000 - $29 999	42%	44%
$30 000 - $49 999	26%	26%
$50 000 - $69 999	13%	11%
$70 000 or more	9%	6%

*Note: ITSA does not adjust income levels to derive real income levels e.g. by applying changes in the Consumer Price Index.

15 Source: Australian Taxation Office, 2012, *Taxation Statistics 2009-10*, ATO, Canberra.

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 following data may be affected by some bankrupts failing to answer all of the Statement of Affairs questions which apply to them, not understanding the question, or not knowing or disclosing the correct information about other household members.

Bankrupts' average household income is lower than the average Australian gross household income. In 2011, 17% of bankrupts' households had a gross income of $70 000 or more compared to 51% of the population in 2009-10.

Table 6: Bankrupts – Comparative rates of household income

	Bankrupts' household income*		Australian gross household income[16]
	2011	2009	2009-10
$0	1%	2%	0%
$1 - $9 999	6%	8%	1%
$10 000 - $19 999	20%	24%	3%
$20 000 - $29 999	16%	16%	12%
$30 000 - $49 999	24%	25%	20%
$50 000 - $69 999	14%	13%	14%
$70 000 or more	17%	13%	51%

*Note: ITSA does not adjust income levels to derive real income levels e.g. by applying changes in the Consumer Price Index.

UNSECURED DEBT

Debt level

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

Legislative changes on 11 August 2010 increasing the minimum debt level (from $2 000 to $5 000) only relate to the issuing of a bankruptcy notice or a creditor's petition presented to court. To issue a bankruptcy notice, ITSA requires a final court judgement verifying that the level of debt meets the minimum threshold. If a debtor who is made bankrupt by a sequestration order (i.e. is made bankrupt involuntarily by a creditor) does not disclose their debts in their Statement of Affairs, the debts will not be recorded on ITSA's database. Consequently ITSA's data may be different to the information in the creditor's petition issued by the court. The Statement of Affairs forms lodged following bankruptcy by sequestration order tend to be less accurate than forms lodged with debtor's petitions where a debtor makes themselves bankrupt voluntarily. Bankruptcies resulting from sequestration orders accounted for 10% of bankruptcies in 2011.

The legislative changes to the minimum debt level do not impact on debtor petitions and a debtor may voluntarily become bankrupt owing any amount of money. However, the Official Receiver in Bankruptcy can reject requests in certain circumstances. The majority of bankrupts who owed less than $5 000 in 2011 were not employed at the time of bankruptcy and had low level utility debts.

The proportion of bankrupts owing creditors $100,000 or more increased from 23% in 2009 to 27% in 2011.

16 Households based. Figures are in 2009-10 dollars. ABS publishes gross household income per week. ITSA has multiplied gross household per week by 52 to derive an approximate annual gross household income. Source: Australian Bureau of Statistics, 2011, *Household Income and Income Distribution, 2009-10*, catalogue number 6523.0, ABS, Canberra.

Table 7: Bankrupts – Comparative unsecured debt level

	2011	2009
‹$2 000	4%	3%
$2 000 - $4 999	2%	2%
$5 000 - $9 999	5%	6%
$10 000 - $19 999	12%	15%
$20 000 - $49 999	29%	31%
$50 000 - $99 999	21%	20%
$100 000 - $499 999	21%	18%
$500 000 or more	6%	5%

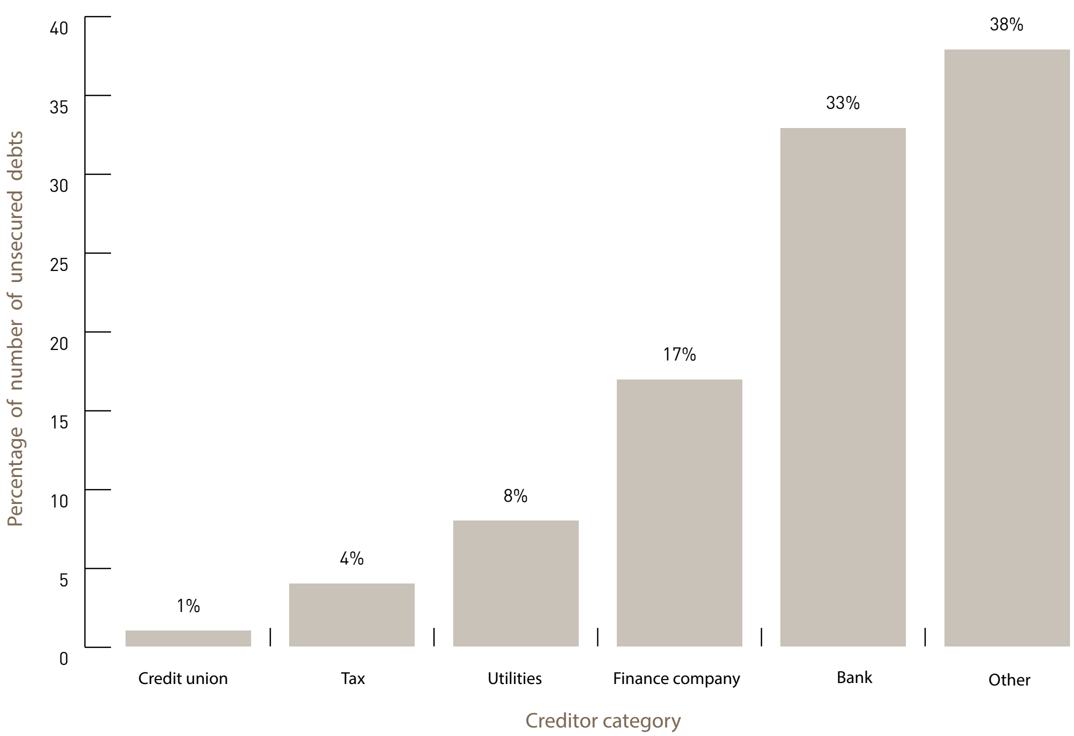
Creditors

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.

ITSA is not able to provide further detail on the 'other' category due to system limitations. We aim to provide more detailed information in future editions of *Profiles of Debtors*.

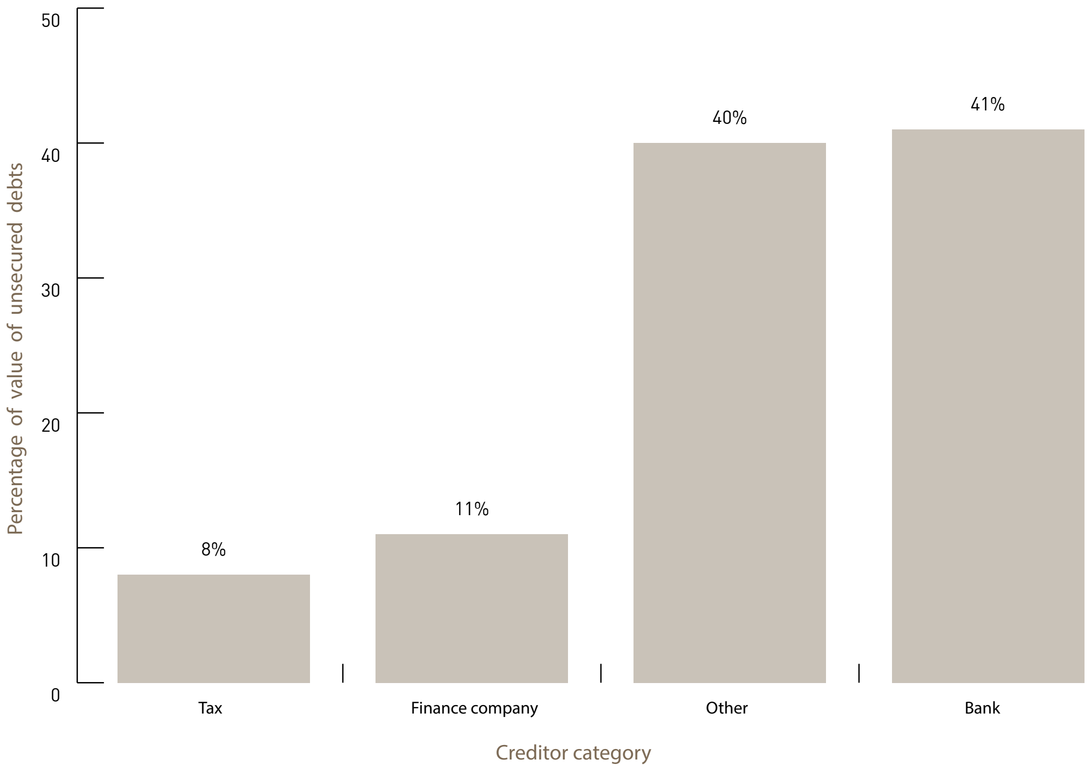
'Other' creditors accounted for 38% of the number of unsecured debts followed by banks at 33%. Finance companies accounted for 17% and tax accounted for 4% of the number of unsecured debts.

Figure 8: Bankrupts – Proportion of number of unsecured debts owed to creditor categories



Banks accounted for 41% of the total value of unsecured debt and 33% of the number of unsecured debts in 2011. Utilities and credit unions accounted for 8% and 1% respectively of the number of unsecured debts in 2011 but less than 1% of the value of unsecured debt. This implies that although the number of unsecured debts owed to utilities and credit unions may be sizeable, their value is relatively small.

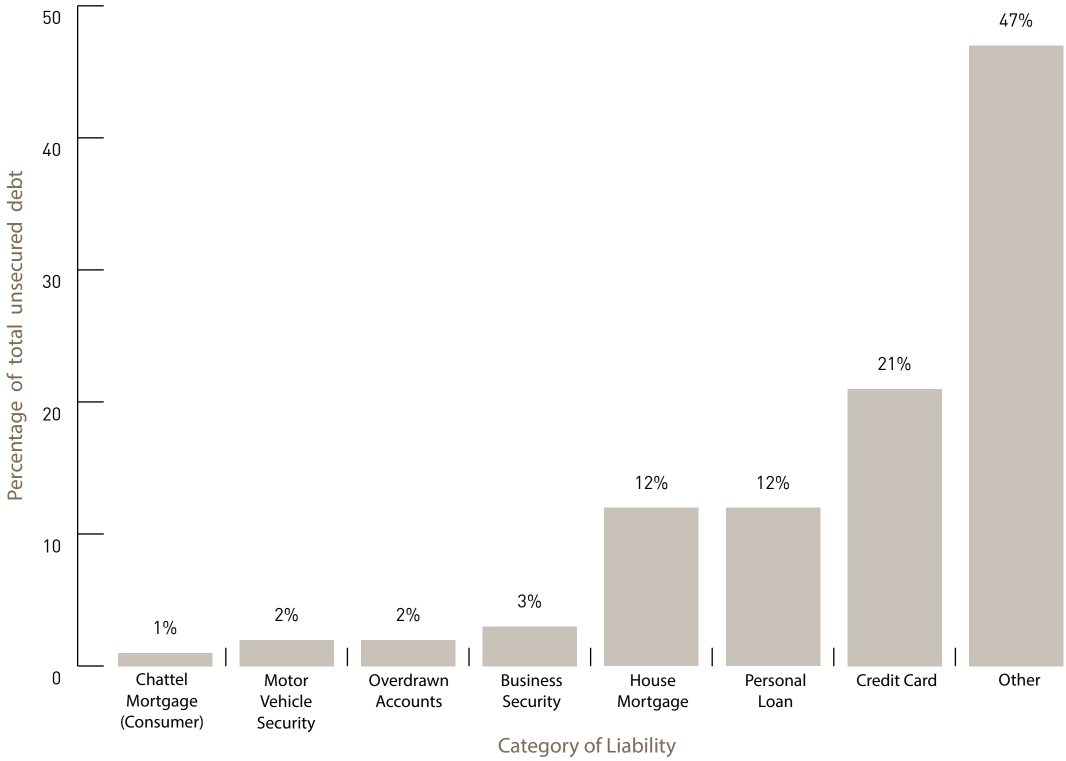
Figure 9: Bankrupts – Proportion of value of unsecured debt owed to different creditor categories



The Statement of Affairs provides a free text box for debtors to nominate the nature of the debt next to the name of the creditor. ITSA categorises the debt according to debtors' responses in this field. Therefore the subtypes of creditors shown below represent debtors' opinions of the best description of the nature of the debt and not an objectively determined creditor subtype. Differences in debtors' responses may affect the data, including debtors leaving the nature of the debt field blank or differing in the categories they assign to debts. For example, one bankrupt may nominate 'credit card' as the nature of the debt while another bankrupt may categorise the same debt as 'personal loan'. This data may also be affected by ITSA processes such as data entry.

All liability amounts refer only to the amount of net unsecured debt owed by the debtor. The greatest liabilities were represented in the 'other' category (47%) and credit cards (21%). Liabilities relating to 'Motor Vehicle Security' and 'House Mortgage' refer to debts where the amount owing exceeds the value of the security.

Figure 10: Bankrupts – Proportion of unsecured debt 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.

Credit cards and store cards

This information is sourced from debtors' responses about liabilities on the Statement of Affairs. This data does not show a comprehensive listing of all credit and store cards held by bankrupts, as the Statement of Affairs only requires disclosure of liabilities.

The data may be affected by debtors failing to complete all questions that are relevant to them or differences in interpretations of creditor categories. As outlined previously, one bankrupt may nominate 'credit card' as the nature of the debt while another bankrupt may categorise the same debt as 'personal loan'.

There may be inconsistency in how bankrupts report credit and store cards. For example a single account may have multiple cards or functions, which may be reported individually by some debtors or aggregated by other debtors.

Twenty eight percent of bankrupts disclosed no credit or store card liabilities and half of all bankrupts disclosed liabilities on two or more credit or store cards in 2011.

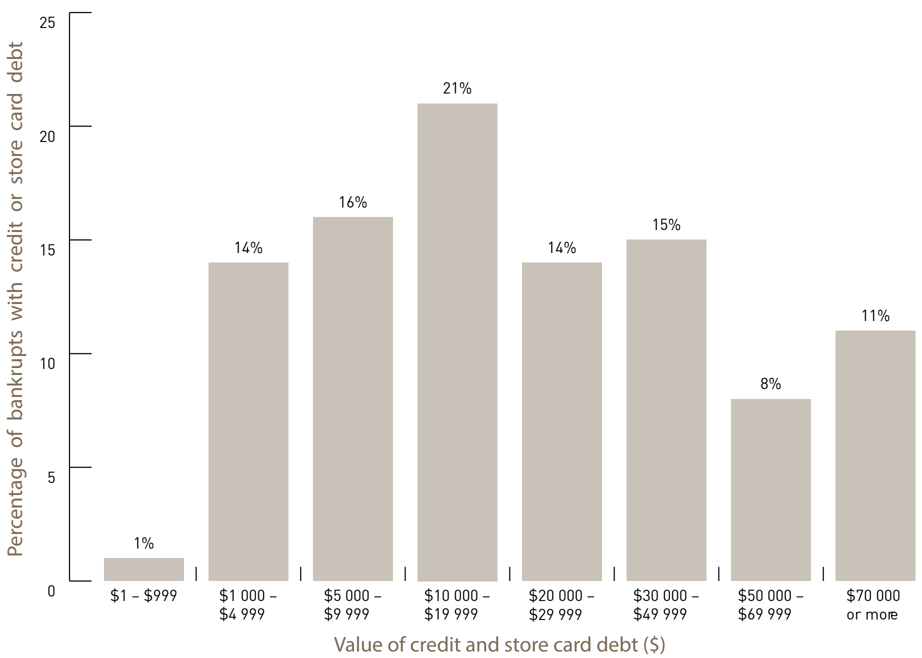
Table 8: Bankrupts – Number of credit and store cards with liabilities

Number of credit and store cards with liabilities	Proportion of bankrupts
0	28%
1	22%
2	18%
3	12%
4	8%
5	5%
6	3%
7	2%
8	1%
9	1%
10 or more	1%

Figure 5 showed 'excessive use of credit facilities' was nominated as the primary cause of non-business related bankruptcy by 22% of bankrupts in 2011. This is self attributed by debtors and may include a number of other credit facilities besides credit and store card debt.

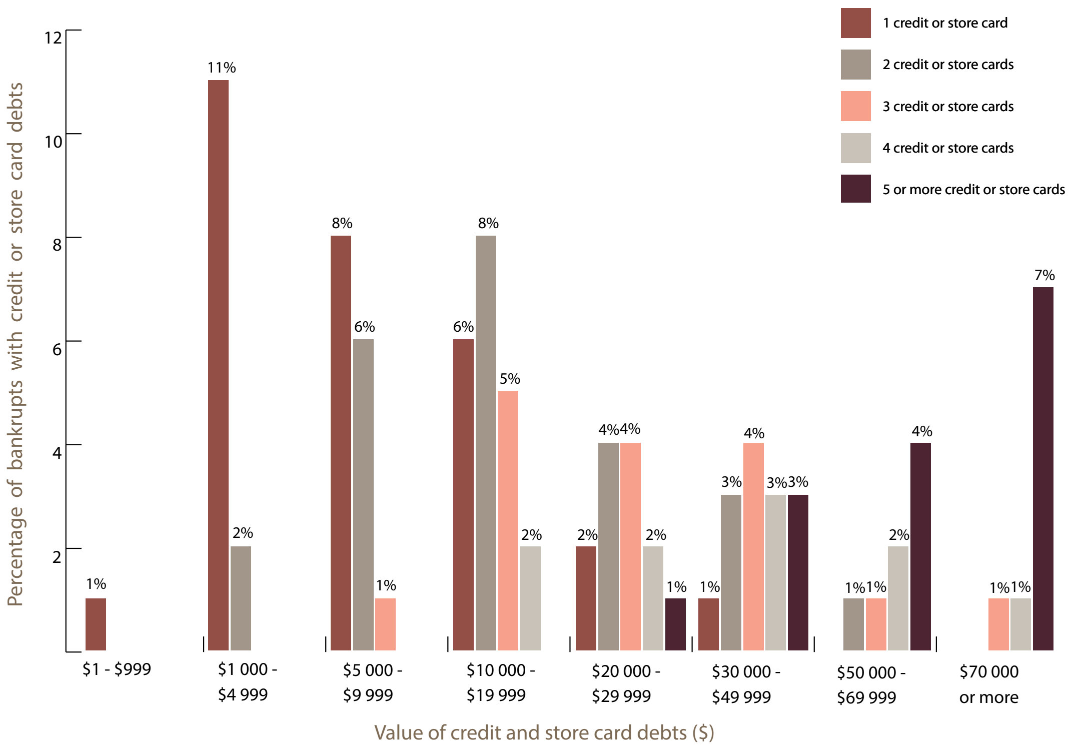
The most frequently reported range of debt owed on credit and store cards was between $10 000 and $19 999, with 21% of bankrupts reporting a debt in this range. This was primarily driven by bankrupts who had debts on one and two credit and store cards.

Figure 11: Bankrupts – Value of debt owed on credit and store cards



Generally, higher levels of credit and store card debt are associated with higher numbers of such cards held by bankrupts. In 2011, 7% of bankrupts with credit and store card debt held five or more credit and store cards and owed $70 000 or more.

Figure 12: Bankrupts – Value of debt owed on credit and store cards linked to the number of cards



The number of credit and store cards held by different age groups generally peaks between ages 35 and 49. Bankrupts with six or more credit and store cards are the exception to this observation, peaking between ages 50 and 54. The age distribution of bankrupts with the number of credit and store cards is shown below.

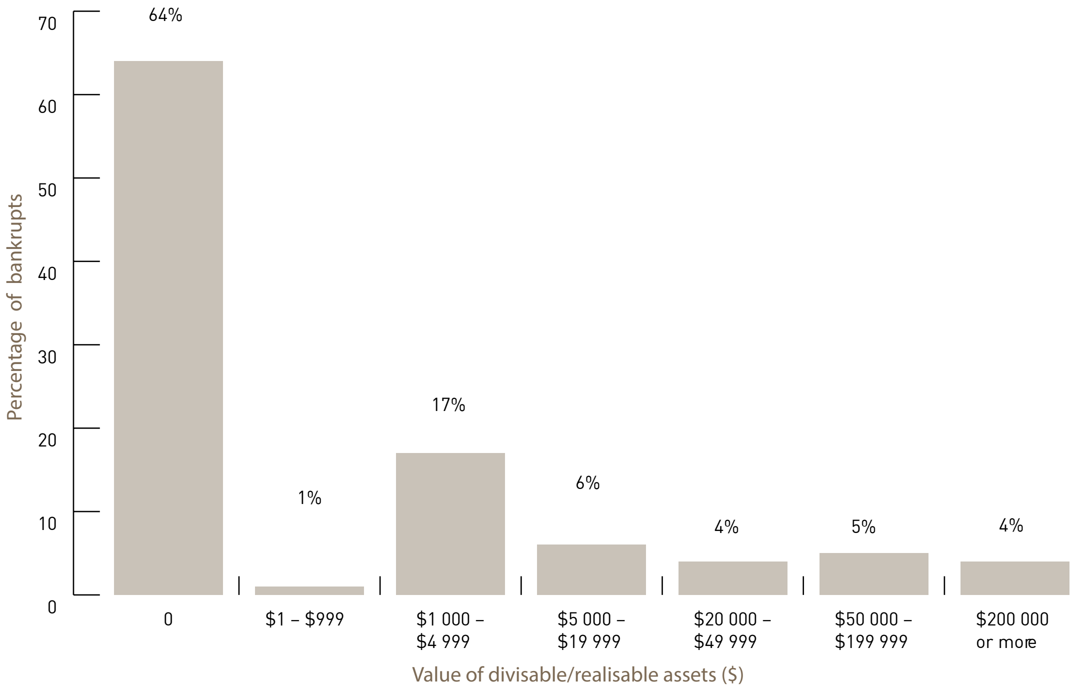
Table 9: Bankrupts - Age profile linked to number of credit and store cards

	Number of credit and store cards						
Age	0	1	2	3	4	5	6 or more
18–24	664	398	182	60	20	5	2
25–29	694	513	372	184	82	23	33
30–34	664	560	384	258	131	73	95
35–39	824	706	533	370	217	127	186
40–44	857	692	642	449	302	187	248
45–49	729	609	580	460	284	193	279
50–54	606	527	530	395	262	160	326
55–59	400	390	359	237	213	133	263
60–64	288	335	297	205	145	113	194
65–69	149	199	168	107	65	36	75
70 or more	86	151	129	66	38	25	39
Total	**5 961**	**5 080**	**4 176**	**2 791**	**1 759**	**1 075**	**1 740**

ASSETS

Divisible/realisable assets are assets/property which can legally be sold in bankruptcy by the trustee. The information reported in this section solely relates to divisible/realisable assets owned at the time of bankruptcy. ITSA does not report on assets owned or sold prior to bankruptcy. The proportion of bankrupts with 'divisible or 'realisable' assets[17] increased in 2011 (36%) compared to 2009 (30%), although the majority of debtors (64%) do not have any realisable assets. The increase in the proportion of bankrupts with realisable assets in 2011 was primarily driven by an increase in bankrupts with realisable assets valued between $1 000 and $4 999, which increased from 14% in 2009 to 17% in 2011.

Figure 13: Bankrupts – Realisable assets



REAL ESTATE OWNERSHIP

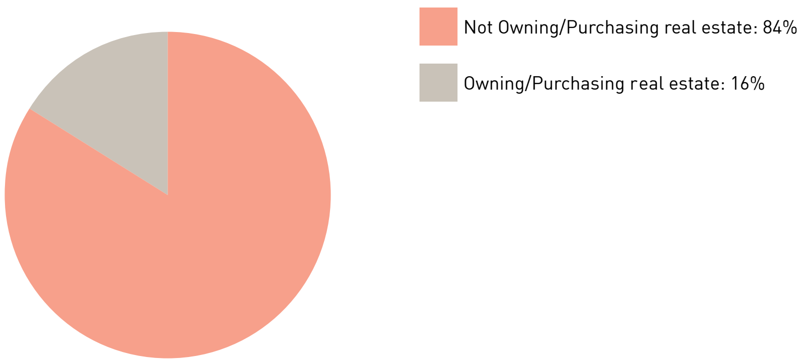
This information relates solely to whether real estate was owned or being purchased at the time of bankruptcy. ITSA does not report on real estate owned or sold prior to bankruptcy.

Real estate owned or being purchased may include houses, units, land or commercial property in Australia and overseas. Time shares are excluded.

Sixteen percent of bankrupts disclosed ownership or purchasing of real estate (including their residence and/or other real estate) at the date of bankruptcy, an increase from 12% in 2009.

17 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 $7 050 (indexed), normal clothing, household furniture and most superannuation. These 'non-divisible' assets are not taken into account when determining the realisable/divisible assets of a debtor entering into bankruptcy, a debt agreement or a personal insolvency agreement.

Figure 14: Bankrupts – Real estate ownership

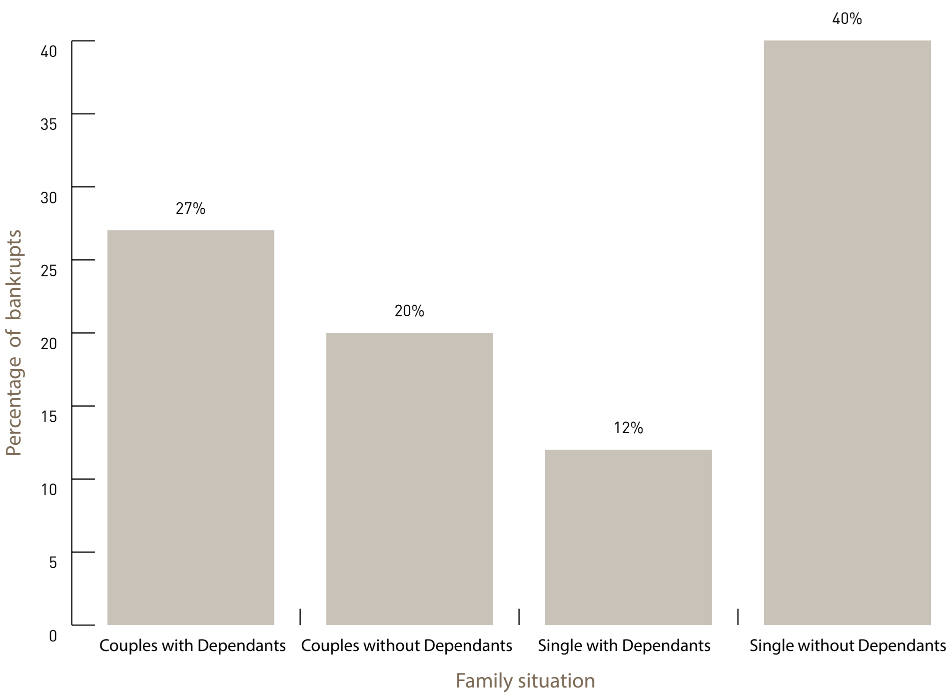


FAMILY SITUATION

This information relates solely to dependants who reside with the bankrupt. Dependants residing with the bankrupt may include spouse, children, parents or invalid relatives.

Forty percent of bankrupts were single without dependants. This represents the largest group of bankrupts and is followed by bankrupts who are members of couples (i.e. married, de facto or same-sex partners) with dependants and couples without dependants, at 27% and 20% respectively. Bankrupts who are single with dependants constitute 12% of total bankrupts.

Figure 15: Bankrupts – Family situation

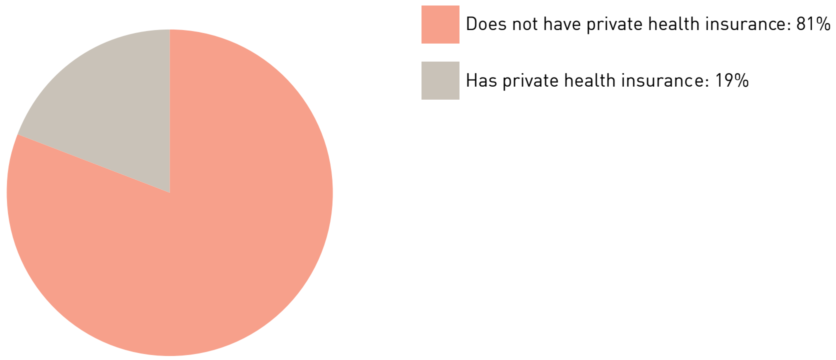


PRIVATE HEALTH INSURANCE COVERAGE

This information refers to private patient hospital cover. Debtors are not asked to disclose any other form of private health insurance on the Statement of Affairs form.

In 2011, 19% of bankrupts disclosed they had private health insurance at the time of bankruptcy.

Figure 16: Bankrupts – Private health insurance



OCCUPATION

The Statement of Affairs provides a free text box for debtors to nominate their usual trade or profession. ITSA categorises these responses using the Australian and New Zealand Standard Classification of Occupations (ANZSCO). ITSA does not require that debtors provide details of the skills or tasks associated with their occupation. Consequently there may be inconsistency and subjectivity in clerical coding of occupations by ITSA.

Table 10 provides details of the occupations of bankrupts for 2011 by occupational group.

Previous editions of *Profiles of Debtors* used the Australian Standard Classification of Occupations (ASCO). Occupations published in this edition of *Profiles of Debtors* are not directly comparable to occupations published in previous editions of *Profiles of Debtors* due to this change in classification. Further information on ANZSCO is available from the Australian Bureau of Statistics 2009, *ANZSCO – Australian and New Zealand Standard Classification of Occupations, First Edition, Revision 1*, catalogue number 1220.0.

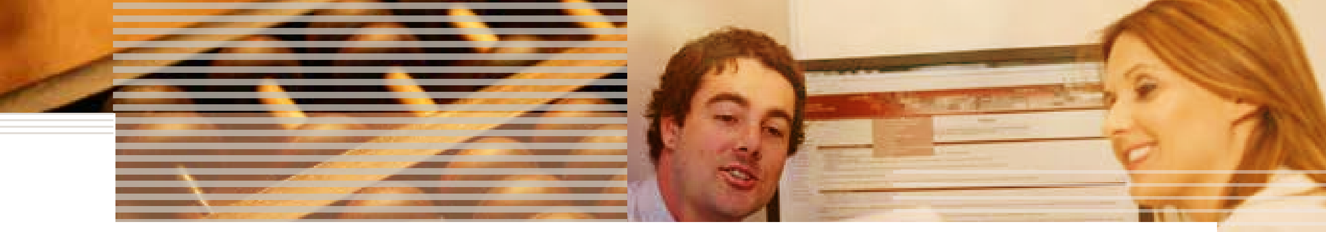
Table 10: Bankrupts – Occupation

ANZSCO Occupational Group	Number	Proportion of total bankrupts
Managers		
Chief Executives, General Managers and Legislators	491	2%
Farmers and Farm Managers	70	0%
Specialist Managers	752	3%
Hospitality, Retail and Service Managers	803	3%
Total managers	**2 116**	**9%**
Professionals		
Arts and Media Professionals	148	1%
Business, Human Resource and Marketing Professionals	560	2%
Design, Engineering, Science and Transport Professionals	300	1%
Education Professionals	240	1%
Health Professionals	384	2%
ICT Professionals	164	1%
Legal, Social and Welfare Professionals	127	1%
Total professionals	**1 923**	**8%**
Technicians and trades workers		
Engineering, ICT and Science Technicians	245	1%
Automotive and Engineering Trades Workers	519	2%
Construction Trades Workers	920	4%
Electrotechnology and Telecommunications Trades Workers	183	1%
Food Trades Workers	526	2%
Skilled Animal and Horticultural Workers	195	1%
Other Technicians and Trades Workers	498	2%
Total technicians and trades workers	**3 086**	**13%**
Community and personal service workers		
Health and Welfare Support Workers	237	1%
Carers and Aides	759	3%
Hospitality Workers	496	2%
Protective Service Workers	279	1%
Sports and Personal Service Workers	254	1%
Total community and personal service workers	**2 025**	**9%**
Clerical and administrative workers		
Office Managers and Program Administrators	136	1%
Personal Assistants and Secretaries	160	1%
General Clerical Workers	292	1%
Inquiry Clerks and Receptionists	242	1%
Numerical Clerks	328	1%
Clerical and Office Support Workers	186	1%
Other Clerical and Administrative Workers	1 235	5%
Total clerical and administrative workers	**2 579**	**11%**

ANZSCO Occupational Group	Number	Proportion of total bankrupts
Sales workers		
Sales Representatives and Agents	737	3%
Sales Assistants and Salespersons	1 272	6%
Sales Support Workers	119	1%
Total sales workers	**2 128**	**9%**
Machinery operators and drivers		
Machine and Stationary Plant Operators	430	2%
Mobile Plant Operators	199	1%
Road and Rail Drivers	1 133	5%
Storepersons	334	1%
Total machinery operators and drivers	**2 096**	**9%**
Labourers		
Cleaners and Laundry Workers	711	3%
Construction and Mining Labourers	383	2%
Factory Process Workers	495	2%
Farm, Forestry and Garden Workers	146	1%
Food Preparation Assistants	125	1%
Other Labourers	1 095	5%
Total labourers	**2 955**	**13%**
Other		
Student	124	1%
Invalid pensioner	405	2%
Other pensioner	735	3%
Housewife / househusband	720	3%
Retired	324	1%
Unemployed*	664	3%
Not stated	1 119	5%
Responses inadequately described**	126	1%
Other total	**4 217**	**18%**
Total of all occupational categories	**23 125**	**100%**

*Note: The occupational group 'unemployed' is not the same as the employment status shown in Table 4. Employment status represents the status at the date of bankruptcy, whereas occupation relates to the bankrupt's usual profession.

**Responses may be valid responses but cannot be coded to any single occupation category due to insufficient information.



Debt agreements

A debt agreement under Part IX of the *Bankruptcy Act 1966* is a legally binding agreement between a debtor and their creditors. Debt agreements are a flexible alternative to bankruptcy and the action is recorded on the National Personal Insolvency Index (an electronic public register which can be accessed by anyone for a fee). Details may also appear on a record held by a credit reporting organisation for up to seven years.

A person cannot propose a debt agreement if their unsecured debts, divisible assets and after tax income exceed specific thresholds, which are updated twice a year. A person could not propose a debt agreement if their unsecured debts or divisible assets exceeded $94 530.80 or their after tax income exceeded $70 898.10 at the end of 2011.

When entering a debt agreement, a debtor is expected to propose an achievable and sustainable offer to their creditors. The debtor's offer is based on an analysis of their expected income from all sources, household expenses and circumstances. A proposal is accepted if a majority of creditors in value vote in favour of the debtor's proposal. A debtor who proposes a debt agreement commits an act of bankruptcy. A creditor can use this to apply to court to make the debtor bankrupt if the proposal is not accepted by creditors.

ITSA ensures proposals comply with the wide range of legal requirements, such as:

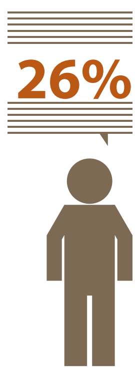
- eligibility
- clarifying aspects of proposals to ensure creditors are well informed to make a decision on their vote
- conducting the voting process with creditors.

Some examples of the kinds of proposals offered are:

- periodic payments of amounts out of the debtor's income to creditors
- lump sum payment
- a moratorium on payments of debts
- payment from the proceeds of sale of property owned by the debtor.

Debtors and creditors details are entered onto the National Personal Insolvency Index and creditors are bound by the debtor's agreement, even those who voted against the proposal. Debts owing to creditors are fixed at the date the proposal is entered on the index – interest does not accrue and creditors cannot take or continue action against the debtor to collect their debts.

Further information on the process and consequences of debt agreements is available from the ITSA website at **www.itsa.gov.au**



Debt agreements are the second largest category of personal insolvency activity in Australia. In 2011, debt agreements accounted for 26% of total personal insolvency activity.

CHANGES IN CIRCUMSTANCES OF DEBT AGREEMENT DEBTORS FROM 2003 TO 2011

Since 2003, the following patterns in the socioeconomic characteristics of debt agreement debtors are noted:

Demographics

- Males consistently comprise more than half of all debt agreement debtors.
- The age of debt agreement debtors has consistently increased since 2003, with the proportion of debtors aged 18 to 34 declining and those aged 35 and over increasing. In 2011 the proportion of debtors aged between 18 and 34 fell below 50% for the first time since 2003.
- The majority of debt agreement debtors do not have dependants and this proportion has remained relatively stable since 2003.
- The proportion of debt agreement debtors who are members of couples with dependants has increased since 2005, and in 2011 reached the record level of 32%.

Primary causes of insolvency[18]

- The proportion of debtors nominating 'excessive use of credit facilities' as the primary cause of non-business related insolvency has increased since 2003 and reached a record 45% of non-business related debt agreements in 2011.
- The proportion of debtors nominating 'economic conditions affecting industry' as the primary cause of business-related debt agreements has increased to a record 51% in 2011[19].
- The majority of debt agreement debtors are employed at the time of entering a debt agreement. This proportion has remained relatively steady since 2007.

Income and debt

- The level of unsecured debt of debt agreement debtors has consistently increased since 2003.
- The proportion of the value of unsecured debt to finance institutions owed on credit cards has consistently increased since 2003, reaching a record 55% in 2011.

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18 The causes of insolvency 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'.

19 Personal insolvency is categorised as either business related or non-business related. In a 'business debt agreement' the debtor's insolvency was reported as being directly related to the debtor's proprietary interest in a business.

Table 11: Debt agreements – Time series of selected data as proportion of total debt agreement debtors

	2011	2009	2007	2005	2003
Demographics					
Gender					
Male	52%	53%	53%	54%	52%
Female	48%	47%	47%	46%	48%
Age (years)					
18-24	13%	16%	21%	22%	21%
25-29	18%	21%	20%	20%	22%
30-34	15%	15%	15%	18%	20%
35-39	14%	14%	14%	12%	12%
40-44	13%	12%	11%	11%	11%
45-49	11%	10%	9%	8%	7%
50-54	8%	7%	5%	5%	4%
55-59	4%	4%	3%	3%	2%
60-64	2%	2%	1%	1%	1%
65-69	1%	0%	0%	0%	0%
Number of debt agreement debtors	8 120	8 559	6 648	4 803	5 471
Family situation					
With dependants					
Couple	32%	31%	28%	27%	30%
Single	12%	12%	14%	13%	14%
Without dependants					
Couple	16%	14%	13%	14%	16%
Single	40%	43%	45%	46%	40%
Selected causes of debt agreements					
Proportion of non-business related debt agreements					
Unemployment or loss of income	35%	41%	35%	35%	44%
Excessive use of credit facilities including losses on repossessions, high interest payments and pressure selling	45%	37%	39%	41%	28%
Domestic discord or relationship breakdowns	13%	11%	15%	13%	14%
Proportion of business related debt agreements					
Economic conditions affecting industry, including competition, credit restrictions, fall in prices or increases in costs	51%	14%	16%	26%	19%
Excessive interest payments on loan monies and capital losses on repayments	7%	10%	4%	8%	6%
Excessive drawings including failure to provide for taxation	12%	8%	20%	16%	4%
Employment status at time of entering debt agreement					
Employed	91%	91%	92%	86%	75%
Not employed	9%	9%	8%	14%	25%

	2011	2009	2007	2005	2003
Debt*					
Unsecured debt level					
$1 - $4 999	0%	0%	1%	3%	4%
$5 000 - $9 999	3%	4%	7%	14%	21%
$10 000 - $19 999	19%	19%	27%	31%	36%
$20 000 - $49 999	54%	56%	51%	43%	35%
$50 000 - $99 999	24%	21%	14%	9%	4%
Selected unsecured debts owed to financial institutions - proportion of value of unsecured debt					
Credit Card	55%	53%	47%	39%	N/A**
Personal Loan	36%	36%	34%	25%	N/A**
House Mortgage	1%	1%	6%	3%	N/A**
Motor Vehicle Security	6%	7%	8%	13%	N/A**

*The income, debt and asset threshold amounts for entry into a debt agreement are indexed twice yearly in March and September.

**This data is not available due to a change in reporting by ITSA.

Note: A time series of debt agreement debtors income is not available due to a change in reporting by ITSA. For further information, please see the debt agreement debtors 'Income' section.

CHARACTERISTICS OF THOSE WHO ENTERED INTO DEBT AGREEMENTS IN 2011

To examine the socioeconomic characteristics of debt agreement debtors in 2011, ITSA has constructed a profile of the average debt agreement debtor. This is based on statistical averages of the data in this publication. For example, more than half of all debt agreement debtors are male.

In 2011, the average debt agreement debtor is male, aged between 25 and 44 years and single without dependants.

It is most likely that he is employed at the time of entering a non-business related debt agreement. It is probable that he will nominate 'excessive use of credit facilities' as the primary cause of his insolvency. Credit cards account for more than half of his unsecured debt to financial institutions, which form the majority of unsecured creditors.

He expected to earn between $30 000 and $49 999 after tax income in the 12 month period after entering the debt agreement.

He is most likely to owe more than $20 000 and banks are likely to be the largest creditor both in terms of number and value of debt. It is unlikely that he was purchasing or owning real estate at the time of insolvency or that he has any assets which could be sold (realised) to repay his creditors if he was bankrupt.

It is probable that debt agreement consultants/administrators were his primary source of information about debt agreements.

CHARACTERISTICS OF THOSE WHO ENTERED INTO DEBT AGREEMENTS IN 2011 AT A GLANCE

- Fifty nine percent expected to earn an after tax income of $30 000 to $49 999 in the 12 months after entering into the debt agreement.
- Three percent owed unsecured creditors less than $10 000, with 54% owing between $20 000 and $49 999.
- 'Excessive use of credit facilities' was listed by debtors as the main cause of non-business related debt agreements. 'Economic conditions affecting industry'[20] was listed by the debtors as the main cause of business related debt agreements[21].
- More men entered into debt agreements than women.

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'.

21 Personal insolvency is categorised as either business related or non-business related. In a 'business debt agreement' the debtor's insolvency was reported as being directly related to the debtor's proprietary interest in a business.

DISTRIBUTION OF DEBTORS ENTERING INTO DEBT AGREEMENTS

A total of 8 120 debtors entered into debt agreements in 2011.

Table 12: Ratio of debt agreement debtors to the general population by state or territory[22]

	Population	Number of debt agreements	Ratio
New South Wales	7 317 469	2 755	1:2656
Victoria	5 640 884	1 678	1:3362
Queensland	4 599 362	2 207	1:2084
South Australia	1 659 818	353	1:4702
Western Australia	2 366 859	683	1:3465
Tasmania	510 953	289	1:1768
Northern Territory	231 192	55	1:4203
Australian Capital Territory	366 938	100	1:3669
Australia (a)	22 695 975	8 120	1:2795

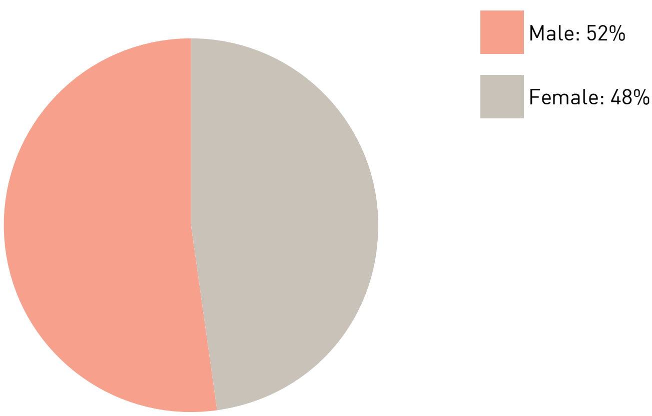
(a) Includes Other Territories comprising Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.

The ratio of debt agreement debtors varies across the states and territories, with Tasmania showing the highest frequency and South Australia having the lowest. The national ratio of debt agreement debtors is one debt agreement debtor per 2 795 people in 2011 compared to one debt agreement debtor per 2 555 people in 2009.

GENDER

Fifty percent of the Australian population is male[23]. Fifty two percent of those who entered into debt agreements in 2011 were male.

Figure 17: Debt agreements – Gender



22 National and state population figures are current as at March 2012. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

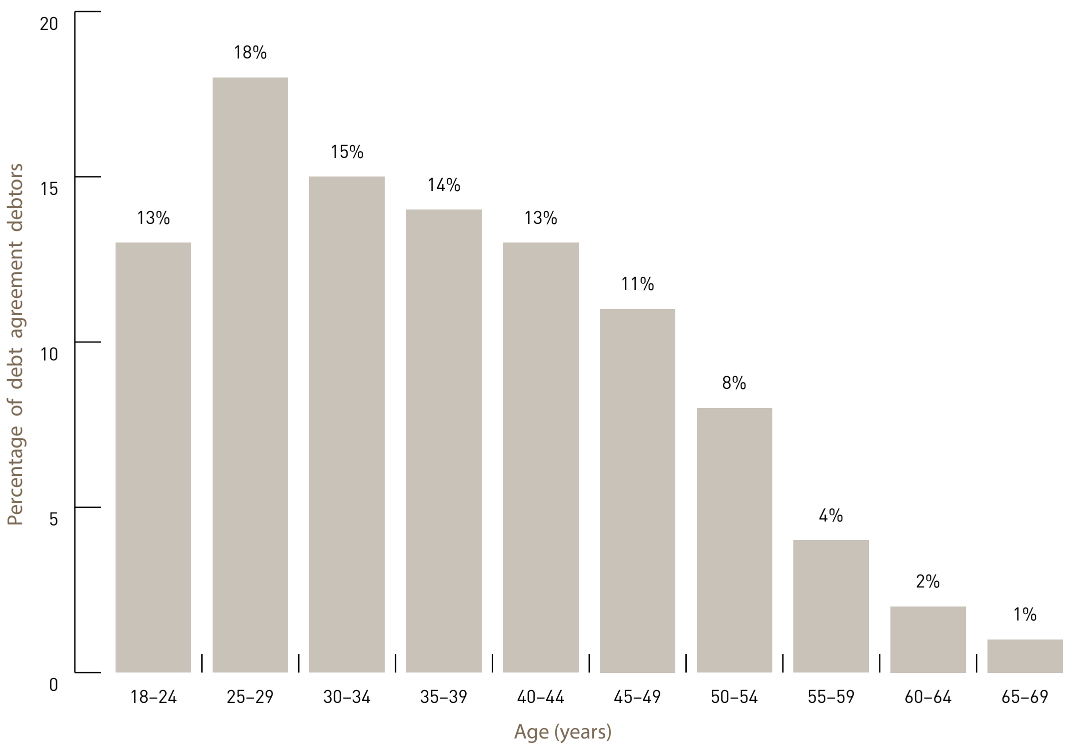
23 Current as at March 2012. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

AGE

The majority of debt agreement debtors were aged between 25 and 44, accounting for 61% of all debt agreement debtors in 2011.

Persons aged between 25 and 44 comprised 37% of the general population[24]. Seven percent of debt agreement debtors were aged 55 and over compared to 33% of the general population. This indicates that people aged between 25 and 44 are over-represented and people aged 55 and over are under-represented in debt agreement data. The age profile of debtors entering into debt agreements in 2011 is shown below.

Figure 18: Debt agreements – Age



24 June 2011 population aged 18 and over. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

Table 13: Debt agreements – Age distribution by gender[25]

	Male		Female	
Age	Proportion of debt agreement debtors	Proportion of population aged over 18 years	Proportion of debt agreement debtors	Proportion of population aged over 18 years
18–24	12%	14%	13%	12%
25–29	19%	10%	18%	9%
30–34	16%	9%	14%	9%
35–39	15%	9%	14%	9%
40–44	13%	9%	14%	9%
45–49	11%	9%	12%	9%
50–54	7%	9%	9%	9%
55–59	4%	8%	4%	8%
60–64	2%	7%	2%	7%
65-69	1%	5%	1%	5%
70 or more	0%	11%	0%	14%

ETHNICITY

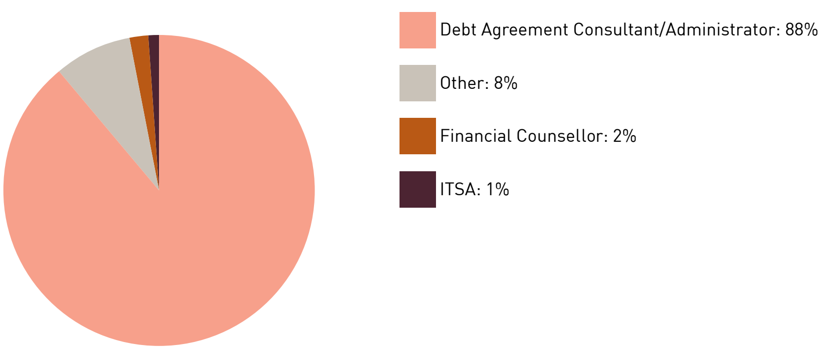
The Statement of Affairs completed by debtors entering into debt agreements does not currently require disclosure of ethnicity. Therefore ITSA is unable to report on this information for debt agreement debtors.

SOURCES OF INFORMATION

These figures show the primary source of information about debt agreements as identified by debtors in the Statement of Affairs. While it is recognised that debtors may obtain information from a number of sources, the Statement of Affairs directs debtors to select only one source of information.

Almost all debt agreements are administered by professional administrators (that is, specialised experts who work to assist debtors in entering into debt agreements and act as administrators of the agreements). Debt agreement administrators were the major source of advice for those who entered debt agreements in 2011 (88%). In 2009, debt agreement administrators were the primary source of information for 98% of debtors entering a debt agreement.

Figure 19: Debt agreements – Sources of information



25 National and state population figures for June 2011. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

PRIMARY CAUSES OF INSOLVENCY

The Statement of Affairs form requires the debtor to select a single 'cause' of insolvency from a given list. Therefore, the 'causes' of insolvency shown in figures 20 and 21 represent debtors' opinions of what best describes the primary reason for entering a debt agreement and not an objectively determined cause of their insolvency. There are some instances where the cause of insolvency field is not completed, and instead ITSA attributes the cause based on the debtor's response in the free text box provided on the Statement of Affairs. This primarily affects the 'other' and 'personal reasons' categories.

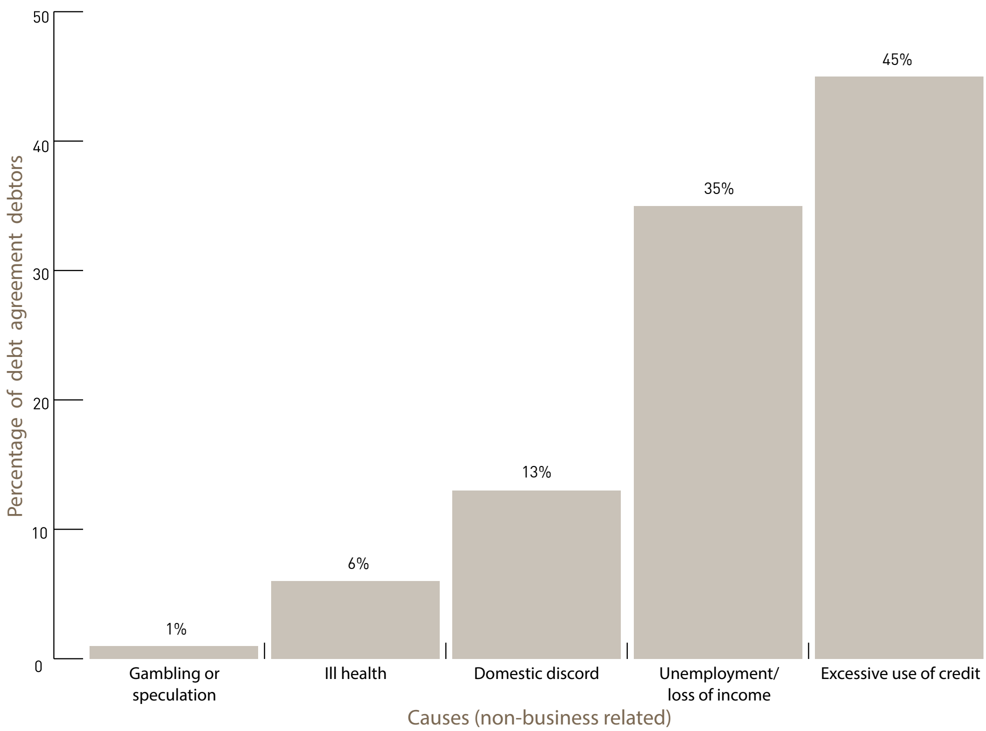
Debtors nominated 'excessive use of credit' as the primary cause of insolvency in 45% of non-business related debt agreements in 2011, an increase from 37% in 2009. 'Unemployment or loss of income' and 'domestic discord' accounted for 35% and 13% respectively of non-business related debt agreements in 2011[26].

Business related insolvency is defined as being one in which an individual's insolvency is directly related to his or her proprietary interest in a business. ITSA does not provide guidance, including this definition of business, on the Statement of Affairs. This information may be affected by differences in debtors' interpretations of what constitutes a business.

Business related debt agreements represented 7% of total debt agreements in 2011. In 2009, 5% of total debt agreements were business related.

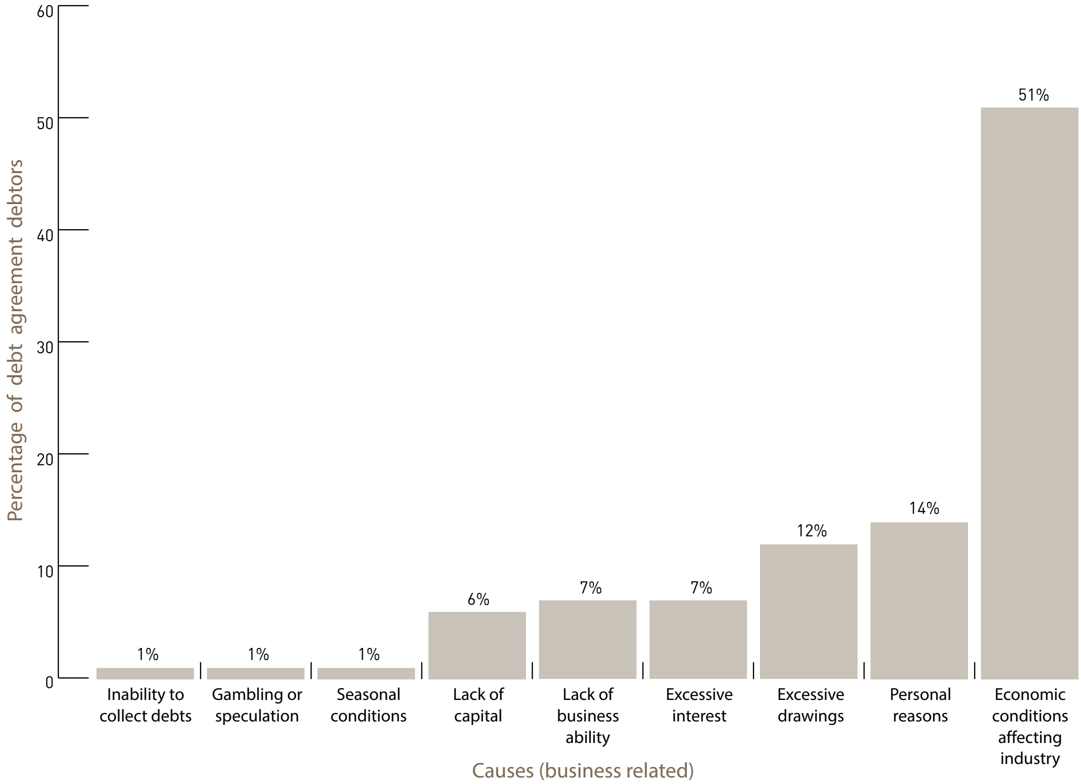
For business related debt agreements, 'economic conditions affecting industry' was disclosed as the most frequent primary cause of insolvency at 51%, an increase from 14% in 2009.

Figure 20: Debt agreements – Causes (non-business related)



26 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 21: Debt agreements – Causes (business related)



Employment status

The employment status of debt agreement debtors is self-attributed from the Statement of Affairs. The Statement of Affairs does not provide a definition or list of criteria for employment, such as a minimum of one hour of work per week for remuneration or in a family business or farm, or actively looking and available to work. Therefore the employment status of debt agreement debtors may not be comparable with the official ABS rate of unemployment[27].

The classification of not employed at the date of entering a debt agreement includes the unemployed, pensioners, self-funded retirees and those engaged in unpaid domestic duties.

Ninety two percent of debtors who entered into a debt agreement were employed at the time of entering a debt agreement, compared with 53% of those who became bankrupt.

27 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. In June 2011 the seasonally adjusted participation rate for Australia was 65.6% and the seasonally adjusted unemployment rate was 5.0%. Source: Australian Bureau of Statistics, 2012, *Labour Force Australia, March 2012*, catalogue number 6202.0, ABS, Canberra.

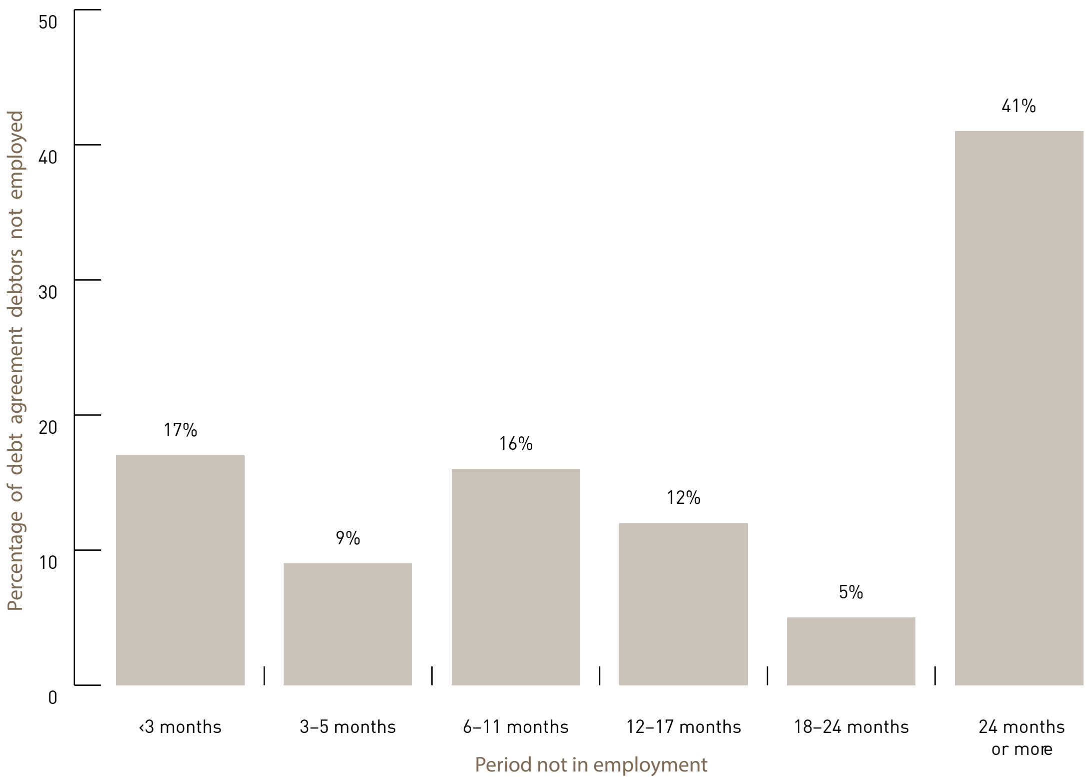
Table 14: Employment status and gender of debt agreement debtors

	2011	2009
Proportion of male debt agreement debtors*		
Employed	96%	95%
Not employed	4%	5%
Proportion of female debt agreement debtors*		
Employed	87%	86%
Not employed	13%	14%
Proportion of total debt agreement debtors		
Employed	92%	91%
Not employed	8%	9%

*Note: aggregating male and female employment status will not add to 100%. Employment status based on males and females are reported as a proportion of the total male debt agreement debtors and female debt agreement debtors respectively.

Forty one percent of debtors who were not employed at the time of entering a debt agreement reported that they had not been employed for 24 months or more, an increase from 38% in 2009.

Figure 22: Debt agreements – Period not in employment



INCOME

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

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. At the end of 2011, the threshold for after-tax income was $70 898.10.

Note: information on the income of debt agreement debtors and their household income is not directly comparable to the information on the income of bankrupts and personal insolvency agreement debtors and their household income. From January 2010, debt agreement debtors were required to disclose after tax income on the Statement of Affairs to determine eligibility using the after tax income threshold limit. In contrast, bankrupts and personal insolvency agreement debtors are required to disclose their gross income.

Information on debt agreement debtors' income presented in this publication is not directly comparable to information published in previous *Profiles of Debtors* due to a change in reporting ITSA. From January 2010, ITSA solely collects the information regarding after tax income of debt agreement debtors. Prior to this change, ITSA reported on gross income.

The majority of debtors (59%) expected to earn an after tax income of between $30 000 and $49 999 in 2011.

Table 15: Debt agreements – Comparative after tax income expected to be earned in 12 months after entering debt agreement

	2011
$0	0%
$1 - $9 999	2%
$10 000 - $29 999	19%
$30 000 - $49 999	59%
$50 000 - $69 999	19%
$70 000 or more[28]	1%

Note: ITSA does not adjust income levels to derive real income levels e.g. by applying changes in the Consumer Price Index.

Debtors' household income

Information is collected on the debt agreement debtor's household income (that is the debtor's expected after tax income over the next 12 months and the gross income of their spouse or partner) from their Statement of Affairs. The following data may be affected by some debtors failing to answer all of the Statement of Affairs questions which apply to them, not understanding the question, or not knowing or disclosing the correct information about other household members.

In 2011, 25% of debt agreement debtors' households had an income of $70 000 or more.

28 At the end of 2011, the threshold for after-tax income was $70 898.10

Table 16: Debt agreements – Comparative household income

	Debtors' household income*
	2011
$0	0%
$1 - $9 999	0%
$10 000 - $19 999	2%
$20 000 - $29 999	8%
$30 000 - $49 999	41%
$50 000 - $69 999	24%
$70 000 or more	25%

*Note: ITSA does not adjust income levels to derive real income levels e.g. by applying changes in the Consumer Price Index.

UNSECURED DEBT

Debt level

Only unsecured debts (debts that are not secured by a mortgage or security interest over property) are reported. Where a debtor listed a secured debt, only the amount owing above the estimated value of the security was included. A debtor was not eligible to propose a debt agreement if his or her unsecured debts exceeded $94 530.80 in 2011. The majority of debt agreement debtors owed over $20 000 in 2011. This is consistent with 2009.

Table 17 : Debt agreements – Comparative unsecured debt level

	2011	2009
$5 000 - $9 999	3%	4%
$10 000 - $19 999	19%	19%
$20 000 - $49 999	54%	56%
$50 000 or more	24%	21%

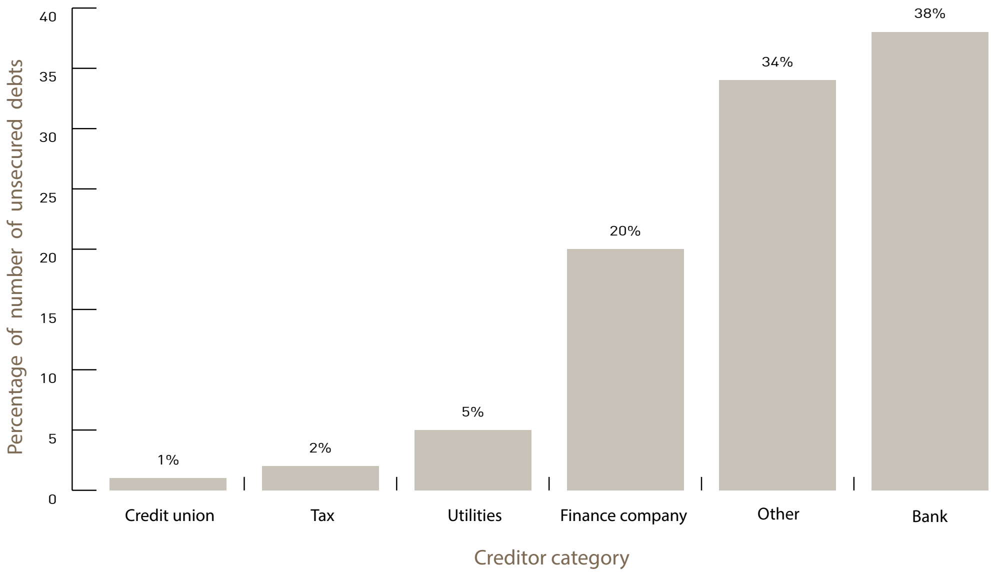
Creditors

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.

ITSA is not able to provide further detail on the 'other' category due to system limitations. We aim to provide more detailed information in future editions of the *Profile of Debtors*.

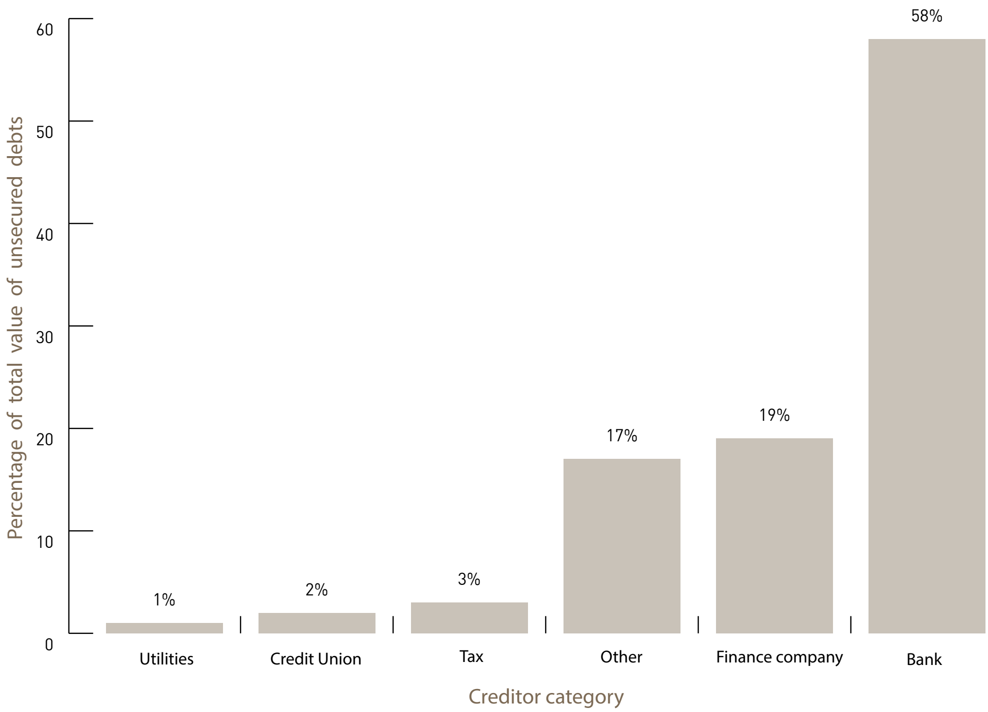
Bank creditors accounted for 38% of the number of unsecured debts followed by 'other' at 34% in 2011. Finance companies accounted for 20% and utilities accounted for 5% of the total number of unsecured debts.

Figure 23: Debt agreements – Proportion of number of unsecured debts owed to creditor categories



Banks were the largest unsecured creditor category in terms of both number and value of unsecured debt in 2011, accounting for 38% of the number and 58% of the value of unsecured debts in 2011.

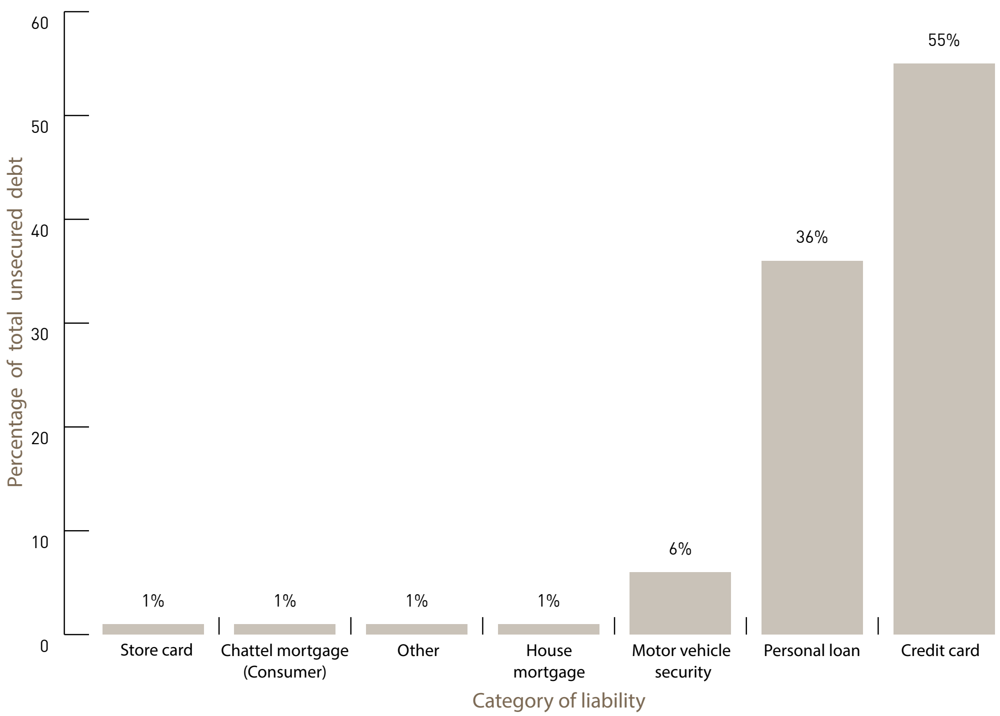
Figure 24: Debt agreements – Proportion of value of unsecured debts owed to creditor categories



The Statement of Affairs provides a free text box for debtors to nominate the nature of the debt next to the name of the creditor. ITSA categorises the debt according to debtors' responses in this field. Therefore the subtypes of creditors shown below represent debtors' opinions of the best description of the nature of the debt and not an objectively determined creditor subtype. Differences in debtors' responses may affect the data, including debtors leaving the nature of the debt field blank or differing in the categories they assign to debts. For example, one debtor may nominate 'credit card' as the nature of the debt while another debtor may categorise the same debt as 'personal loan'. This data may also be affected by ITSA processes such as data entry.

All liability amounts refer only to the amount of net unsecured debt owed by the debtor. Of those liabilities owed to financial institutions, 55% 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 25: Debt agreements – Proportion of unsecured debt owed to financial institutions



Note: Only financial institutions are displayed in this figure as other creditor types represented in Figure 23 do not generally have sub-types which reflect the type of debt owed.

Credit cards and store cards

This information is sourced from debtors' responses about liabilities on the Statement of Affairs. This data does not show a comprehensive listing of all credit and store cards held by debtors, as the Statement of Affairs only requires disclosure of liabilities.

The data may be affected by debtors failing to complete all questions that are relevant to them or differences in interpretations of creditor categories. As outlined previously, one debtor may nominate 'credit card' as the nature of the debt while another debtor may categorise the same debt as 'personal loan'.

There may be inconsistency in how debtors report credit and store cards. For example a single account may have multiple cards or functions, which may be reported individually by some debtors or aggregated by other debtors. Fifteen percent of debt agreement debtors disclosed no credit or store card liabilities and 25% disclosed liabilities on two credit or store cards in 2011.

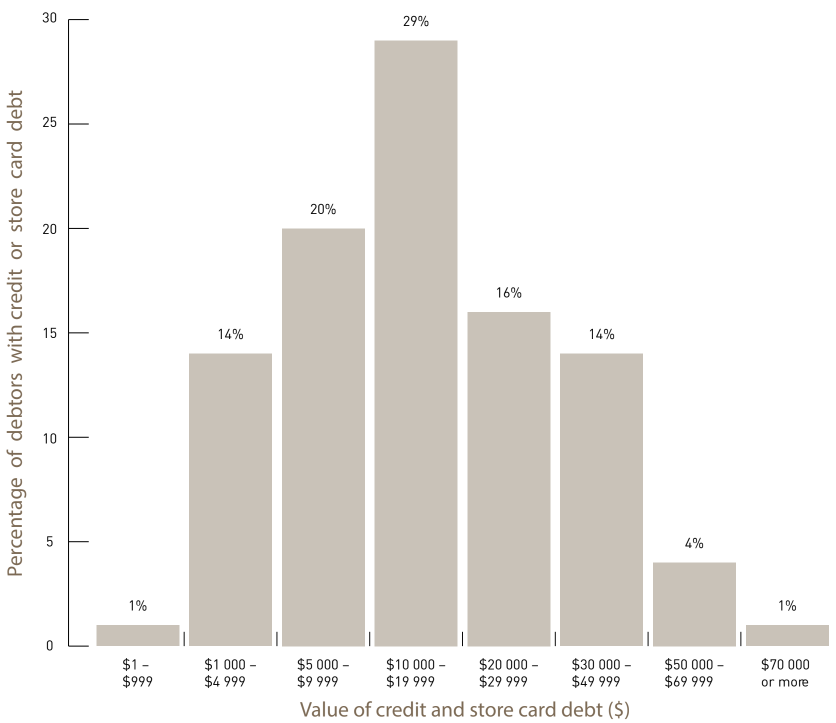
Table 18: Debt agreements – Number of credit and store cards with liabilities

Number of credit and store cards with liabilities	Proportion of debtors
0	15%
1	19%
2	25%
3	19%
4	11%
5	6%
6	3%
7	1%
8	1%

Figure 20 showed 'excessive use of credit facilities' was nominated as the primary cause of non-business related insolvency by 45% of debt agreement debtors in 2011. This is self attributed by debtors and may include a number of other credit facilities besides credit and store card debt.

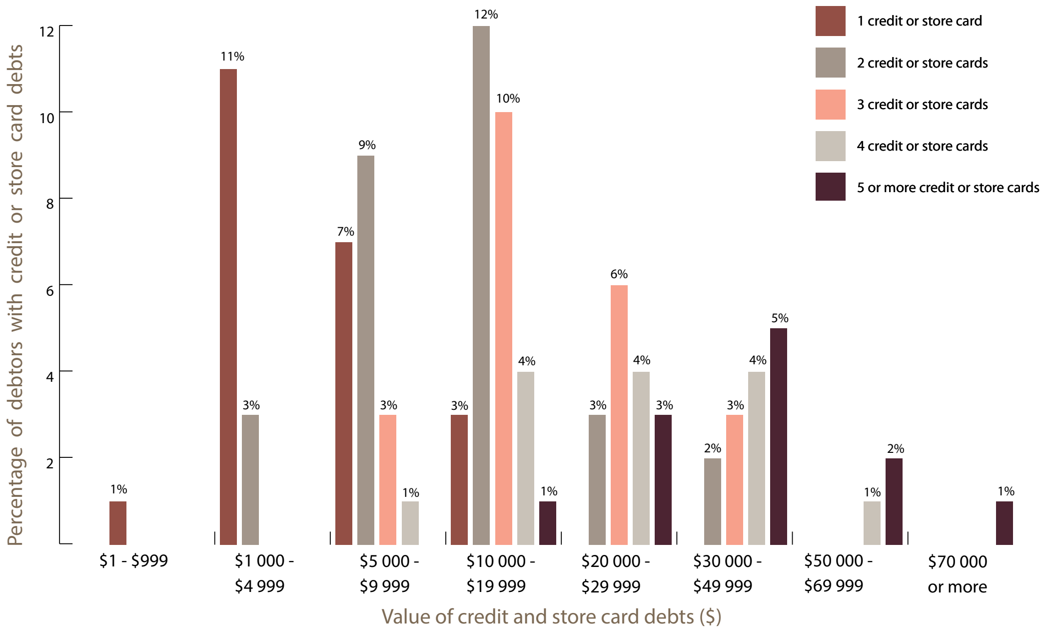
The most frequently reported range of debt owed on credit and store cards was between $10 000 and $19 999, with 29% of debtors reporting a debt in this range. This was primarily driven by debt agreement debtors who had debts on two or three credit and store cards.

Figure 26: Debt agreements – Value of debt owed on credit and store cards



Generally, higher levels of credit and store card debt are associated with higher numbers of such cards held by debt agreement debtors. In 2011, 1% of debt agreement debtors with credit and store card debt held five or more credit and store cards and owed $70 000 or more, compared to 7% of bankrupts.

Figure 27: Debt agreements – Value of debt owed on credit and store cards linked to the number of cards



The majority of debt agreement debtors with credit or store cards with debts were aged below 40 in 2011. People aged between 25 and 29 held the highest proportion of credit and store cards with liabilities, comprising 17% of all debt agreement debtors with credit and store card liabilities.

The age distribution of debt agreement debtors with the number of credit and store cards is shown below.

Table 19: Debt agreements - Age profile linked to number of credit and store cards

	Number of credit and store cards						
Age	0	1	2	3	4	5	6 or more
18–24	322	292	224	120	43	11	3
25–29	292	353	386	243	129	53	34
30–34	179	241	320	238	141	62	54
35–39	140	206	290	267	115	79	56
40–44	119	176	269	234	152	66	71
45–49	57	132	228	216	134	66	81
50–54	54	95	144	148	105	59	54
55–59	16	57	81	57	50	37	38
Total	**1 186**	**1 580**	**2 004**	**1 574**	**908**	**453**	**415**

Note: Data for ages 60 and above are not published to protect debtors' privacy and confidentiality. For this reason the data in the table above will not add up to the published total.

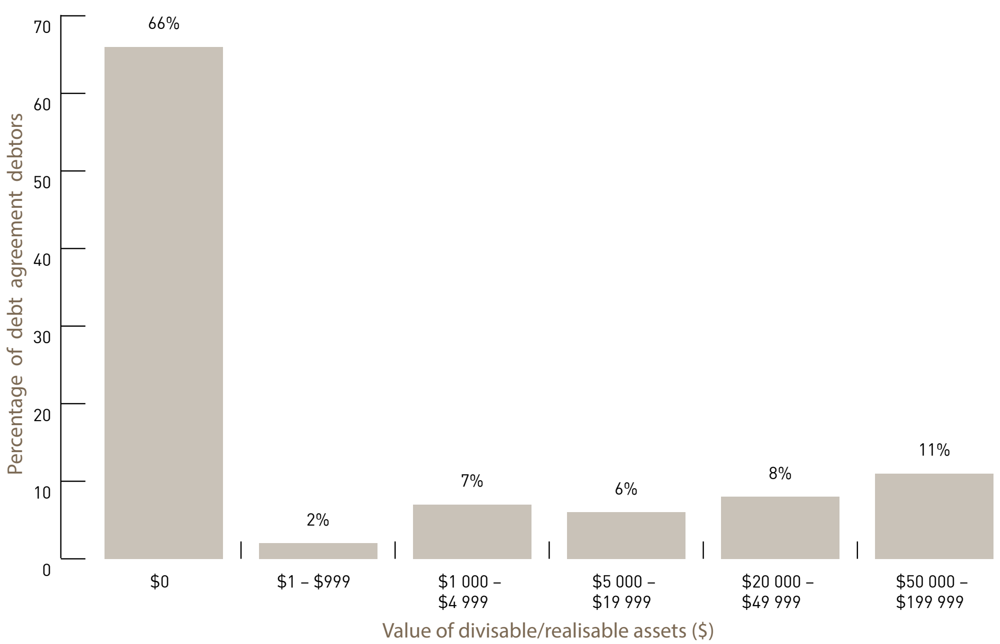
ASSETS

Divisible/realisable assets are assets/property which would be available to the trustee to sell (realise) to produce funds to pay creditors if the debtor was bankrupt. These assets cannot be sold (realised) to repay creditors in a debt agreement but are recorded in the same manner as bankruptcies. The information presented in this section solely relates to divisible/realisable assets owned at the time of entering a debt agreement. ITSA does not report on assets owned or sold prior to insolvency.

A debtor was not eligible to propose a debt agreement if their divisible/realisable assets exceeded $94 530.80 at the end of 2011.

The proportion of debt agreement debtors with divisible/realisable assets increased in 2011 compared to 2009, although the majority of debtors (66%) do not have any divisible/realisable assets. The increase in the proportion of debt agreement debtors with divisible/realisable assets in 2011 was primarily driven by an increase in debt agreement debtors with divisible/realisable assets valued between $50 000 and $199 999, which increased from 7% in 2009 to 11% in 2011.

Figure 28: Debt agreements – Divisible/Realisable assets



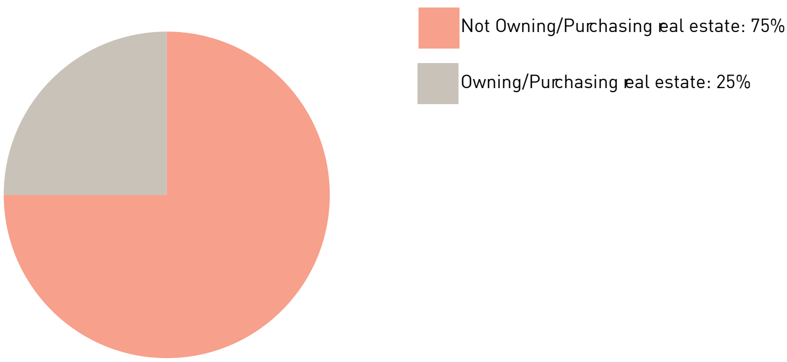
REAL ESTATE OWNERSHIP

This information relates solely to whether real estate was owned or being purchased at the time of entering a debt agreement. ITSA does not report on real estate owned or sold prior to insolvency.

Real estate owned or being purchased may include houses, units, land or commercial property in Australia and overseas. Time shares are excluded.

Twenty five percent of debt agreement debtors disclosed ownership or purchasing of real estate (including their residence and/or other real estate) at the time of entering a debt agreement, an increase from 20% in 2009.

Figure 29: Debt agreements – Real estate ownership

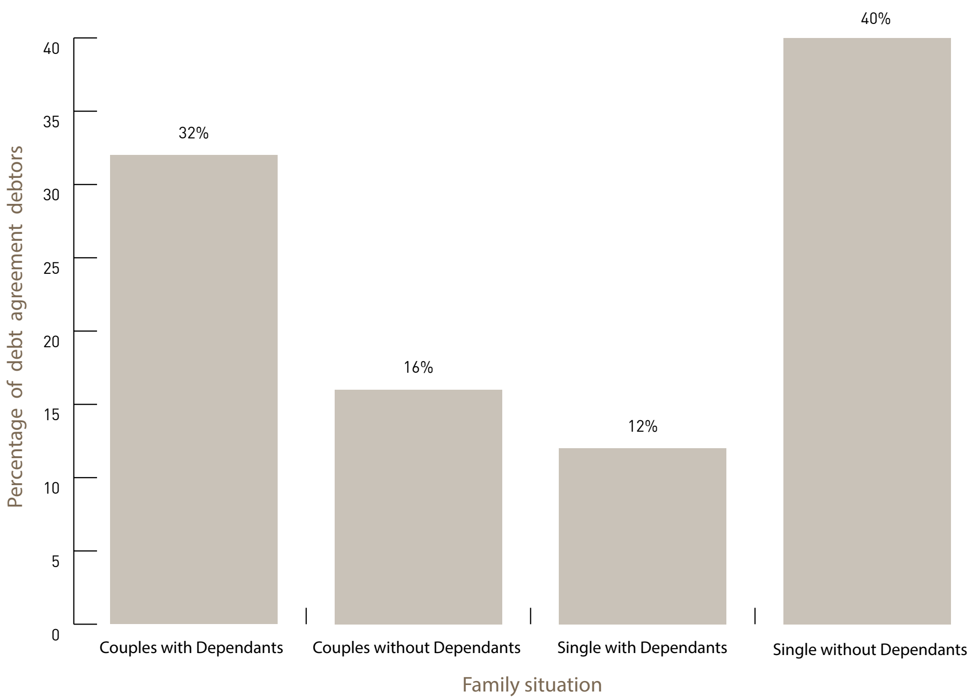


FAMILY SITUATION

This information relates solely to dependants who reside with the debtor. Dependants residing with the debtor may include spouse, children, parents or invalid relatives.

Forty percent of debt agreement debtors were single without dependants in 2011. This represents the largest group and is followed by debtors who are members of couples (i.e. married, de facto or same-sex partners) with dependants at 32%, debtors who are members of couples without dependants at 16% and singles with dependants at 12%.

Figure 30: Debt agreements – Family situation



PRIVATE HEALTH INSURANCE COVERAGE

The Statement of Affairs completed by debtors entering into debt agreements does not currently require disclosure of private health insurance. Therefore ITSA is unable to report on this information for debt agreement debtors.

OCCUPATION

The Statement of Affairs provides a free text box for debtors to nominate their usual trade or profession. ITSA categorises these responses using the Australian and New Zealand Standard Classification of Occupations (ANZSCO). ITSA does not require that debtors provide details of the skills or tasks associated with their occupation. Consequently there may be inconsistency and subjectivity in clerical coding of occupations by ITSA.

Table 20 provides details of the occupations of debt agreement debtors for 2011 by occupational group.

Previous editions of *Profiles of Debtors* used the Australian Standard Classification of Occupations (ASCO). Occupations published in this edition of *Profiles of Debtors* are not directly comparable to occupations published in the 2009 *Profiles of Debtors* due to this change in classification. Further information on ANZSCO is available from the Australian Bureau of Statistics 2009, *ANZSCO – Australian and New Zealand Standard Classification of Occupations, First Edition, Revision 1*, catalogue number 1220.0.

Table 20: Debt agreements - Occupation

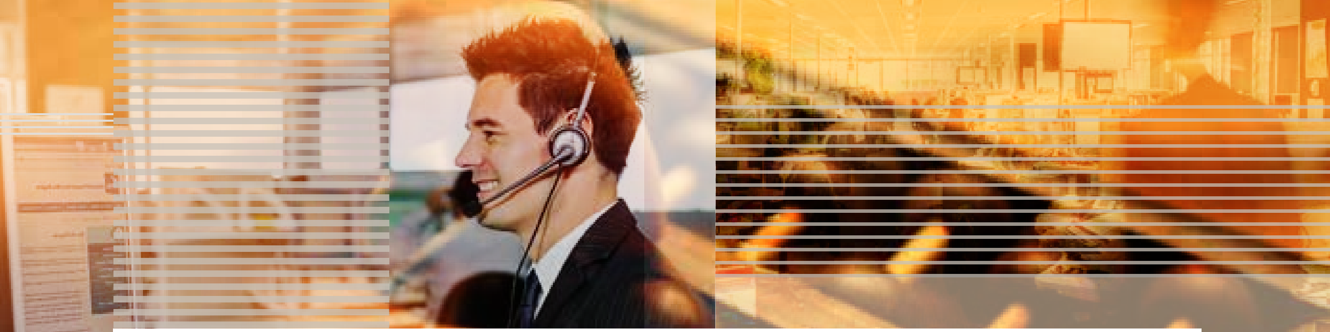
ANZSCO Occupational Group	Number	Proportion of total debt agreement debtors
Managers		
Chief Executives, General Managers and Legislators	29	0%
Farmers and Farm Managers	13	0%
Specialist Managers	282	3%
Hospitality, Retail and Service Managers	502	6%
Total managers	**826**	**10%**
Professionals		
Arts and Media Professionals	27	0%
Business, Human Resource and Marketing Professionals	212	3%
Design, Engineering, Science and Transport Professionals	88	1%
Education Professionals	136	2%
Health Professionals	216	3%
ICT Professionals	69	1%
Legal, Social and Welfare Professionals	43	1%
Total professionals	**791**	**10%**

ANZSCO Occupational Group	Number	Proportion of total debt agreement debtors
Technicians and trades workers		
Engineering, ICT and Science Technicians	145	2%
Automotive and Engineering Trades Workers	179	2%
Construction Trades Workers	159	2%
Electrotechnology and Telecommunications Trades Workers	66	1%
Food Trades Workers	172	2%
Skilled Animal and Horticultural Workers	65	1%
Other Technicians and Trades Workers	180	2%
Total technicians and trades workers	**966**	**12%**
Community and personal service workers		
Health and Welfare Support Workers	128	2%
Carers and Aides	329	4%
Hospitality Workers	184	2%
Protective Service Workers	213	3%
Sports and Personal Service Workers	88	1%
Total community and personal service workers	**942**	**12%**
Clerical and administrative workers		
Office Managers and Program Administrators	149	2%
Personal Assistants and Secretaries	67	1%
General Clerical Workers	103	1%
Inquiry Clerks and Receptionists	168	2%
Numerical Clerks	211	3%
Clerical and Office Support Workers	141	2%
Other Clerical and Administrative Workers	525	6%
Total clerical and administrative workers	**1 364**	**17%**
Sales workers		
Sales Representatives and Agents	217	3%
Sales Assistants and Salespersons	493	6%
Sales Support Workers	74	1%
Total sales workers	**784**	**10%**
Machinery operators and drivers		
Machine and Stationary Plant Operators	192	2%
Mobile Plant Operators	88	1%
Road and Rail Drivers	349	4%
Storepersons	175	2%
Total machinery operators and drivers	**804**	**10%**

ANZSCO Occupational Group	Number	Proportion of total debt agreement debtors
Labourers		
Cleaners and Laundry Workers	176	2%
Construction and Mining Labourers	131	2%
Factory Process Workers	219	3%
Farm, Forestry and Garden Workers	59	1%
Food Preparation Assistants	51	1%
Other Labourers	315	4%
Total labourers	**951**	**12%**
Other		
Student	7	0%
Invalid pensioner	6	0%
Other pensioner	25	0%
Housewife / househusband	278	3%
Retired	4	0%
Unemployed*	372	5%
Not stated	0	0%
Responses inadequately described**	0	0%
Other total	**692**	**9%**
Total of all occupational categories	**8 120**	**100%**

*Note: The occupational group 'unemployed' is not the same as the employment status shown in Table 14. Employment status represents the status at the date of entering a debt agreement, whereas occupation relates to the debtor's usual profession.

**Responses may be valid responses but cannot be coded to any single occupation category due to insufficient information.



Personal insolvency agreements

A personal insolvency agreement is a legally binding arrangement between a debtor and his or her creditors whereby the debtor offers to pay creditors in full or part by instalments or a lump sum. The debtor's offer must be accepted by a special resolution of his or her creditors. Unlike a debt agreement, there are no debt, asset or income limits to be eligible to propose a personal insolvency agreement.

Personal insolvency agreement debtors must appoint a controlling trustee who will investigate their affairs and report to their creditors. Should their creditors accept the proposal, a trustee must administer the agreement. Only a registered trustee, the Official Trustee (ITSA) or a suitably qualified solicitor can act as a controlling trustee.

The controlling trustee examines the proposal, makes enquiries into the debtor's affairs and reports to creditors. The report will advise creditors of the amount they can expect from the proposal compared to the amount they could expect if the debtor became bankrupt, and make a recommendation whether it is in the creditors' interest to accept the proposal as opposed to the debtor becoming bankrupt. The creditors are entitled to ask questions of the controlling trustee and share information with them about the debtor's affairs.

A debtor who appoints a controlling trustee commits an 'act of bankruptcy'. A creditor can use this to apply to court to make the debtor bankrupt if the attempt to set up a personal insolvency agreement fails. The appointment of a controlling trustee and the setting up of a personal insolvency agreement will be recorded on the National Personal Insolvency Index (NPII) forever. Details may also appear on a record held by a credit reporting organisation for up to seven years.

Once a debtor has executed a personal insolvency agreement, the debtor is automatically disqualified from managing a corporation until the terms of the personal insolvency agreement have been complied with.

Once the debtor has appointed a controlling trustee, any existing creditor's petition to make a debtor bankrupt cannot proceed until the meeting of creditors is held to consider the debtor's proposal.

Further information on the process and consequences of personal insolvency agreements is available from the ITSA website at **www.itsa.gov.au**

Personal insolvency agreements are the smallest category of personal insolvency activity in Australia. In 2011, personal insolvency agreements accounted for 1% of total personal insolvency activity.

CHANGES IN CIRCUMSTANCES OF PERSONAL INSOLVENCY AGREEMENT DEBTORS FROM 2003 TO 2011

Since 2003, the following patterns in the socioeconomic characteristics of personal insolvency agreement debtors are noted:

Demographics

- Males consistently comprise more than half of all personal insolvency agreement debtors.
- Since 2003, the majority of personal insolvency agreement debtors are consistently aged between 40 and 59.
- The largest group of personal insolvency agreement debtors are members of couples with dependants. This proportion has increased since 2003.

Primary causes of insolvency[29]

- 'Excessive use of credit facilities' has consistently been the most frequent primary cause of non-business related insolvency since 2003 and has remained at relatively high levels since 2007.
- 'Economic conditions affecting industry' has consistently been the most frequent primary cause of business-related insolvency since 2003 and has remained at relatively high levels since 2007[30].
- The proportion of personal insolvency agreement debtors who nominated 'lack of business ability' as the primary cause of business-related insolvency has consistently declined since 2005.
- The majority of personal insolvency agreement debtors are employed at the time of entering a personal insolvency agreement. This proportion has remained relatively steady since 2007.

Income and debt

- The proportion of debtors who earned $30 000 or more in the 12 months prior to entering a personal insolvency agreement has consistently increased since 2003, and reached a record 80% of personal insolvency agreement debtors in 2011.
- Personal insolvency agreement debtors with unsecured debts of $100 000 to $499 999 have consistently been the largest group of debtors since 2003.
- The proportion of the value of unsecured debt to finance institutions owed on personal loans has consistently increased since 2003, and reached a record 49% in 2011.

29 The causes of insolvency 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'.

30 Personal insolvency is categorised as either business related or non-business related. In a 'business personal insolvency agreement' the debtor's insolvency was reported as being directly related to the debtor's proprietary interest in a business.

Table 21: Personal insolvency agreements – Time series of selected data as proportion of total personal insolvency agreement debtors

	2011	2009	2007	2005	2003
Demographics					
Gender					
Male	68%	66%	76%	75%	72%
Female	32%	34%	24%	25%	28%
Age (years)					
18-24	0%	2%	1%	0%	2%
25-29	2%	7%	3%	5%	5%
30-34	7%	11%	9%	9%	8%
35-39	13%	17%	19%	21%	12%
40-44	20%	16%	16%	16%	21%
45-49	16%	17%	17%	18%	13%
50-54	16%	15%	15%	13%	19%
55-59	14%	9%	11%	10%	13%
60-64	9%	5%	5%	6%	6%
65-69	3%	1%	3%	2%	1%
70 or more	1%	1%	1%	0%	0%
Number of personal insolvency agreement debtors	437	642	269	218	603
Family situation					
With dependants					
Couple	49%	44%	56%	43%	43%
Single	5%	6%	4%	5%	4%
Without dependants					
Couple	30%	23%	20%	32%	36%
Single	16%	27%	19%	20%	17%
Selected causes of personal insolvency agreements					
Proportion of non-business related personal insolvency agreements					
Excessive use of credit facilities including losses on repossessions, high interest payments and pressure selling	32%	46%	34%	26%	21%
Unemployment or loss of income	18%	13%	19%	6%	16%
Liabilities due to guarantees	6%	7%	13%	30%	26%
Proportion of business related personal insolvency agreements					
Economic conditions affecting industry, including competition, credit restrictions, fall in prices or increases in costs	44%	53%	40%	35%	38%
Excessive drawings including failure to provide for taxation	5%	7%	8%	14%	5%
Lack of business ability including underquoting or failure to assess potential of business	3%	6%	11%	20%	12%

	2011	2009	2007	2005	2003
Employment status at time of entering personal insolvency agreement					
Employed	83%	83%	80%	72%	77%
Not employed	17%	17%	20%	28%	23%
Income					
Income earned in the 12 months prior to entering personal insolvency agreement					
$0 - $9 999	7%	8%	12%	18%	22%
$10 000 - $29 999	13%	15%	23%	19%	28%
$30 000 - $49 999	19%	24%	24%	22%	50%*
$50 000 - $69 999	19%	24%	15%	18%	N/A**
$70 000 or more	42%	29%	25%	23%	N/A**
Debt					
Unsecured debt level					
$1 - $49 999	3%	17%	11%	12%	N/A**
$50 000 - $99 999	28%	29%	20%	9%	N/A**
$100 000 - $499 999	44%	36%	50%	45%	N/A**
$500 000 or more	25%	18%	19%	33%	N/A**
Selected unsecured debts owed to financial institutions - proportion of value of unsecured debt					
Credit Card	18%	3%	32%	33%	N/A**
Personal Loan	49%	42%	25%	13%	N/A**
House Mortgage	8%	0%	10%	17%	N/A**
Motor Vehicle Security	1%	0%	7%	16%	N/A**

*This data includes income of $30 000 or more. Due to a change in reporting by ITSA, more detailed income ranges cannot be provided.

**This data is not available due to a change in reporting by ITSA.

CHARACTERISTICS OF THOSE WHO ENTERED INTO PERSONAL INSOLVENCY AGREEMENTS IN 2011

To examine the socioeconomic characteristics of personal insolvency agreement debtors in 2011, ITSA has constructed a profile of the average personal insolvency agreement debtor. This is based on statistical averages of the data in this publication. For example, more than half of all personal insolvency agreement debtors are male.

In 2011, the average personal insolvency agreement debtor is male, aged between 40 and 59 years and a member of a couple with dependants.

It is most likely that he is employed at the time of entering a non-business related personal insolvency agreement. He will probably nominate 'excessive use of credit facilities' as the primary cause of his insolvency. Personal loans are the most common type of unsecured debt that he owes to financial institutions. However, unlike bankrupts and debt agreement debtors, the majority of his debt is not owed to financial institutions.

He earned over $70 000 in the 12 month period prior to entering the personal insolvency agreement[31]. He is most likely to owe more than $100 000. He probably owned or was purchasing real estate at the time of the personal insolvency agreement and has assets valued between $50 000 and $199 999 that the trustee could sell (realise) to pay creditors if he was bankrupt.

It is probable that debt agreement consultants/administrators were his primary source of information about personal insolvency agreements.

CHARACTERISTICS OF THOSE WHO ENTERED INTO PERSONAL INSOLVENCY AGREEMENTS IN 2011 AT A GLANCE

- Forty two percent had an income of $70 000 or more in the year prior to entering into a personal insolvency agreement.
- 'Excessive use of credit' was the most frequently nominated primary cause of non-business related insolvencies and 'economic conditions affecting industry' was the most frequently nominated primary cause of business related insolvencies[32].
- More men entered into personal insolvency agreements than women.

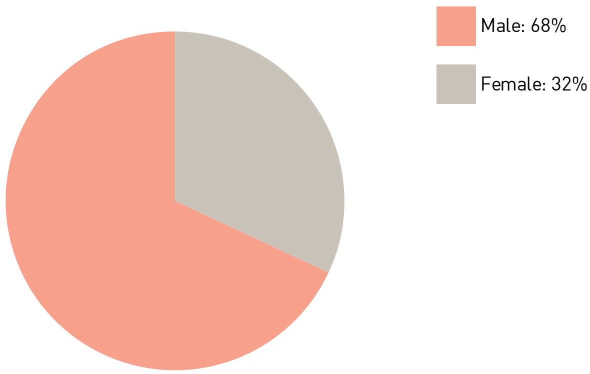
31 The average taxable income of all individuals in 2009-10 was $48 027. Source: Australian Taxation Office, 2012, *Taxation Statistics 2009-10*, ATO, Canberra.

32 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'.

GENDER

Fifty percent of the Australian population is male[33]. Sixty eight percent of those who entered into personal insolvency agreements in 2011 were male.

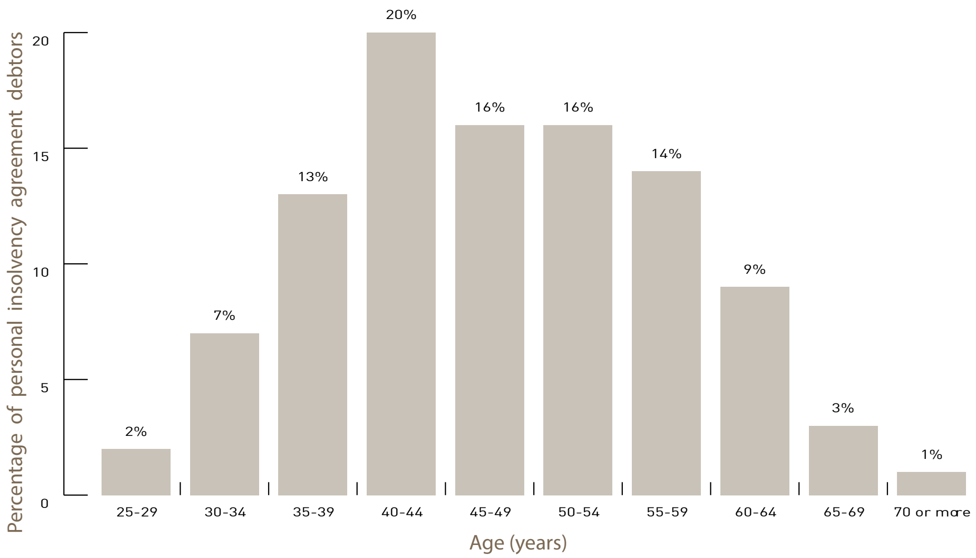
Figure 31: Personal insolvency agreements – Gender



AGE

Sixty six percent of personal insolvency agreement debtors were aged between 40 and 59 compared to 35% of the general population[34]. The proportion of people aged between 18 to 29 and 65 and over was at least double in the general population compared to personal insolvency agreement debtors in 2011. This indicates that people aged between 40 and 59 are over-represented and younger and older people are under-represented in personal insolvency agreement data.

Figure 32: Personal insolvency agreements – Age



33 Current as at March 2012. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

34 June 2011 population aged 18 and over. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

Table 22: Personal insolvency agreements – Age distribution by gender

	Male		Female	
Age	Proportion of personal insolvency agreement debtors	Proportion of population aged over 18 years	Proportion of personal insolvency agreement debtors	Proportion of population aged over 18 years
18–24	0%	14%	0%	12%
25–29	2%	10%	4%	9%
30–34	7%	9%	7%	9%
35–39	11%	9%	16%	9%
40–44	21%	9%	18%	9%
45–49	17%	9%	15%	9%
50–54	15%	9%	19%	9%
55–59	15%	8%	11%	8%
60–64	9%	7%	9%	7%
65–69	3%	5%	1%	5%
70 or more	1%	11%	1%	14%

ETHNICITY

One percent of personal insolvency agreement debtors disclosed that they were Aboriginal and Torres Strait Islander people in 2011. Aboriginal and Torres Strait Islander people comprise 2.5% of the total Australian population[35].

Twenty five percent of personal insolvency agreement debtors disclosed that they were born overseas in 2011. Twenty seven percent of the Australian population is born overseas[36].

SOURCES OF INFORMATION

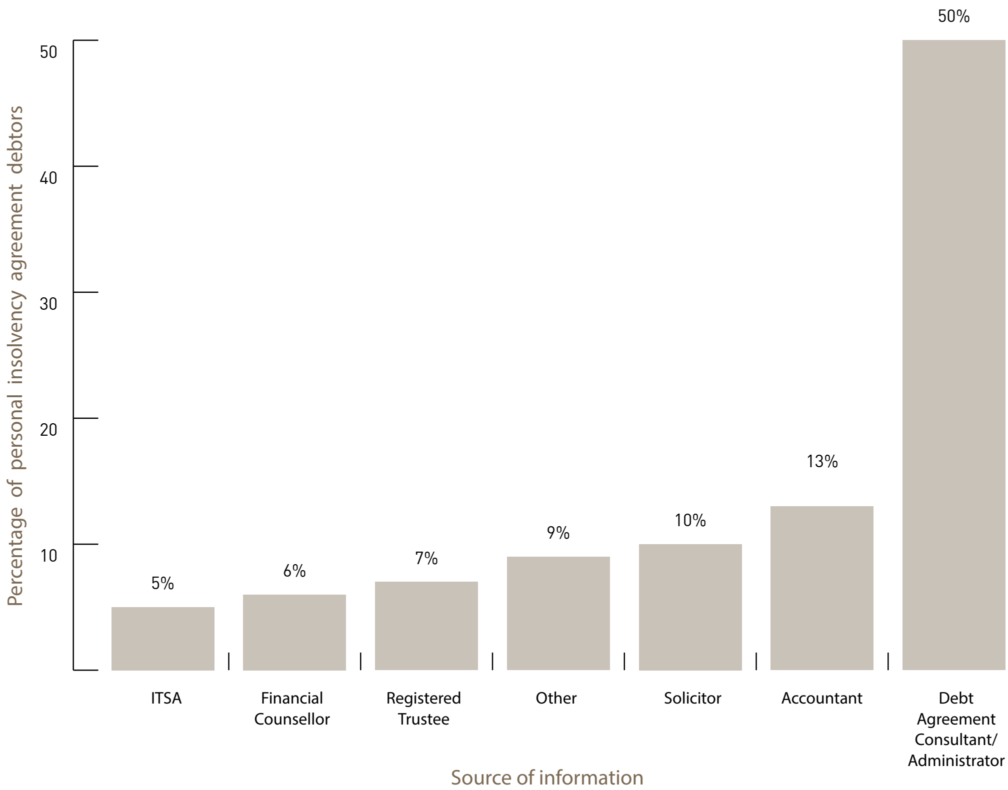
These figures show the primary source of information about personal insolvency agreements as identified by debtors in the Statement of Affairs. While it is recognised that debtors may obtain information from a number of sources, the Statement of Affairs directs debtors to select only one source of information.

Of those who entered into personal insolvency agreements, 50% received advice from a debt agreement consultant/administrator and 13% received advice from an accountant.

35 Population estimate as at 30 June 2006. Source: Australian Bureau of Statistics, 2008, *Experimental Estimates of Aboriginal and Torres Strait Islander Australians, June 2006*, catalogue number 3238.0.55.001, ABS, Canberra.

36 Estimated resident population at 30 June 2010. Source: Australian Bureau of Statistics, 2011, *Migration, Australia, 2009-10*, catalogue number 3412.0. ABS, Canberra.

Figure 33: Personal insolvency agreements – Sources of information



PRIMARY CAUSES OF INSOLVENCY

The Statement of Affairs form requires the debtor to select a single 'cause' of insolvency from a given list. Therefore, the 'causes' of insolvency shown in figures 34 and 35 represent debtors' opinions of what best describes the primary reason for entering a personal insolvency agreement and not an objectively determined cause of their insolvency. There are some instances where the cause of insolvency field is not completed, and instead ITSA attributes the cause based on the debtor's response in the free text box provided on the Statement of Affairs. This primarily affects the 'other' and 'personal reasons' categories.

For non-business related personal insolvency agreements, 'excessive use of credit facilities' was disclosed as the most frequent primary cause of insolvency at 32%, followed by 'other' reasons at 24% and 'unemployment or loss of income' at 18%[37].

Business related insolvency is defined as being one in which an individual's insolvency is directly related to his or her proprietary interest in a business. ITSA does not provide guidance, including this definition of business, on the Statement of Affairs. This information may be affected by differences in debtors' interpretations of what constitutes a business.

For business related personal insolvency agreements, 'economic conditions affecting industry' was disclosed as the most frequent primary cause of insolvency at 44%, followed by 'other' reasons at 31%, and 'personal reasons' at 8%.

Business related personal insolvency agreements represented 36% of total personal insolvency agreements in 2011, an increase from 21% in 2009.

37 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 34: Personal insolvency agreements – Causes (non-business related)

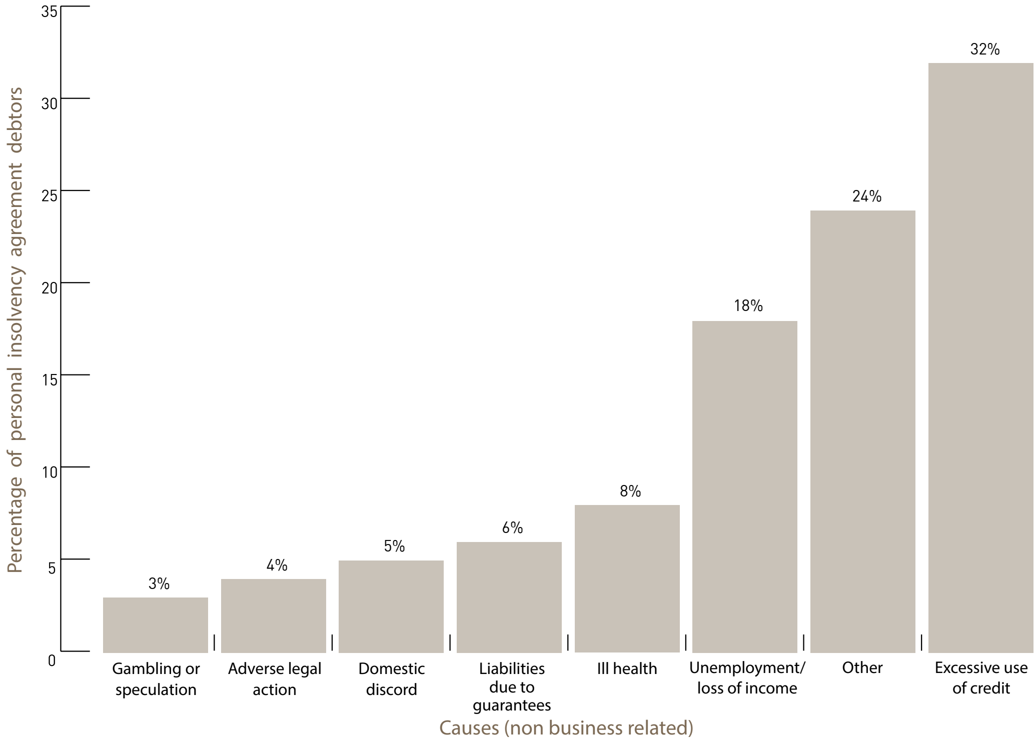
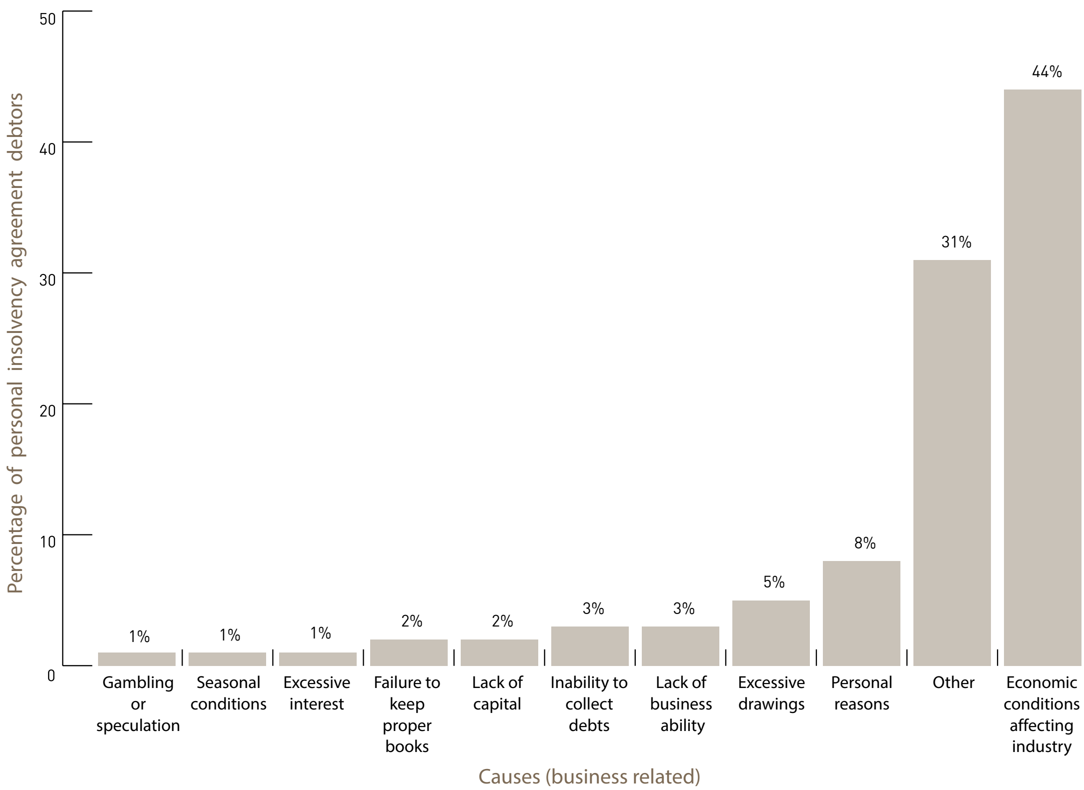


Figure 35: Personal insolvency agreements – Causes (business related)



Employment status

The employment status of personal insolvency agreement debtors is self-attributed from the Statement of Affairs. The Statement of Affairs does not provide a definition or list of criteria for employment, such as a minimum of one hour of work per week for remuneration or in a family business or farm, or actively looking and available to work. Therefore the employment status of personal insolvency agreement debtors may not be comparable with the official ABS rate of unemployment[38].

The classification of not employed at the date of entering a personal insolvency agreement includes the unemployed, pensioners, self-funded retirees and those engaged in unpaid domestic duties.

Eighty three percent of personal insolvency agreement debtors were employed at the time of entering a personal insolvency agreement.

Table 23: Employment status and gender of personal insolvency agreement debtors

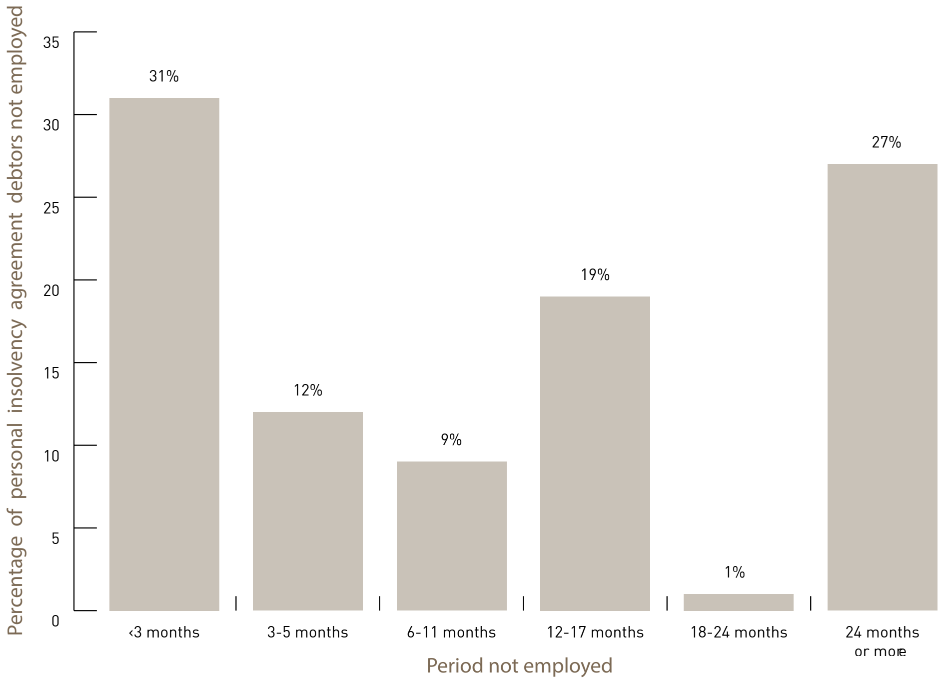
	2011	2009
Proportion of male personal insolvency agreement debtors*		
Employed	85%	83%
Not employed	15%	17%
Proportion of female personal insolvency agreement debtors*		
Employed	79%	82%
Not employed	21%	18%
Proportion of total personal insolvency agreement debtors		
Employed	83%	83%
Not employed	17%	17%

*Note: aggregating male and female employment status will not add to 100%. Employment status based on males and females are reported as a proportion of the total male personal insolvency agreement debtors and female personal insolvency agreement debtors respectively.

Twenty seven percent of debtors who were not employed at the time of entering a personal insolvency agreement reported that they had not been employed for 24 months or more.

38 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. In June 2011 the seasonally adjusted participation rate for Australia was 65.6% and the seasonally adjusted unemployment rate was 5.0%. Source: Australian Bureau of Statistics, 2012, *Labour Force Australia, March 2012*, catalogue number 6202.0, ABS, Canberra.

Figure 36: Personal insolvency agreements – Period not in employment



INCOME

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

Debtors' income

The proportion of personal insolvency agreement debtors declaring an income of $70 000 or more increased from 29% in 2009 to 42% in 2011.

The average taxable income for all individuals in 2009-10 was $48 027[39].

Table 24: Personal insolvency agreements – Comparative rates of income earned in 12 months prior to entering personal insolvency agreement*

	2011	2009
$0	2%	3%
$1 - $9 999	5%	5%
$10 000 - $29 999	13%	15%
$30 000 - $49 999	19%	24%
$50 000 - $69 999	19%	24%
$70 000 or more	42%	29%

*Note: ITSA does not adjust income levels to derive real income levels e.g. by applying changes in the Consumer Price Index.

39 Source: Australian Taxation Office, 2012, Taxation Statistics 2009-10, ATO, Canberra.

Debtors' household income

Information is collected on the personal insolvency agreement debtor's household income (that is the debtor's expected income over the next 12 months and the income of their spouse or partner) from their Statement of Affairs. The following data may be affected by some debtors failing to answer all of the Statement of Affairs questions which apply to them, not understanding the question, or not knowing or disclosing the correct information about other household members.

In 2011, 64% of households with personal insolvency agreement debtors earned $70 000 or more, an increase from 46% in 2009. In 2009-10, 51% of Australian households earned a gross income of $70 000 or more.

Table 25: Personal insolvency agreements – Comparative household income

	Debtors' household income*		Australian gross household income[40]
	2011	2009	2009-10
$0	1%	2%	0%
$1 - $9 999	3%	3%	1%
$10 000 - $19 999	3%	5%	3%
$20 000 - $29 999	3%	6%	12%
$30 000 - $49 999	10%	17%	20%
$50 000 - $69 999	16%	21%	14%
$70 000 or more	64%	46%	51%

*Note: ITSA does not adjust income levels to derive real income levels e.g. by applying changes in the Consumer Price Index.

UNSECURED DEBT

Debt level

Only unsecured debts (debts that are not secured by a mortgage or security interest over property) are reported. Where a debtor listed a secured debt, only the amount owing above the estimated value of the security was included. Sixty nine percent of personal insolvency agreement debtors had unsecured debt of $100 000 or more in 2011, compared to 54% in 2009.

Table 26: Personal insolvency agreements – Comparative unsecured debt levels

	2011	2009
Less than $2 000	0%	1%
$2 000 - $4 999	0%	0%
$5 000 - $9 999	0%	1%
$10 000 - $19 999	0%	3%
$20 000 - $49 999	3%	12%
$50 000 - $99 999	28%	29%
$100 000 - $499 999	44%	36%
$500 000 or more	25%	18%

40 Households based. Figures are in 2009-10 dollars. ABS publishes gross household income per week. ITSA has multiplied gross household per week by 52 to derive an approximate annual gross household income. Source: Australian Bureau of Statistics, 2011, *Household Income and Income Distribution, 2009-10*, catalogue number 6523.0, ABS, Canberra.

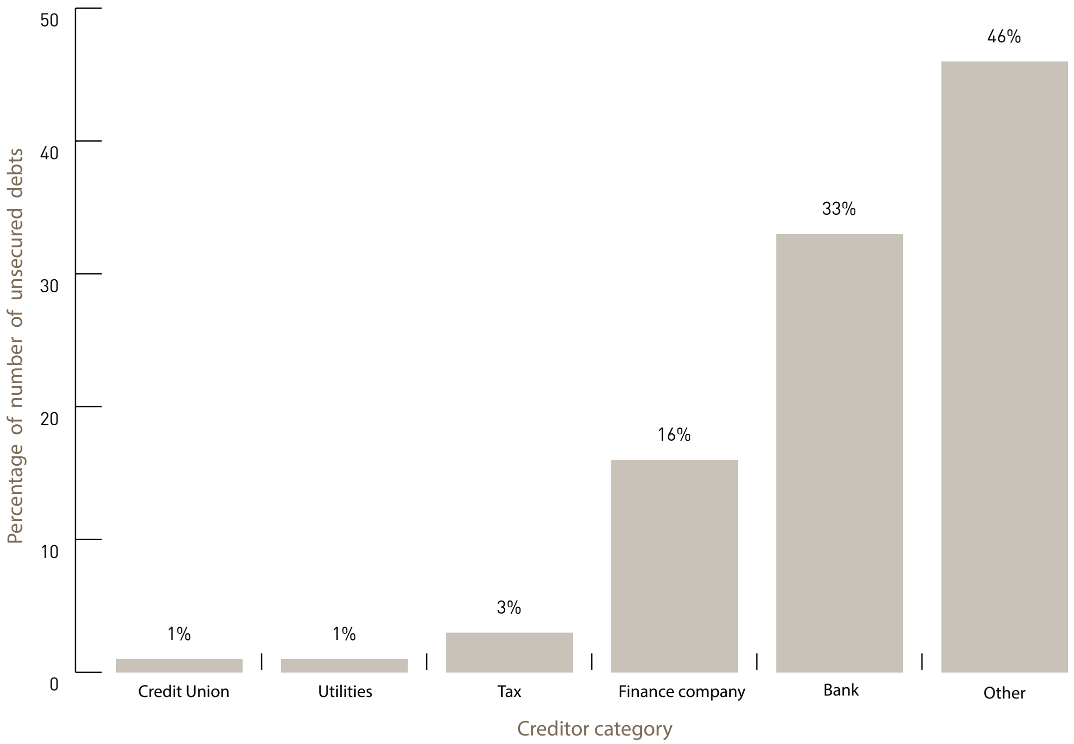
Creditors

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.

ITSA is not able to provide further detail on the 'other' category due to system limitations. We aim to provide more detailed information in future editions of the *Profile of Debtors*.

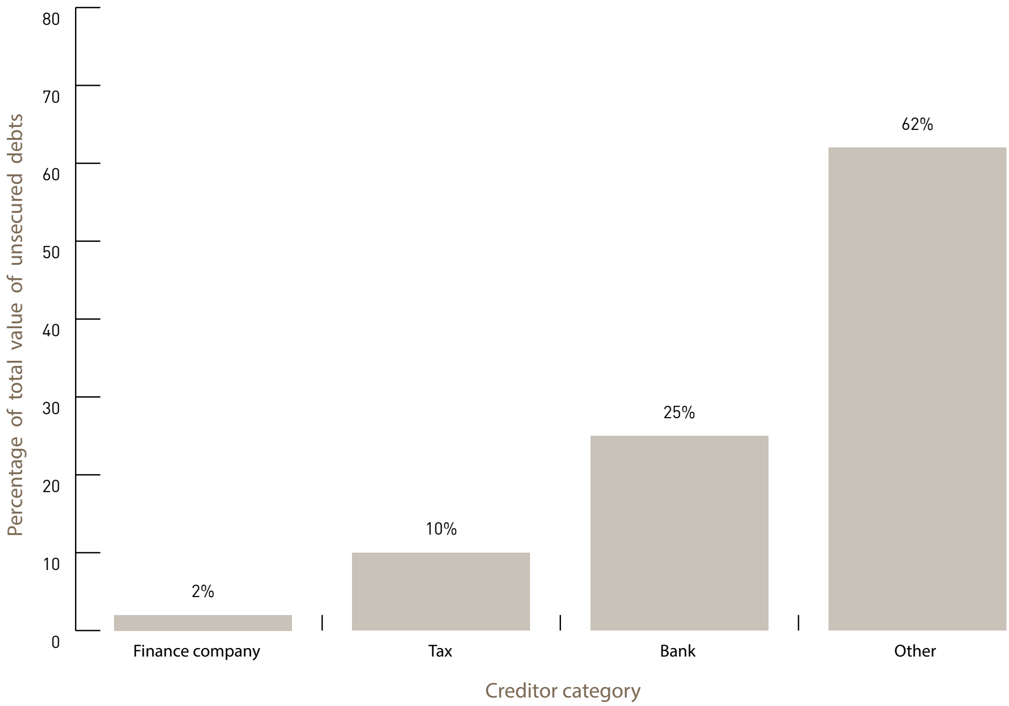
'Other' creditors accounted for 46% of the number of unsecured debts held by personal insolvency agreement debtors followed by banks at 33%. Finance companies accounted for 16% of the number of unsecured debts and tax accounted for 3% in 2011.

Figure 37: Personal insolvency agreements – Proportion of number of unsecured debts owed to creditor categories



Banks were the largest unsecured identifiable creditor category in terms of number and value of unsecured debt in 2011, accounting for 33% of the number and 25% of the value of unsecured debts in 2011. Utilities and credit unions both accounted for 1% of the number of unsecured debts in 2011 but less than 1% of the value of unsecured debt. This implies that although the number of unsecured debts owed to utilities and credit unions may be sizeable, their value is relatively small.

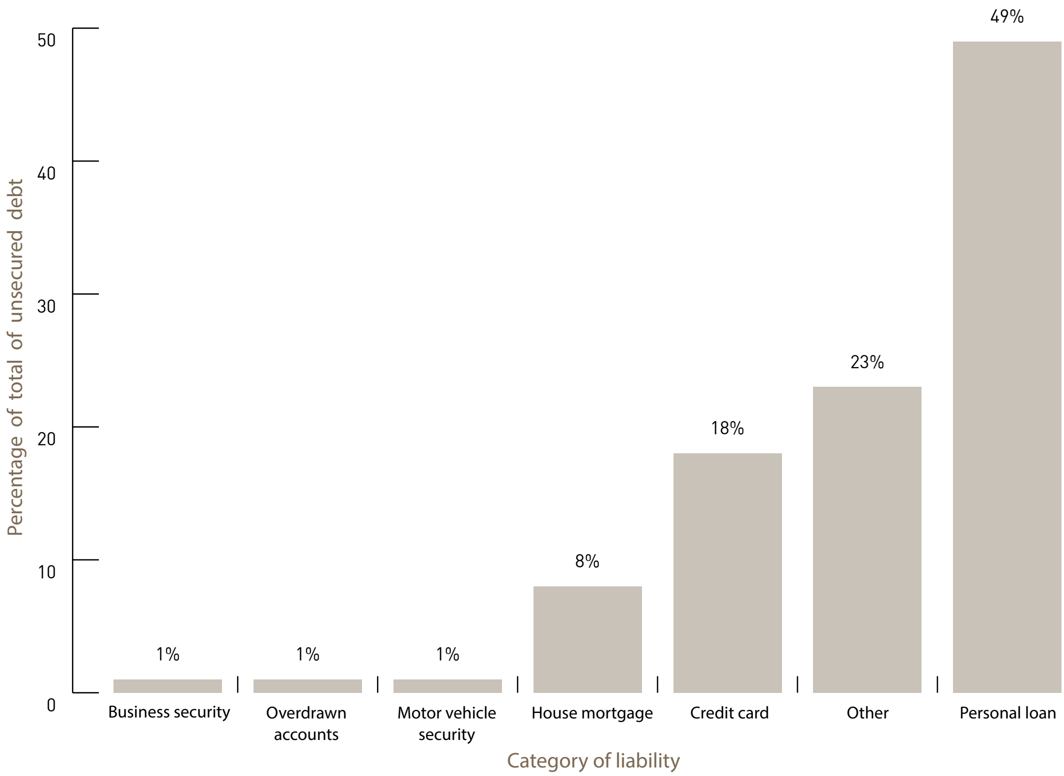
Figure 38: Personal insolvency agreements – Proportion of value of unsecured debt owed to different creditor categories



The Statement of Affairs provides a free text box for debtors to nominate the nature of the debt next to the name of the creditor. ITSA categorises the debt according to debtors' responses in this field. Therefore the subtypes of creditors shown below represent debtors' opinions of the best description of the nature of the debt and not an objectively determined creditor subtype. Differences in debtors' responses may affect the data, including debtors leaving the nature of the debt field blank or differing in the categories they assign to debts. For example, one debtor may nominate 'credit card' as the nature of the debt while another debtor may categorise the same debt as 'personal loan'. This data may also be affected by ITSA processes such as data entry.

All liability amounts refer only to the amount of net unsecured debt owed by the debtor. Of those liabilities owed to financial institutions, 49% were categorised as personal loan debts followed by 'other' debts at 23%. The next highest liabilities by value were 'credit card' debt and 'house mortgage' at 18% and 8% respectively. Liabilities relating to 'Motor Vehicle Security' and 'House Mortgage' refer to debts where the amount owing exceeds the value of the security.

Figure 39: Personal insolvency agreements – Proportion of debt owed to different financial institutions



Note: Only financial institutions are displayed in this figure as other creditor types represented in Figure 37 do not generally have sub-types which reflect the type of debt owed.

Credit cards and store cards

This information is sourced from debtors' responses about liabilities on the Statement of Affairs. This data does not show a comprehensive listing of all credit and store cards held by debtors, as the Statement of Affairs only requires disclosure of liabilities.

The data may be affected by debtors failing to complete all questions that are relevant to them or differences in interpretations of creditor categories. As outlined previously, one debtor may nominate 'credit card' as the nature of the debt while another debtor may categorise the same debt as 'personal loan'.

There may be inconsistency in how debtors report credit cards and store cards. For example a single account may have multiple cards or functions, which may be reported individually by some debtors or aggregated by other debtors.

Nineteen percent of personal insolvency agreement debtors disclosed no credit or store card liabilities and 25% disclosed more than five credit or store cards with liabilities in 2011.

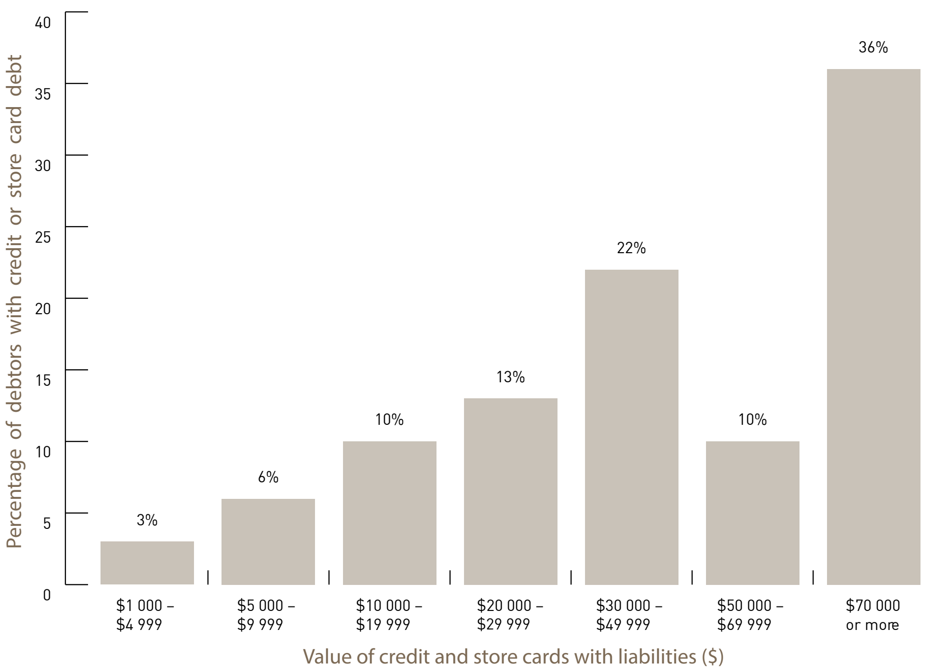
Table 27: Personal insolvency agreements – Number of credit and store cards with liabilities

Number of credit and store cards with liabilities	Proportion of debtors
0	19%
1	11%
2	14%
3	13%
4	13%
5	6%
6	5%
7	7%
8	4%
9	3%
10 or more	6%

Figure 34 showed 'excessive use of credit facilities' was nominated as the primary cause of insolvency by 32% of personal insolvency agreement debtors in 2011. This is self attributed by debtors and may include a number of other credit facilities besides credit and store card debt.

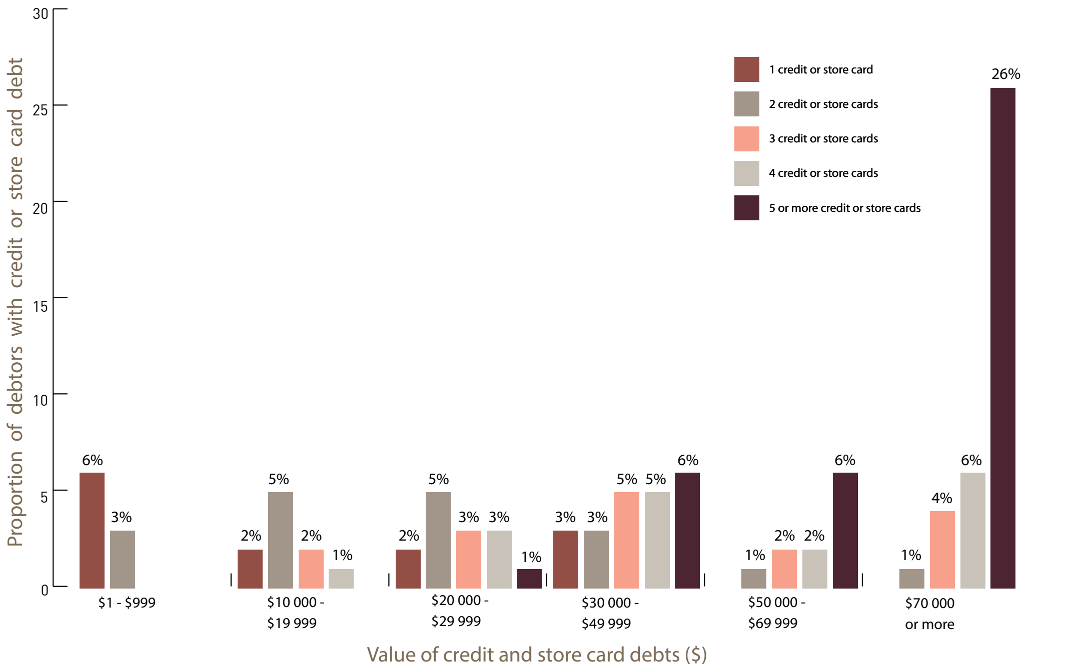
Thirty six percent of personal insolvency agreement debtors owed $70 000 or more on credit and store cards. This was primarily driven by personal insolvency agreement debtors with debts on five or more credit and store cards.

Figure 40: Personal insolvency agreements – Value of debt owed on credit and store cards



Generally, higher levels of credit and store card debt are associated with higher numbers of such cards held by personal insolvency agreement debtors. In 2011, 26% of personal insolvency agreement debtors with credit and store card debt held five or more credit and store cards and owed $70 000 or more, compared to 7% of bankrupts.

Figure 41: Personal insolvency agreements – Value of debt owed on credit and store cards linked to the number of cards



The majority of personal insolvency agreement debtors with credit or store cards with debts are aged over 40. People aged between 40 and 44 held the highest proportion of credit and store cards with liabilities, comprising 20% of all personal insolvency agreement debtors with credit and store card liabilities.

The age distribution of personal insolvency agreement debtors with the number of credit and store cards is shown below.

Table 28: Personal insolvency agreements – Age profile linked to number of credit and store cards

	Number of credit cards		
Age	0-1	2-3	4 or more
25–29	3	4	3
30–34	12	6	12
35–39	8	21	26
40–44	21	29	36
45–49	26	15	29
50–54	23	16	32
55–59	19	15	27
60–64	13	6	19
Total	**129**	**116**	**192**

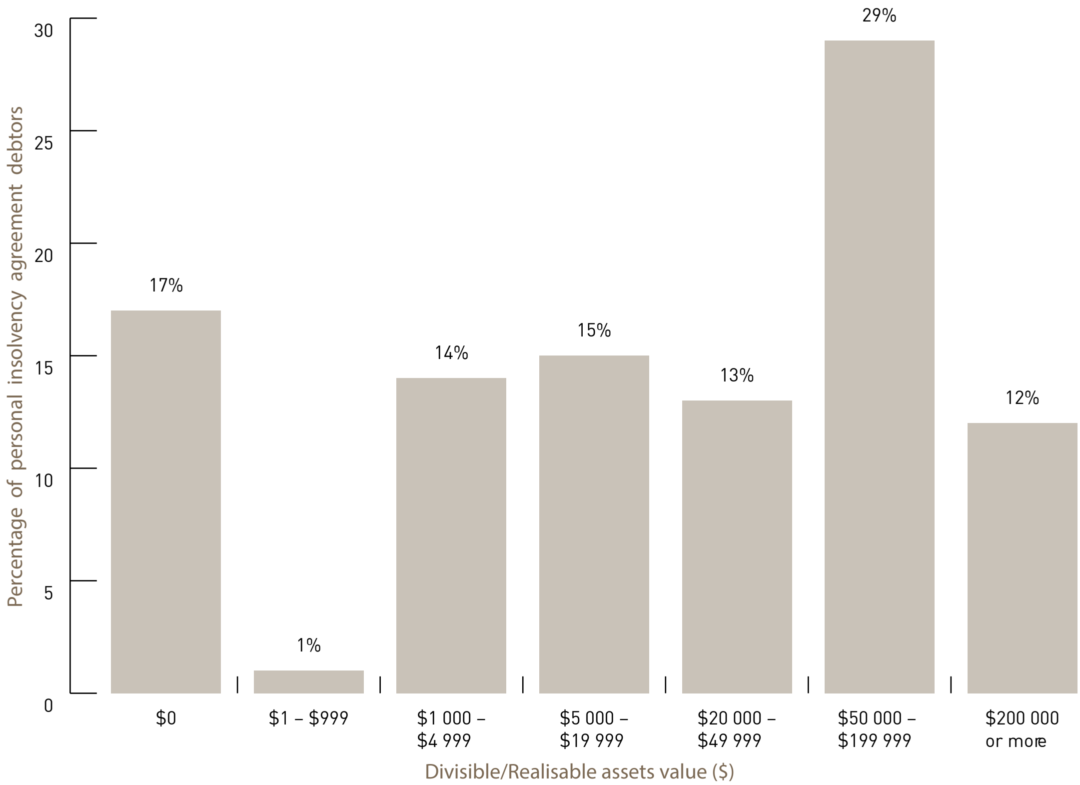
Note: Data for ages 65 and above and more detailed information on the number of credit and store cards are not published to protect debtors' privacy and confidentiality. For this reason the data in the table above will not add up to the published total.

ASSETS

Divisible/realisable assets are assets/property which would be available to the trustee to sell (realise) to produce funds to pay creditors if the debtor was bankrupt. These assets are recorded in the same manner as bankruptcies but cannot be sold (realised) to repay creditors other than in accordance with the terms of the personal insolvency agreement. The information reported in this section solely relates to divisible/realisable assets owned at the time of entering a personal insolvency agreement. ITSA does not report on assets owned or sold prior to insolvency.

The proportion of personal insolvency agreement debtors with divisible/realisable assets in 2011 increased compared to 2009, rising from 70% to 83%. This increase was primarily driven by an increase in the proportion of personal insolvency agreement debtors with divisible/realisable assets valued between $50 000 and $199 999, which increased from 13% in 2009 to 29% in 2011.

Figure 42: Personal insolvency agreements – Divisible/Realisable assets



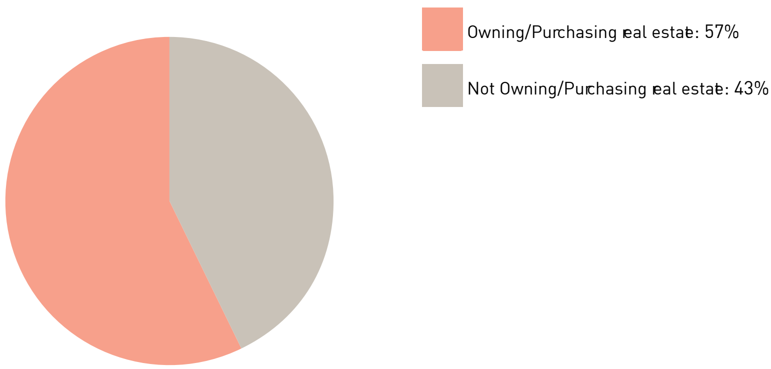
REAL ESTATE OWNERSHIP

This information relates solely to whether real estate was owned or being purchased at the time of entering a personal insolvency agreement. ITSA does not report on real estate owned or sold prior to insolvency.

Real estate owned or being purchased may include houses, units, land or commercial property in Australia and overseas. Time shares are excluded.

Fifty seven percent of personal insolvency agreement debtors disclosed ownership or purchasing of real estate (including their residence and/or other real estate) at the time of entering a personal insolvency agreement in 2011. This is an increase from 52% in 2009.

Figure 43: Personal insolvency agreements – Real estate ownership

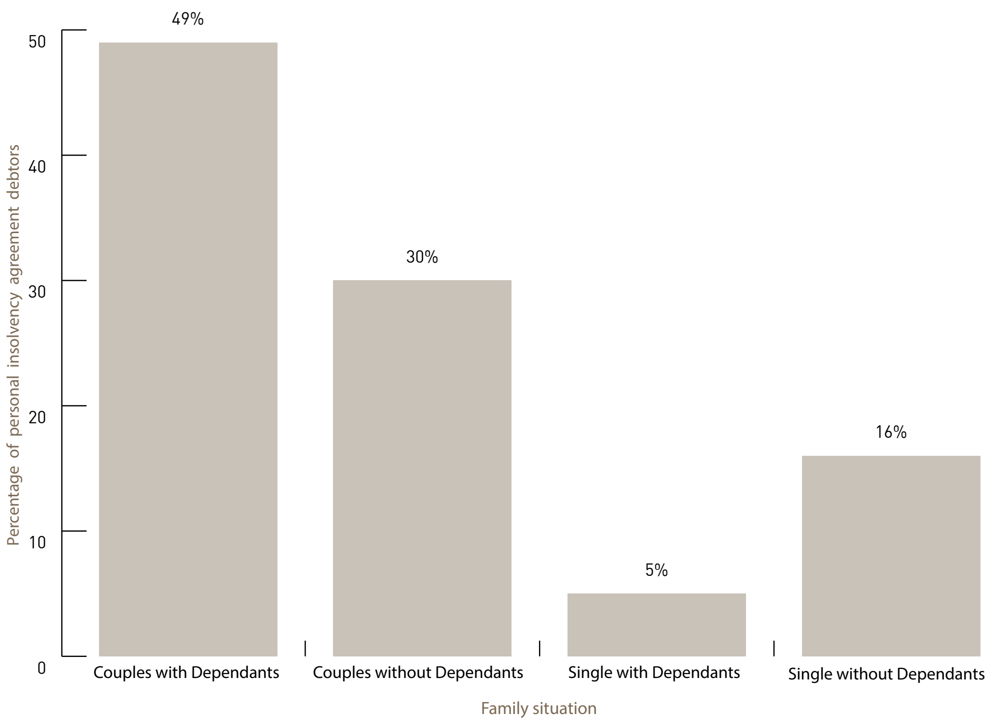


FAMILY SITUATION

This information relates solely to dependants who reside with the debtor. Dependants residing with the debtor may include spouse, children, parents or invalid relatives.

In 2011, 49% of personal insolvency agreement debtors were members of couples (i.e. married, de facto or same-sex partners) with dependants. This represents the largest group and is followed by couples without dependants at 30%, singles without dependants at 16% and singles with dependants at 5%.

Figure 44: Personal insolvency agreements – Family situation

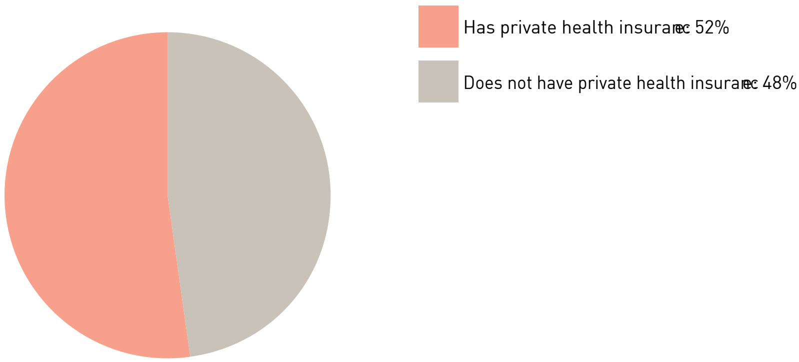


PRIVATE HEALTH INSURANCE COVERAGE

This information refers to private patient hospital cover. Debtors are not asked to disclose any other form of private health insurance on the Statement of Affairs form.

In 2011, 52% of personal insolvency agreement debtors disclosed they had private health insurance at the time of entering a personal insolvency agreement.

Figure 45: Personal insolvency agreements – Private health insurance coverage



OCCUPATION

The Statement of Affairs provides a free text box for debtors to nominate their usual trade or profession. ITSA categorises these responses using the Australian and New Zealand Standard Classification of Occupations (ANZSCO). ITSA does not require that debtors provide details of the skills or tasks associated with their occupation. Consequently there may be inconsistency and subjectivity in clerical coding of occupations by ITSA.

Table 29 provides details of the occupations of personal insolvency agreement debtors for 2011 by occupational group.

Previous editions of *Profiles of Debtors* used the Australian Standard Classification of Occupations (ASCO). Occupations published in this edition of *Profiles of Debtors* are not directly comparable to occupations published in previous editions of *Profiles of Debtors* due to this change in classification. Further information on ANZSCO is available from the Australian Bureau of Statistics 2009, *ANZSCO – Australian and New Zealand Standard Classification of Occupations, First Edition, Revision 1*, catalogue number 1220.0.

Table 29: Personal insolvency agreements - Occupation

ANZSCO Occupational Group	Number	Proportion of total personal insolvency agreement debtors
Managers		
Chief Executives, General Managers and Legislators	26	6%
Farmers and Farm Managers	3	1%
Specialist Managers	52	12%
Hospitality, Retail and Service Managers	24	5%
Total managers	**105**	**24%**
Professionals		
Arts and Media Professionals	0	0%
Business, Human Resource and Marketing Professionals	32	7%
Design, Engineering, Science and Transport Professionals	14	3%
Education Professionals	10	2%
Health Professionals	16	4%
ICT Professionals	7	2%
Legal, Social and Welfare Professionals	6	1%
Total professionals	**85**	**19%**
Technicians and trades workers		
Engineering, ICT and Science Technicians	7	2%
Automotive and Engineering Trades Workers	13	3%
Construction Trades Workers	10	2%
Electrotechnology and Telecommunications Trades Workers	6	1%
Food Trades Workers	4	1%
Skilled Animal and Horticultural Workers	4	1%
Other Technicians and Trades Workers	6	1%
Total technicians and trades workers	**50**	**11%**
Community and personal service workers		
Health and Welfare Support Workers	1	0%
Carers and Aides	5	1%
Hospitality Workers	3	1%
Protective Service Workers	6	1%
Sports and Personal Service Workers	4	1%
Total community and personal service workers	**19**	**4%**
Clerical and administrative workers		
Office Managers and Program Administrators	4	1%
Personal Assistants and Secretaries	2	0%
General Clerical Workers	5	1%
Inquiry Clerks and Receptionists	2	0%
Numerical Clerks	11	3%
Clerical and Office Support Workers	6	1%
Other Clerical and Administrative Workers	19	4%
Total clerical and administrative workers	**49**	**11%**

ANZSCO Occupational Group	Number	Proportion of total personal insolvency agreement debtors
Sales workers		
Sales Representatives and Agents	23	5%
Sales Assistants and Salespersons	4	1%
Sales Support Workers	1	0%
Total sales workers	**28**	**6%**
Machinery operators and drivers		
Machine and Stationary Plant Operators	14	3%
Mobile Plant Operators	2	0%
Road and Rail Drivers	23	5%
Storepersons	5	1%
Total machinery operators and drivers	**44**	**10%**
Labourers		
Cleaners and Laundry Workers	2	0%
Construction and Mining Labourers	15	3%
Factory Process Workers	0	0%
Farm, Forestry and Garden Workers	4	1%
Food Preparation Assistants	0	0%
Other Labourers	6	1%
Total labourers	**27**	**6%**
Other		
Student	0	0%
Invalid pensioner	2	0%
Other pensioner	1	0%
Housewife / househusband	5	1%
Retired	5	1%
Unemployed*	5	1%
Not stated	11	3%
Responses inadequately described**	1	0%
Other total	**30**	**7%**
Total of all occupational categories	437	100%

*Note: The occupational group 'unemployed' is not the same as the employment status shown in Table 23. Employment status represents the status at the date of entering a personal insolvency agreement, whereas occupation relates to the debtor's usual profession.

**Responses may be valid responses but cannot be coded to any single occupation category due to insufficient information.

Summary

COMPARISON OF SELECTED CHARACTERISTICS OF BANKRUPTS, DEBT AGREEMENT DEBTORS AND PERSONAL INSOLVENCY AGREEMENT DEBTORS IN 2011

The majority of debtors in all types of personal insolvency administrations are male.

A higher proportion of bankrupts are not employed at the time of bankruptcy than other types of personal insolvency. However, the majority of all debtors are employed at the time of insolvency.

Debt agreement debtors tend to be younger than bankrupts and personal insolvency agreement debtors. The most common age group for debt agreement debtors was 25 to 29 in 2011. The age group most represented in bankrupts and personal insolvency agreement debtors was aged between 40 and 44.

Bankrupts tend to earn less than personal insolvency agreement debtors. In 2011, 52% of bankrupts earned less than $30 000 gross income compared to 20% of personal insolvency agreement debtors. Twenty one percent of debt agreement debtors earned less than $30 000 after tax income in 2011.

The proportion of debtors who owe less than $20 000 was similar for bankrupts and debt agreement debtors, at 23% and 22% respectively. In 2011, a negligible proportion of personal insolvency agreement debtors owed less than $20 000.

A higher proportion of personal insolvency agreement debtors had assets worth over $1 000 and were purchasing or owning real estate at the time of insolvency than other types of debtors in 2011. This is consistent with 2009 results.

Table 30: Selected characteristics of bankrupts, debt agreement debtors and personal insolvency agreement debtors in 2011 and 2009

	Bankrupts		Debt agreement debtors		Personal insolvency agreement debtors	
	2011	2009	2011	2009	2011	2009
Number	23 125	28 665	8 120	8 559	437	642
Gender % male	57%	58%	52%	53%	68%	66%
Age (most represented)	40-44 [15%]	40-44 [14%]	25-29 [18%]	25-29 [21%]	40-44 [20%]	35-39 [17%]
Indigenous Australians	2.99%	2.98%	N/A*	N/A*	0.69%	1.28%
% not employed	47%	49%	8%	9%	17%	17%
Purchasing or owning real estate	16%	12%	25%	20%	57%	52%
Main source of information	ITSA [34%]	ITSA [37%]	DAA** [88%]	DAA** [98%]	DAA** [50%]	DAA** [46%]
Assets ‹$1 000	65%	71%	68%	71%	18%	31%
Debt ‹$20 000	23%	26%	22%	23%	0%	5%
Creditor type most represented as proportion of unsecured debt	Bank [41%]	Bank [36%]	Bank [58%]	Bank [53%]	Other [62%]	Finance company [34%]

*Not available.
**Debt Agreement Administrator/Consultant.

Comparative rates of personal insolvency

In 2011, 0.14% 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 31 shows the rates of personal insolvency in 2011 for a number of jurisdictions in which the types of formal personal insolvency are more readily comparable to those of Australia.

Table 31: Annual rates of personal insolvency

	Population	Personal Insolvency Administrations	Ratio of personal Insolvency
New Zealand [41]	3 510 700	5 596	0.16%
Australia [42]	22 695 975	31 682	0.14%
England and Wales [43]	55 240 000	119 941	0.22%
United States of America [44]	311 591 917	1 417 326	0.45%
Canada [45]	34 482 800	122 999	0.36%

41 'Personal Insolvencies' for 2010-11 and population estimate as at August 2011; Source: http://www.insolvency.govt.nz/cms/site-tools/about-us/statistics/statistical-data-reports/Insolvency%20Statistics%20and%20Debtor%20Profile%20Report%202010-11.pdf/view

42 Personal insolvencies include bankruptcies, debt agreements and personal insolvency agreements. National population figures are current as at March 2012. Source: Australian Bureau of Statistics, 2012, *Australian Demographic Statistics, September 2011*, catalogue number 3101.0, ABS, Canberra.

43 Personal Insolvencies include bankruptcies and individual voluntary arrangements; Source: http://www.insolvencydirect.bis.gov.uk/otherinformation/statistics/201205/index.htm
Population estimate as at mid 2010; Source: http://www.ons.gov.uk/ons/rel/pop-estimate/population-estimates-for-uk--england-and-wales--scotland-and-northern-ireland/mid-2010-population-estimates/index.html

44 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 2011. Those personal insolvencies categorised as business bankruptcies are not included;
Source: http://www.uscourts.gov/Statistics/BankruptcyStatistics.aspx#june
Population estimate as at July 2011; Source: http://www.census.gov/popest/data/national/asrh/2011/index.html

45 'Personal Insolvencies' include consumer bankruptcies and proposals; Source: http://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br02813.html#tbl2 Population estimate as at July 2011; Source: http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/demo02a-eng.htm

Glossary

Act of bankruptcy:

An action or declaration which, if not carried through, can be used by a creditor to apply to the court to make a person bankrupt.

Bankruptcy:

A process where people, who cannot pay their debts, become bankrupt to receive the protection of the *Bankruptcy Act 1966* and their estate is administered by a trustee. It allows for the fair distribution of property among creditors and the prosecution of dishonest debtors. 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.

Bankruptcy Act 1966:

The Commonwealth legislation which covers bankruptcy, debt agreements and personal insolvency agreements. It deals with individuals not corporate entities, which is covered by the Corporations Law administered by the Australian Securities and Investment Commission.

Business related bankruptcy:

A business related bankruptcy is defined as being one in which an individual's bankruptcy is directly related to his or her proprietary interest in a business. ITSA does not provide guidance, including this definition of business, on the Statement of Affairs.

Chattel mortgage:

A debt owed to a secured creditor. The creditor loans the debtor money to purchase an asset and registers a security interest on the loan. Once the loan is completed, the security interest is removed and the debtor has full ownership of the asset.

Creditor:

A person or company to whom money is owed.

Debt agreement administrator:

An eligible person nominated by a debtor to handle a debt agreement on their behalf.

Debt agreements:

Under Part IX of the *Bankruptcy Act 1966*, a debt agreement results from creditors voting to accept a proposal from a debtor to settle their debts. To be eligible to propose a debt agreement, a debtor must be insolvent and meet threshold levels relating to unsecured debts and assets and after-tax income. The thresholds are updated twice each year and the current figures can be obtained from ITSA's website.

Debtor:

A person who owes money to a creditor.

Divisible/Realisable assets:

Assets/property which can legally be sold in bankruptcy by the trustee.

Insolvent:

A person is considered to be insolvent when they are unable to pay their debts as and when they fall due.

ITSA:

Insolvency and Trustee Service Australia. It is the Commonwealth Government agency that becomes the trustee when a private bankruptcy trustee is not appointed in a bankruptcy or other arrangement under the Bankruptcy Act.

National Personal Insolvency Index:

The permanent, electronic record of all personal insolvency administrations in Australia which can be accessed by anyone for a fee.

Not employed:

Debtors' personal assessments of whether they were employed at the time of insolvency, as reported on the Statement of Affairs. The Statement of Affairs does not provide a definition or list of criteria that define employment status. The employment status of 'not employed' includes the unemployed, pensioners, self-funded retirees and those engaged in unpaid domestic duties.

Personal insolvency administrations:

The total of all debt agreements, personal insolvency agreements, and bankruptcies by both debtors' petitions and sequestration orders (including the administration of bankrupt deceased estates).

Personal insolvency agreements:

Under Part X of the *Bankruptcy Act 1966*, a personal insolvency agreement results from creditors accepting a debtor's proposal to settle his or her debts. Unlike debt agreements, personal insolvency agreements are not subject to income, asset or debt thresholds.

Real estate:

Realty including vacant land, houses, units or commercial property in Australia and overseas. Time shares are excluded.

Registered Trustee:

Only licensed practitioners, registered through ITSA and referred to as registered trustees, are permitted to have control of the administration of bankruptcies or agreements under Part X of the Bankruptcy Act.

Statement of Affairs:

When a debtor becomes bankrupt or enters into a debt agreement or personal insolvency agreement, he or she must complete a Statement of Affairs that truthfully discloses all relevant details about their current financial position. This includes details of all debts, as well as details about current and recently owned assets.

Store cards:

Credit cards issued by non-bank institutions such as department stores.

Trustee:

A person who administers a bankruptcy or Part X (personal insolvency agreement) administration. It is either a private bankruptcy trustee or ITSA as the Official Trustee in Bankruptcy.

Unsecured creditor:

An unsecured creditor is a creditor who does not have a hold over the chattels, assets or property purchased with the credit afforded to a debtor. Such liabilities include credit card debts.

Unsecured debt:

Money owed to a creditor who does not have a hold over the chattels, assets or property purchased with the credit afforded to a debtor. Such liabilities include credit card debt.

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