



Australian Government
Insolvency and Trustee Service Australia

Profiles of Debtors 2007

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Contents

INTRODUCTION	3
KEY CHARACTERISTICS 2005 TO 2007	4
BANKRUPTCIES	5
Characteristics of those who became bankrupt	
DEBT AGREEMENTS	17
Characteristics of those who entered into debt agreements	
PERSONAL INSOLVENCY AGREEMENTS	28
Characteristics of those who entered into personal insolvency agreements	
COMPARATIVE RATES OF PERSONAL INSOLVENCY	40

Introduction

In July 1998, the Insolvency and Trustee Service Australia (ITSA) first published a profile of debtors who became bankrupt or entered into debt agreements in the 1997 calendar year. Since then fresh publications have examined data from 2002, 2003 and 2005.

Profiles of Debtors 2007 provides a fresh update using data from the 2007 calendar year.

The information in this publication relates, essentially, to the socio-economic circumstances of debtors. More general statistical information in relation to bankruptcy is contained in the *Annual Report by the Inspector-General on the operation of the Bankruptcy Act 1966*, which can be found on ITSA's web site, www.itsa.gov.au.

Profiles of Debtors 2007 is divided into three sections: bankruptcies, debt agreements and personal insolvency agreements.

Bankruptcies

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

Debt agreements

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

Personal insolvency agreements

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

METHODOLOGY

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

ITSA records information from the Statement of Affairs on its database. The data that is presented in *Profiles of Debtors 2007* represents all bankrupts and debtors who lodged a Statement of Affairs in 2007. Tables showing 2005 data in this publication may vary slightly from the 2005 publication due to reporting enhancements.

Note: Throughout this booklet there are references to statistics applicable to the general Australian population. Those statistics were obtained from various publications of the Australian Bureau of Statistics and may relate to periods other than the 2007 year on which this publication is based.

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

Key characteristics 2005 to 2007

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

	Bankrupts		Debt Agreement Debtors		Personal Insolvency Agreement Debtors	
	2007	2005	2007	2005	2007	2005
Number	25 964	21 076	6 648	4 803	269	218
Gender % male	58%	57%	53%	54%	76%	75%
Age (most represented)	35-39 (15%)	35-39 (14%)	15-24 (21)	15-24 (22%)	35-39 (19%)	35-39 (21%)
% not employed	44%	54%	8%	14%	20%	28%
House property*	11%	7%	15%	8%	50%	33%
Main source of information	ITSA (37%)	ITSA (32%)	DAA** (98%)	DAA (56%)	DAA (26%)	Accountant (23%)
Income <\$30 000	62%	69%	31%	44%	35%	37%
Assets <\$1 000	79%	90%	86%	91%	28%	57%
Debt <\$20 000	33%	41%	35%	48%	5%	9%

* In previous Profiles of Debtors publications, the home ownership figure reflected the proportion of bankrupts who disclosed on their Statement of Affairs that they owned or were in the process of purchasing their residential property only. The information in Table 1, Figures 12, 24 and 37 pertaining to 2007 and previous years has been expanded to capture the fact that bankrupts can own real property other than the home in which they reside.

** Debt Agreement Administrator

Bankruptcies

Characteristics of those who became bankrupt

KEY FINDINGS OF DEBTORS WHO BECAME BANKRUPT IN 2007

- 15% had an income of less than \$10 000 and 72% had an income of between \$10 000 and \$49 999 during the 12 months prior to their bankruptcy.
- 16% owed less than \$10 000 to their unsecured creditors and 49% owed between \$10 000 and \$49 999.
- 'Unemployment or loss of income' was stated as the single largest cause of non-business related bankruptcies. Business related bankrupts cited 'economic conditions affecting industry'¹ as the largest cause of bankruptcy.²
- More men became bankrupt than women.
- 13% of bankrupts had been bankrupt more than once.

Frequency of bankrupts

A total of 25 964 people became bankrupt in 2007.

	Population ³	Number of Bankruptcies	Ratio
New South Wales	6 908 900	9 722	1:711
Victoria	5 226 400	5 861	1:892
Queensland	4 201 100	5 778	1:727
South Australia	1 588 500	2 143	1:741
Western Australia	2 118 500	1 348	1:1572
Tasmania	494 500	773	1:640
Northern Territory	216 500	126	1:1718
Australian Capital Territory	340 300	213	1:1598
Australia	21 094 700	25 964	1:812

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 812 people compared to one bankruptcy per 967 people in 2005.

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'.

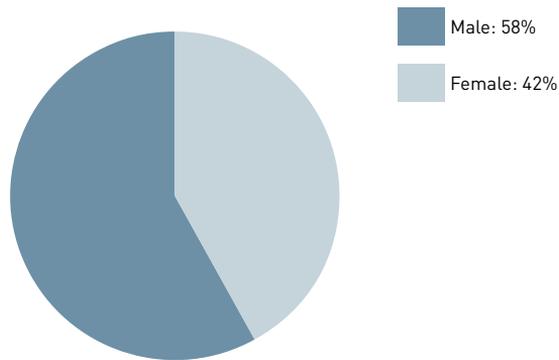
² Bankruptcies are categorised as either business related or non-business related. In a 'business bankruptcy' the debtor's insolvency was directly related to the debtor's proprietary interest in a business.

³ National and state population figures are current as at May 2008. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, September 2007.

Gender

49% of the Australian population is male.⁴ However, 58% of those who became bankrupt in 2007 were male.

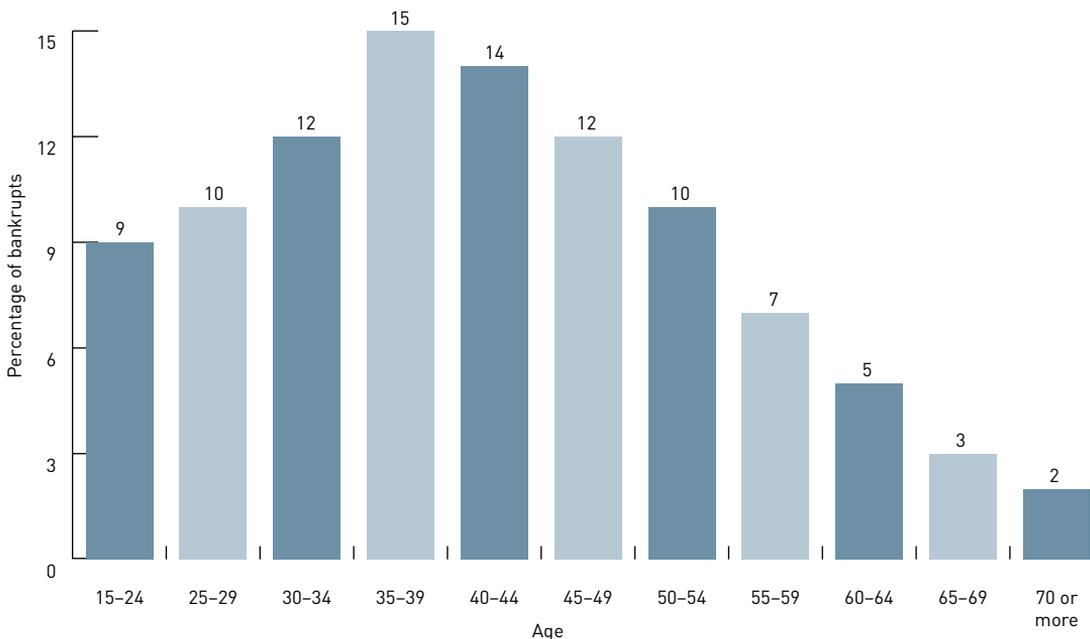
Figure 1: Bankrupts – Gender



Age

The age distribution of bankrupts in 2007 is shown below.

Figure 2: Bankrupts – Age



19% of bankrupts were between the ages of 15 and 29, 27% were between the ages of 30 and 39 and 53% were over 40. The corresponding population ratios for the general population were 21%, 14% and 45%.⁵

⁴ Current as at May 2008. Source: Australian Bureau of Statistics, 2006 Census QuickStats

⁵ National and state population figures are current as at May 2008. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, September 2007

Table 3: Bankrupts – Age distribution by gender

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

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

Age	Proportion of population per age group over 15	Proportion of bankrupts
15–24	17%	9%
25–29	9%	11%
30–34	9%	12%
35–39	9%	15%
40–44	9%	14%
45–49	9%	12%
50–54	8%	10%
55–59	7%	7%
60–64	6%	5%
65–69	5%	3%
70 or more	12%	2%

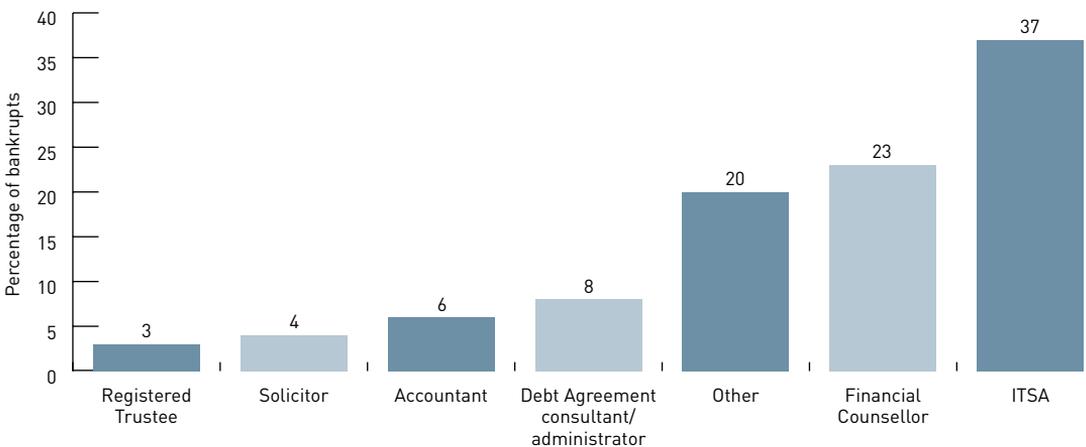
Sources of information about bankruptcy and its alternative

44% of bankrupts had obtained advice from professional sources, which include financial counsellors, solicitors, accountants or registered trustees. These sources are described as 'professional' because they provide advice on bankruptcy and its alternatives as well as assistance to debtors in re-organising their affairs to help them overcome or prevent financial difficulty in the future. Financial counsellors (23%) were the most common 'professional' source of bankruptcy information in 2007. (In 2005, 44% of bankrupts obtained advice from professional sources, with 25% of bankrupts obtaining advice from financial counsellors).

ITSA provides comprehensive information on bankruptcy and its consequences and alternatives, but does not provide any financial counselling or information about budgeting, debt management etc. In 2007, 37% of bankrupts advised that they obtained information from ITSA including information obtained from our website and publications.

20% of bankrupts stated that they did not obtain advice from either professional sources or ITSA.

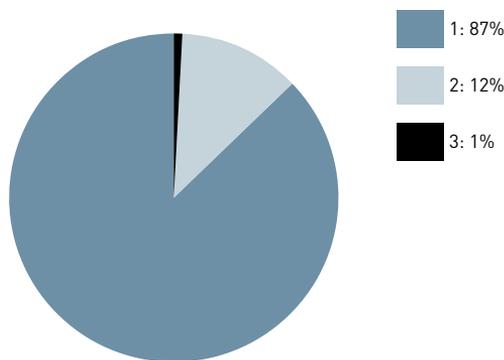
Figure 3: Bankrupts – Sources of information



Repeat bankruptcies

Of those who became bankrupt in 2007, 12% had previously been bankrupt once and 1% had previously been bankrupt twice.

Figure 4: Bankrupts – Incidence of bankruptcy

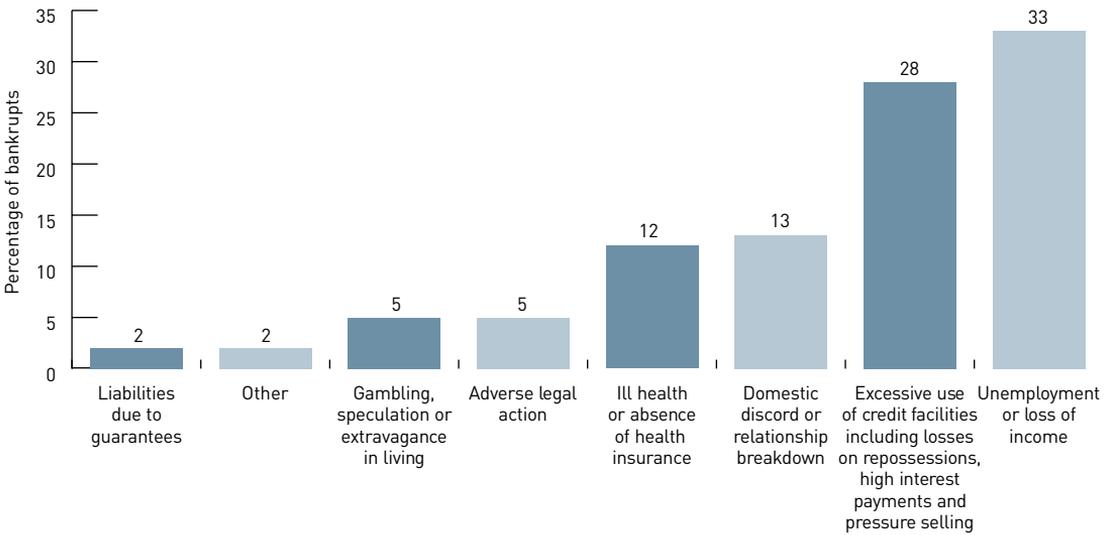


Primary causes of bankruptcy

During 2007, 'unemployment or loss of income' was stated as the primary cause for non-business related bankruptcies and 'economic conditions affecting industry' was stated as the primary cause for business related bankruptcies. Business related bankruptcies represented 19% of total bankruptcies in 2007.⁶

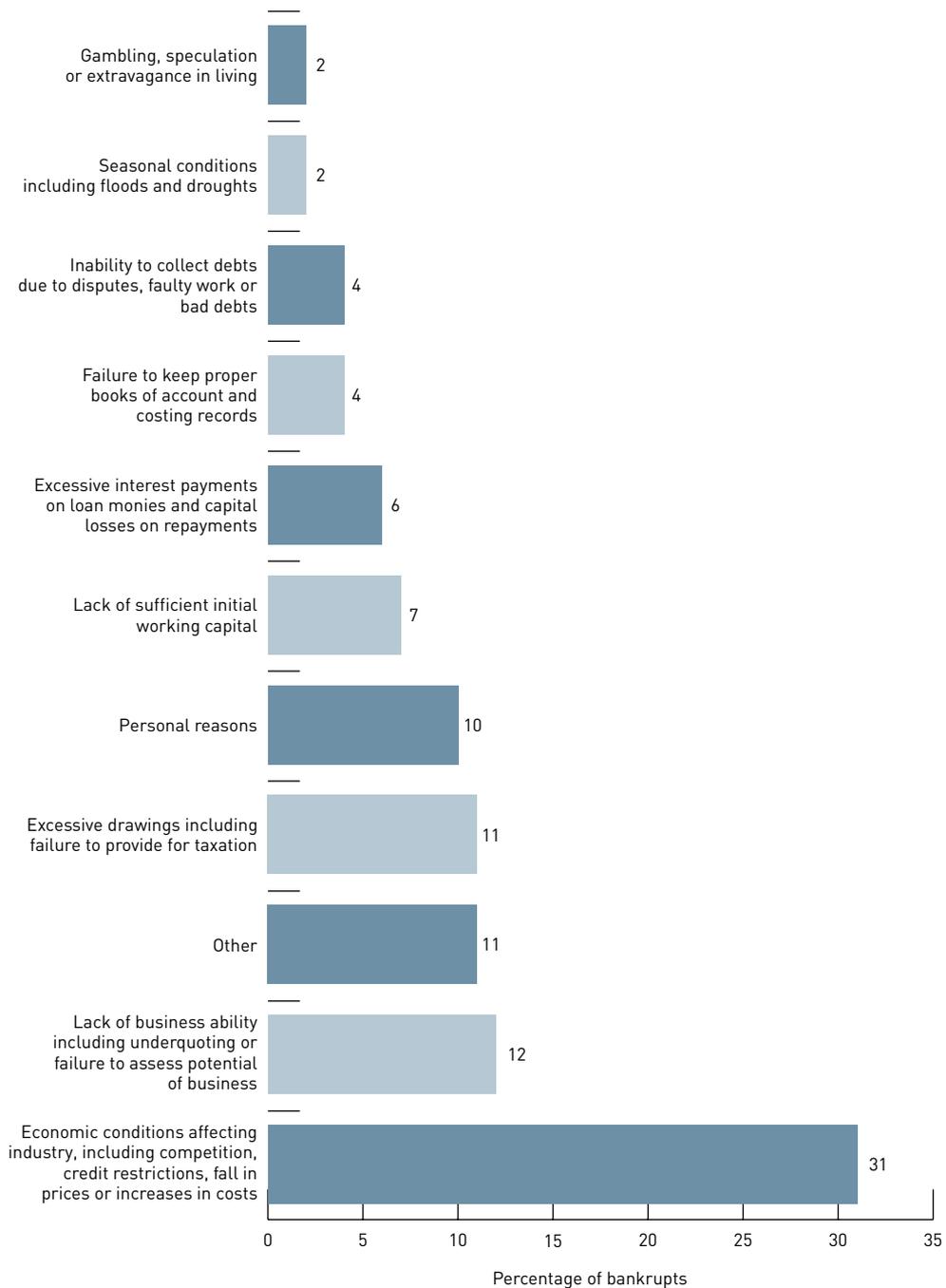
The Statement of Affairs form requires the debtor to select a 'cause' from a given list. Therefore, the 'causes' of bankruptcy shown below represent debtors' opinions of what best describes the reason for becoming bankrupt and not an objectively determined cause of their insolvency.

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



⁶ The causes of bankruptcy cited in this publication are self attributed by bankrupts 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'.

Figure 6: Bankrupts – Causes (business related)

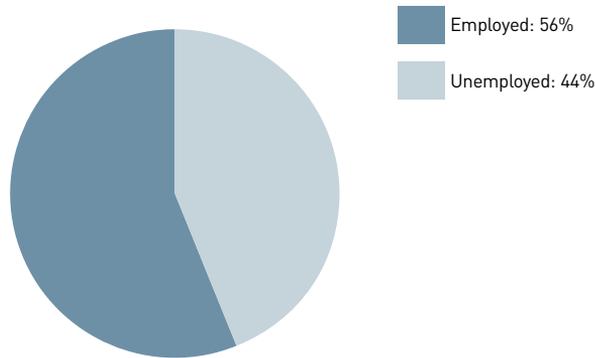


Employment status

44% of bankrupts were not employed at the date of bankruptcy (includes unemployed, pensioners, self-funded retirees and those engaged in unpaid domestic duties). 39% of male bankrupts were not employed, while for women the rate was 52%.

The seasonally adjusted unemployment rate for Australia in June 2007 was 4.0%.⁷

Figure 7: Bankrupts – Employment status



Income

Bankrupts' income

In the 12 month period immediately prior to bankruptcy, 4% of all bankrupts declared no income, 11% had an income of less than \$10 000, 47% had an income between \$10 000 and \$29 999, 25% had an income between \$30 000 and \$49 999, 9% had an income between \$50 000 and \$69 999, and 4% had an income of \$70 000 or higher.

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

	2007	2005
\$0	4%	4%
\$1–\$9 999	11%	12%
\$10 000–\$29 999	47%	53%
\$30 000–\$49 999	25%	22%
\$50 000–\$69 999	9%	6%
\$70 000 or more	4%	3%

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

⁷ The unemployment rate, in broad terms, is calculated by representing the number unemployed as a percentage of the labour force rather than of the total population – the labour force comprises persons engaged in employment and those seeking employment. As at May 2008 the seasonally adjusted participation rate was 65.2%. Source: Australian Bureau of Statistics, Catalogue number 6202.0 – Labour Force, Australia, March 2008

Bankrupts' household income

Information is collected on the bankrupt's household income (that is the bankrupt's income and the income of their spouse or partner) from their Statement of Affairs. The proportions of bankrupts whose disclosed household income of less than \$10 000, between \$10 000 and \$19 999 and between \$20 000 and \$29 999 were 10%, 23% and 18%, respectively.

Table 6 : Bankrupts – Comparative rates of household income		
	2007	2005
\$0	3%	3%
\$1–\$9 999	7%	8%
\$10 000–\$19 999	23%	29%
\$20 000–\$29 999	18%	20%
\$30 000–\$49 999	25%	24%
\$50 000–\$69 999	13%	10%
\$70 000 or more	11%	7%

Debt level

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

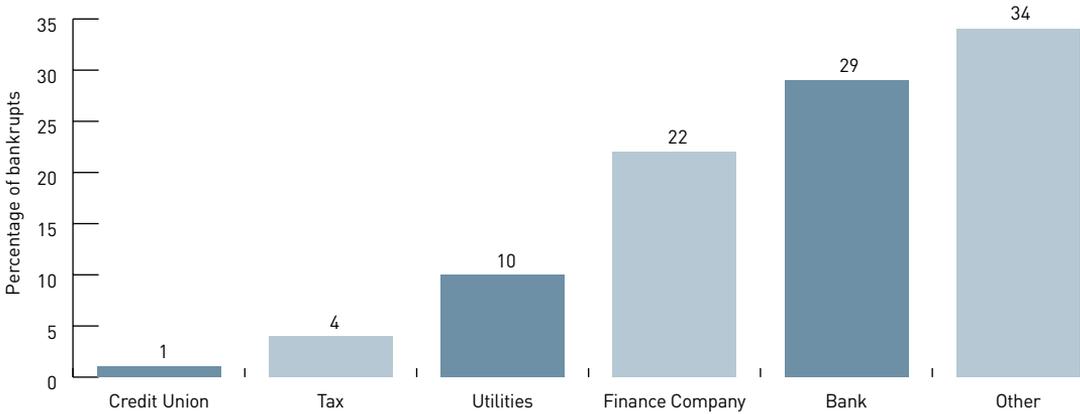
In 2007, 16% of bankrupts owed creditors less than \$10 000, 17% owed between \$10 000 and \$19 999 and 32% owed between \$20 000 and \$49 999.

Table 7: Bankrupts – Comparative unsecured debt level		
	2007	2005
<\$2 000	5%	4%
\$2 000–\$4 999	3%	6%
\$5 000–\$9 999	8%	11%
\$10 000–\$19 999	17%	20%
\$20 000–\$49 999	32%	32%
\$50 000–\$99 999	19%	14%
\$100 000–\$499 999	14%	10%
\$500 000 or more	2%	2%

Creditors

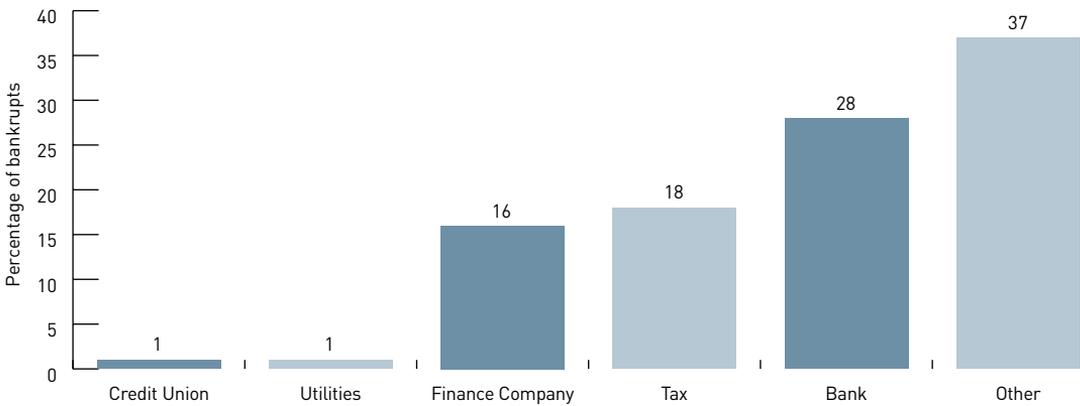
ITSA classifies creditors as banks, building societies, credit unions, finance companies, state housing, tax, utilities (gas, electricity etc) and 'other'. Creditors identified as 'other' may include trade creditors, store accounts, professional fees, medical bills, school fees, family loans and the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

Figure 8: Bankrupts – Creditor categories



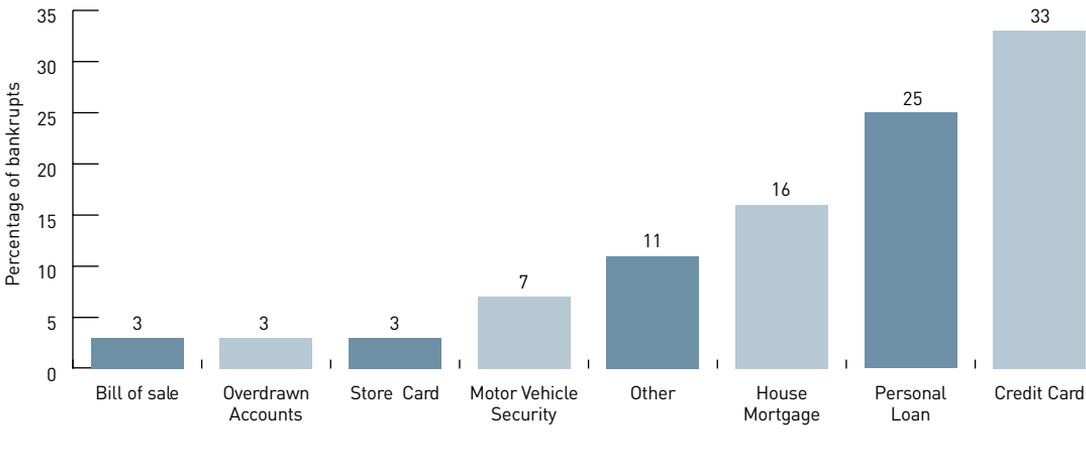
'Other' creditors accounted for 37% of total debt in dollar terms followed by banks at 28%. Tax accounted for 18% of total debt and finance companies 16%.

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



All liability amounts refer only to the amount of net unsecured debt owed by the debtor. The greatest liabilities were represented in credit card debt (33%) and personal loans (25%). Liabilities relating to 'Motor Vehicle Security' and 'House Mortgage' refer to debts where the amount owing exceeds the value of the the security.

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

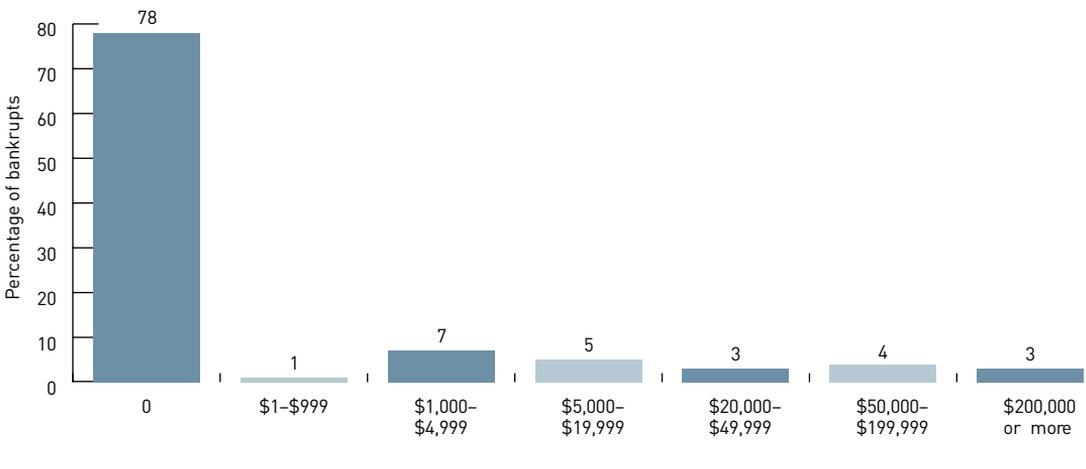


Note: Only financial institutions are displayed in this figure as other creditor types represented in Figure 8 do not generally have sub-types which reflect the type of debt owed.

Assets

78% of all bankrupts disclosed no 'divisible' or 'realisable' assets.⁸ These assets are available to the trustee to sell (realise) to produce funds to pay creditors.

Figure 11: Bankrupts – Realisable assets

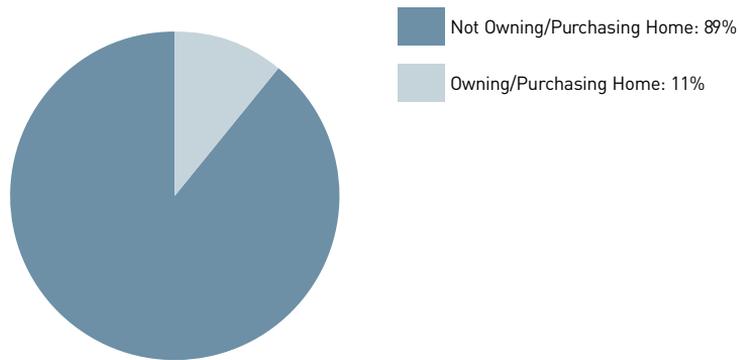


⁸ The Bankruptcy Act provides that some assets are 'non-divisible' and may not be seized and sold for the benefit of creditors. Examples include a motor vehicle up to a value of \$6 000 (indexed), normal clothing, household furniture and most superannuation. These 'non-divisible' assets are not taken into account when determining the realisable assets of a debtor entering into bankruptcy, a debt agreement or a personal insolvency agreement.

Home ownership

11% of bankrupts disclosed a house property (including their residence and/or other real estate) at the date of bankruptcy.

Figure 12: Bankrupts – Home ownership



Note: In previous Profiles of Debtors publications, the home ownership figure reflected the proportion of bankrupts who disclosed on their Statement of Affairs that they owned or were in the process of purchasing their residential property only. The information in Figure 12 has been expanded to capture the fact that bankrupts can own real property other than the home in which they reside.

Table 8 provides expanded home ownership data for 2005 and 2003 for comparison.

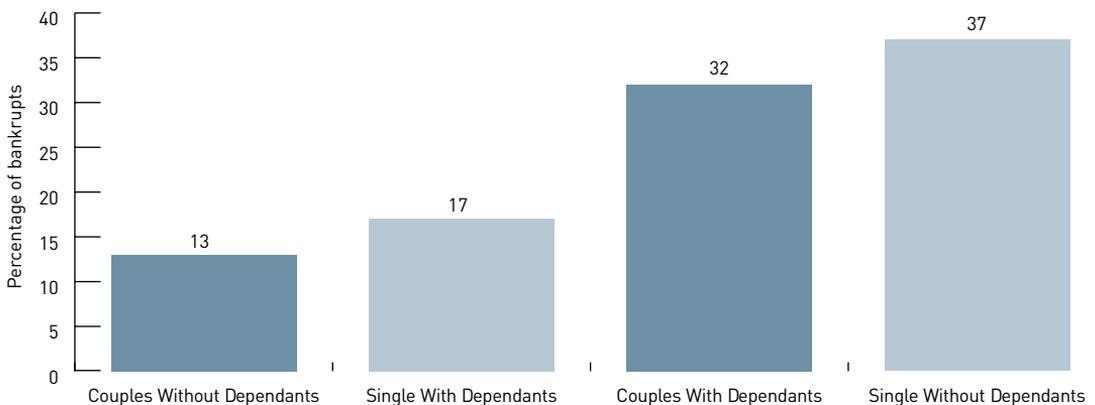
Table 8: Bankrupts - Home ownership update for 2003 and 2005

Home ownership status	2005	2003
Not Owning/Purchasing Home	93	95
Owning/Purchasing Home	7	5

Family situation

37% of bankrupts were single without dependants. This represents the largest group of bankrupts and is followed by bankrupts who are members of couples (ie married, de facto or same-sex partners) with dependants and singles with dependants, at 32% and 17% respectively. Bankrupts who are members of couples without dependants constitute 13% of total bankrupts.

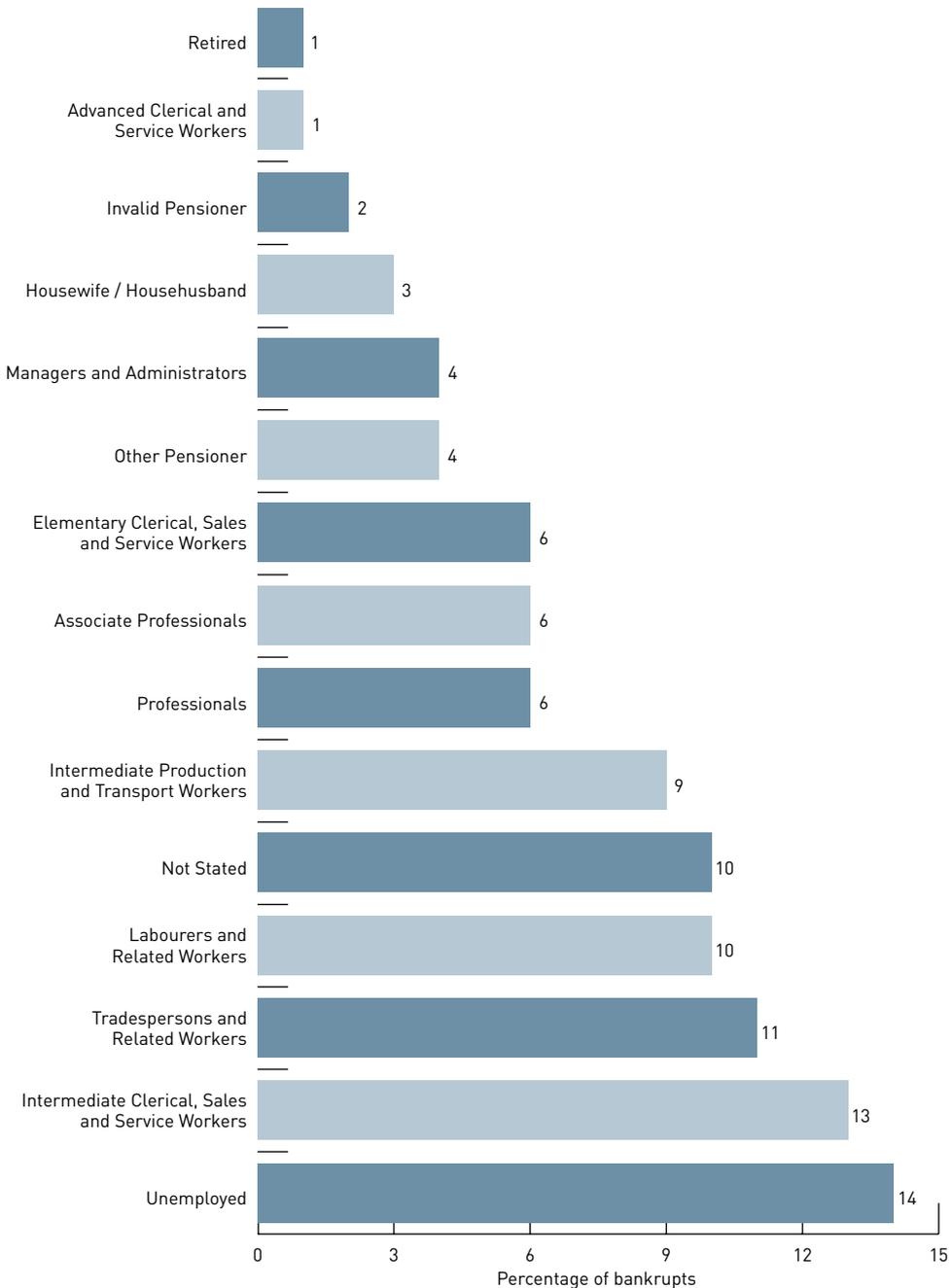
Figure 13: Bankrupts – Family situation



Occupation

Figure 14 provides details of the occupations of bankrupts for 2007 by occupational group.⁹

Figure 14: Bankrupts – Occupation



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

⁹ The occupations of bankrupts and debtors are self-attributed and are subsequently classified by ITSA from information provided by the individual using the Australian Standard Classification of Occupations.

Debt agreements

Characteristics of those who entered into debt agreements

KEY FINDINGS OF DEBTORS WHO ENTERED INTO DEBT AGREEMENTS IN 2007

- 31% expected to earn a gross income of less than \$30 000 in the 12 months after entering into the debt agreement.
- 8% owed unsecured creditors less than \$10 000, with 27% owing between \$10 000 and \$19 999.
- 'Excessive use of credit' was listed by debtors as the main cause of non-business related debt agreements. 'Personal reasons' was the largest attributed cause for business related debt agreements.¹⁰
- More men entered into debt agreements than women.

Frequency of debtors entering into debt agreements

A total of 6 648 debtors entered into debt agreements in 2007.

	Population	Number of debt agreements	Ratio
New South Wales	6 908 900	2 107	1:3279
Victoria	5 226 400	1 949	1:2682
Queensland	4 201 100	1 704	1:2465
South Australia	1 588 500	238	1:6674
Western Australia	2 118 500	384	1:5517
Tasmania	494 500	129	1:3833
Northern Territory	216 500	55	1:3936
Australian Capital Territory	340 300	82	1:4150
Australia	21 094 700	6 648	1:3173

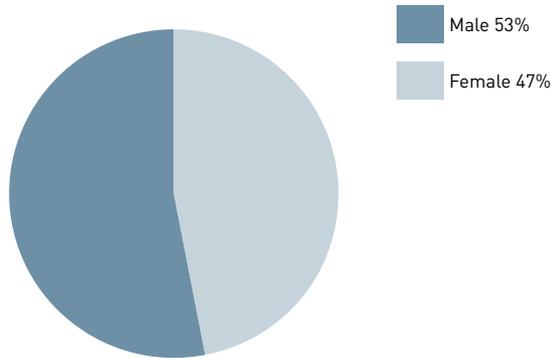
¹⁰ The causes of bankruptcy cited in this publication are self attributed by bankrupts and debtors from a list on the Statement of Affairs form and may be shortened throughout for ease of representation. For example 'economic conditions affecting industry' refers to 'economic conditions affecting industry,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

¹¹ National and state population figures are current as at May 2008. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, September 2007.

Gender

53% of those who entered into debt agreements in 2007 were male.

Figure 15: Debt agreements – Gender

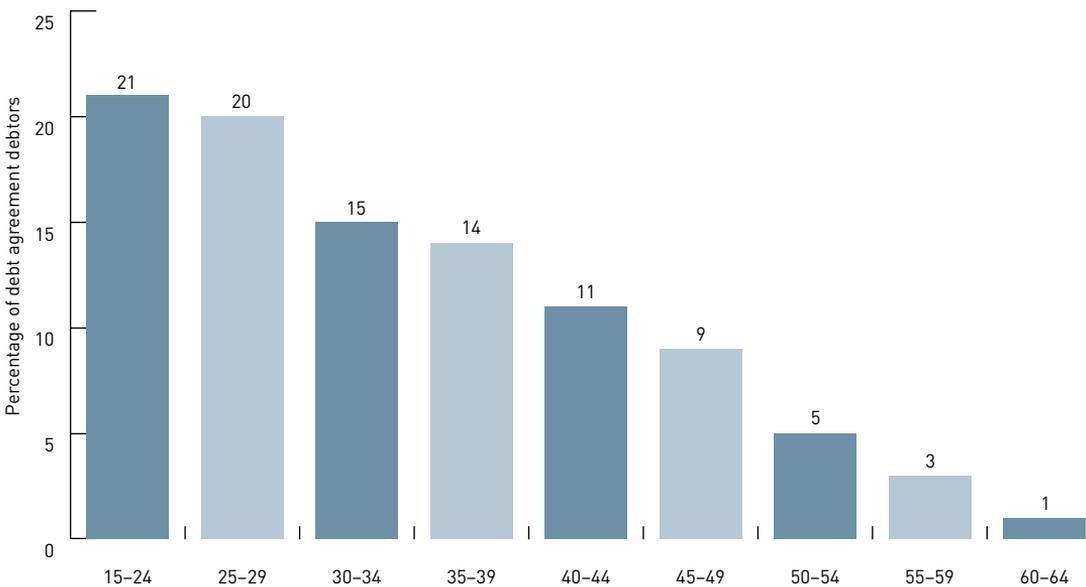


Age

The age profile of debtors entering into debt agreements in 2007 is shown below.

Of all debt agreement debtors in 2007, 41% were between the ages of 15 and 29, 29% were between the ages of 30 and 39 and 29% were over 40. The corresponding population ratios for the general population were 21%, 14% and 45%.¹²

Figure 16: Debt agreements – Age



¹² National and state population figures are current as at May 2008. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, September 2007

Age	Male	Female
15–24	20%	22%
25–29	21%	19%
30–34	17%	14%
35–39	15%	14%
40–44	11%	11%
45–49	8%	10%
50–54	5%	6%
55–59	3%	3%
60–64	1%	1%

Age	Proportion of population over 15	Proportion of Debt Agreements
15–24	17%	21%
25–29	9%	20%
30–34	9%	15%
35–39	9%	14%
40–44	9%	11%
45–49	9%	9%
50–54	8%	5%
55–59	7%	3%
60–64	6%	1%
65–69	5%	0%
70 or more	12%	0%

Sources of information

Almost all debt agreements are administered by professional administrators (that is, not by the debtor, family, friend or creditor). Debt agreement administrators were the major source of advice for those who entered debt agreements in 2007 (98%).

Primary causes of insolvency

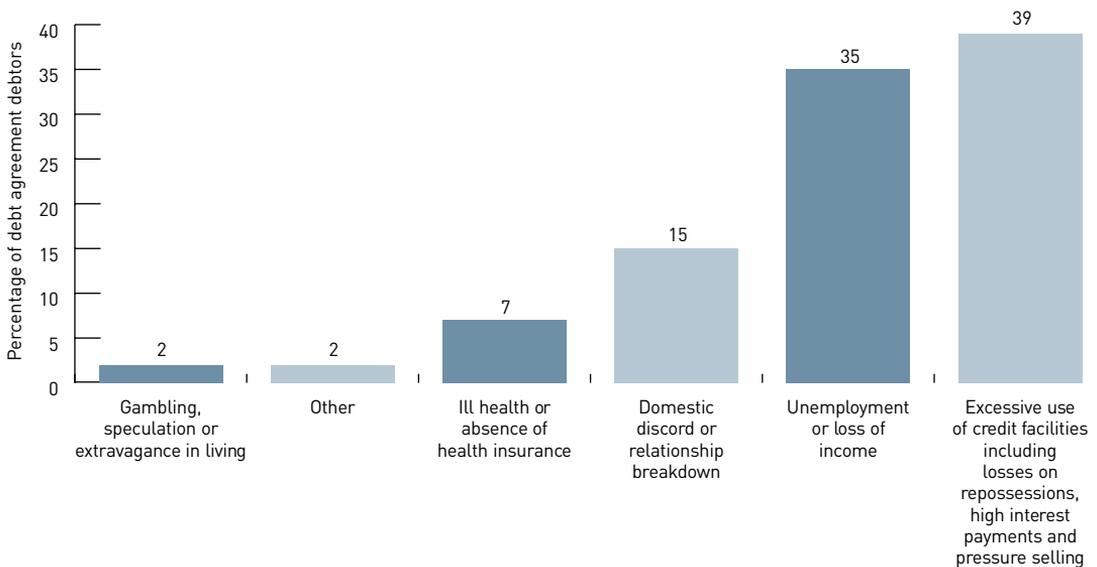
For non-business related debt agreements, 'excessive use of credit' was disclosed as the primary cause of insolvency at 39%, followed by 'unemployment or loss of income' and 'domestic discord' at 35% and 15%, respectively.¹³

For business related debt agreements, 'personal reasons' was disclosed as the primary cause of insolvency at 24%, followed by 'excessive drawings' and 'lack of sufficient initial working capital' at 20% and 17%, respectively.

Business related debt agreements represented 4% of total debt agreements in 2007.

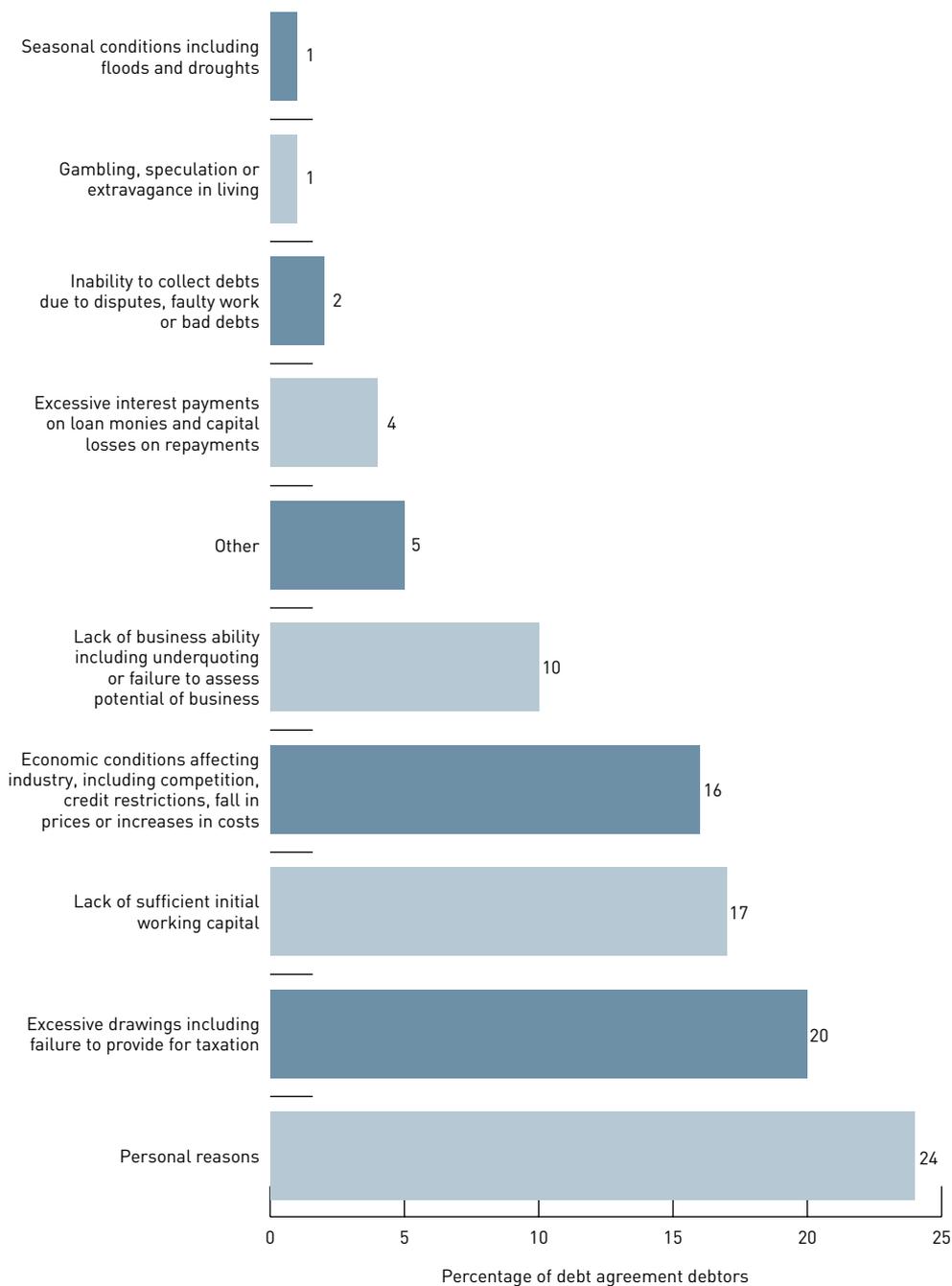
The Statement of Affairs form requires the debtor to select a 'cause' from a given list. Therefore, the 'causes' of bankruptcy shown below represent debtors' opinions of what best describes the reason for becoming bankrupt and not an objectively determined cause of their insolvency.

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



¹³ 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'.

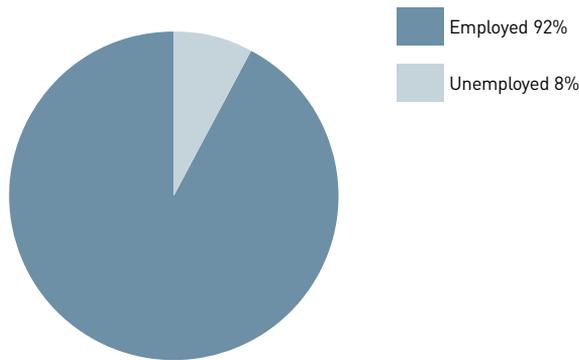
Figure 18: Debt agreements – Causes (business related)



Employment status

92% of debtors who entered into a debt agreement were employed, compared with 56% of those who became bankrupt.

Figure 19: Debt agreements – Employment status



Income

Debtors' income

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

2% of debtors expected a pre-tax income of less than \$10 000, 29% expected a pre-tax income of between \$10 000 and \$29 999, 52% expected a pre-tax income between \$30 000 and \$49 999, 17% expected a pre-tax income of \$50 000 or more.

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

	2007	2005
\$0	0%	1%
\$1–\$9 999	2%	4%
\$10 000–\$29 999	29%	39%
\$30 000–\$49 999	52%	44%
\$50 000 or more	17%	12%

¹⁴ The income, debt and asset threshold amounts for entry into a debt agreement are indexed twice yearly in March and September. At the end of 2007, the threshold for after-tax income was \$59 186.

Debtors' household income

1% of households with debt agreement debtors expected to earn less than \$10 000. A debtor's household income includes the debtor's income and the income of their spouse or partner as shown on their Statement of Affairs.

	2007	2005
\$0	0%	0%
\$1–\$9 999	1%	2%
\$10 000–\$19 999	7%	12%
\$20 000–\$29 999	18%	21%
\$30 000–\$49 999	37%	37%
\$50 000–\$69 999	21%	19%
\$70 000 or more	15%	9%

Debt level

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

8% of debtors owed creditors less than \$10 000 and 27% owed between \$10 000 and \$19 999, while 51% owed between \$20 000 and \$49 999.

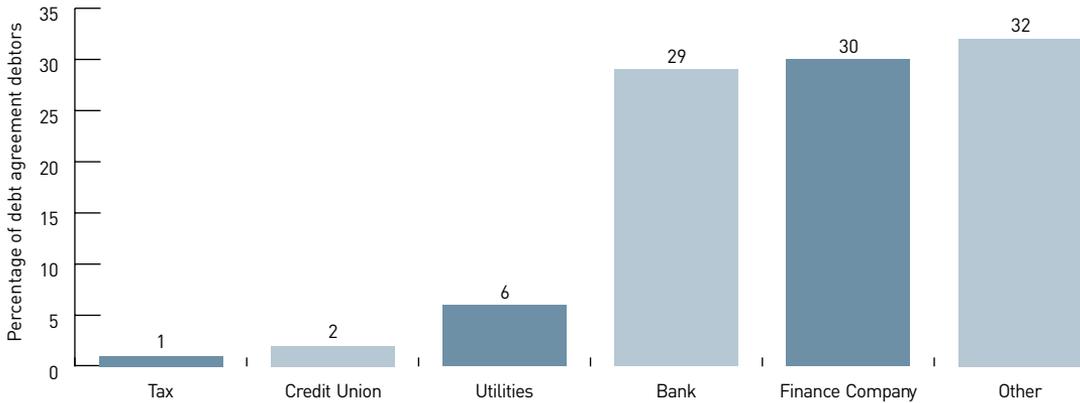
	2007	2005
\$2 000–\$4 999	1%	3%
\$5 000–\$9 999	7%	14%
\$10 000–\$19 999	27%	31%
\$20 000–\$49 999	51%	43%
\$50 000 or more	14%	9%

¹⁵ The income, debt and asset threshold amounts for entry into a debt agreement are indexed twice yearly in March and September. At the end of 2007, the threshold for unsecured debt was \$78 915.

Creditors

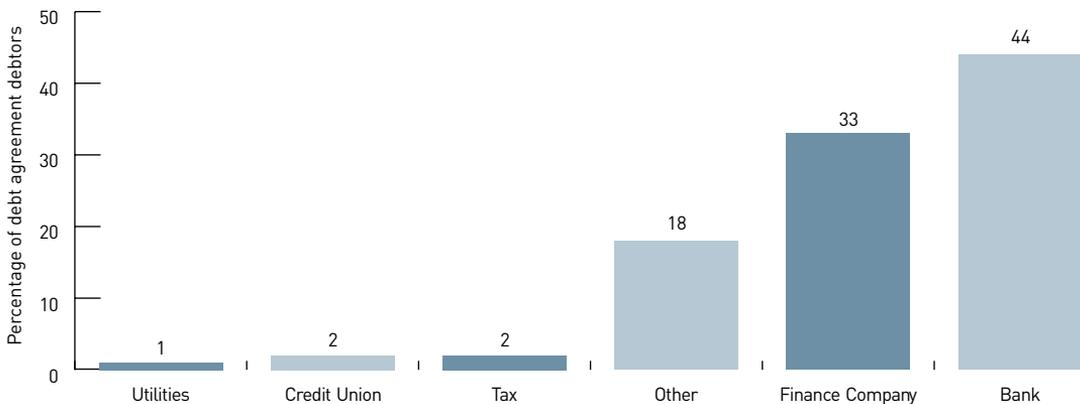
ITSA classifies creditors as banks, building societies, credit unions, finance companies, state housing, tax, utilities (gas, electricity etc) and 'other'. Creditors identified as 'other' may include trade creditors, store accounts, professional fees, medical bills, school fees, family loans and the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

Figure 20: Debt agreements – Creditor categories



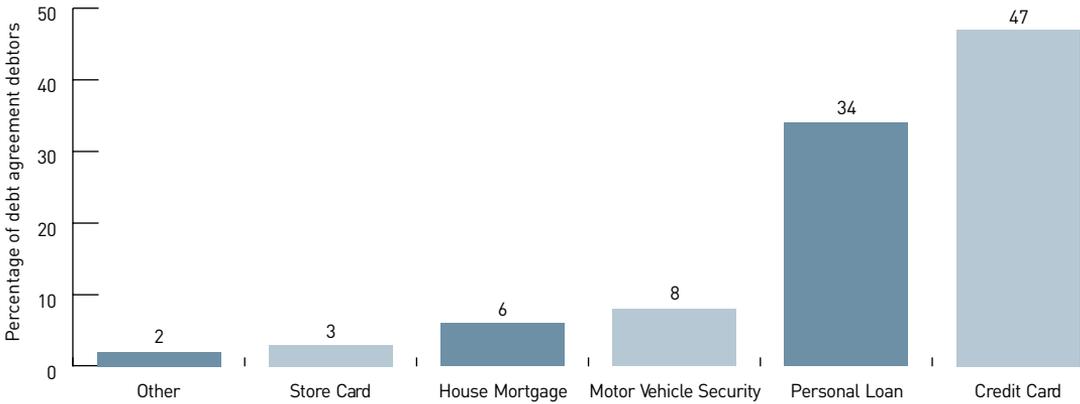
Banks accounted for 44% of total debt in dollar terms and finance companies 33%. Tax accounted for 2% of total debt.

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



All liability amounts refer only to the amount of net unsecured debt owed by the debtor. Of those liabilities owed to financial institutions, 47% by value were characterised as credit card debt, followed by 34% characterised as personal loans. Liabilities relating to 'Motor Vehicle Security' and 'House Mortgage' refer to debts where the amount owing exceeds the value of the security.

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

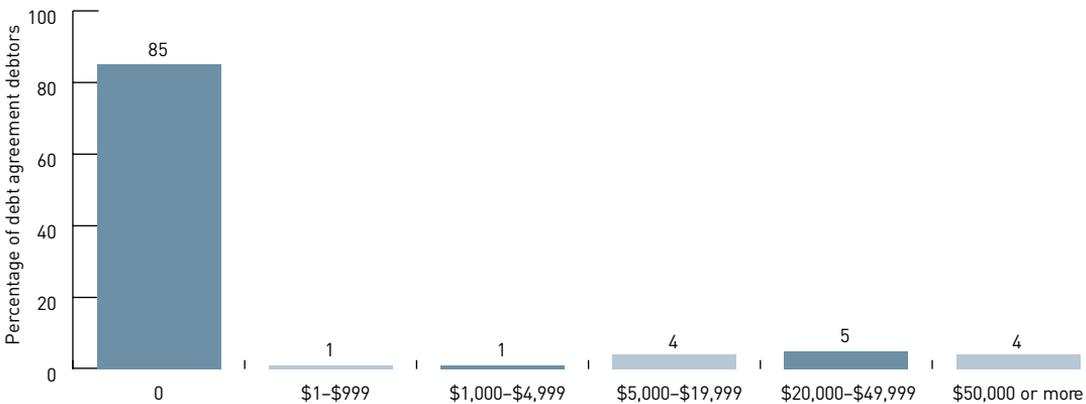


Note: Only financial institutions are displayed in this figure as other creditor types represented in Figure 20 do not generally have sub-types which reflect the type of debt owed.

Assets

A debtor is not eligible to propose a debt agreement if their realisable assets exceed a threshold.¹⁶ 85% of debt agreement debtors had no realisable assets.

Figure 23: Debt agreements – Realisable assets

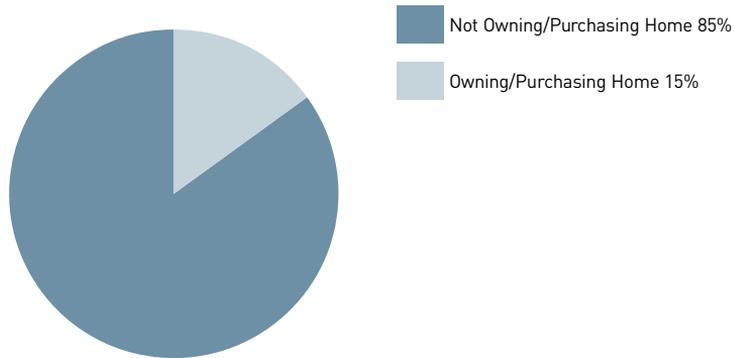


¹⁶ The income, debt and asset threshold amounts for entry into a debt agreement are indexed twice yearly in March and September. At the end of 2007, the threshold for realisable assets was \$78 915.

Home ownership

15% of debt agreement debtors disclosed a house property (including their residence and/or other real estate) at the time of entering a debt agreement.

Figure 24: Debt agreements – Home ownership



Note: In previous Profiles of Debtors publications, the home ownership figure reflected the proportion of debtors who disclosed on their Statement of Affairs that they owned or were in the process of purchasing their residential property only. The information in Figure 24 has been expanded to capture the fact that debtors can own real property other than the home in which they reside.

Table 15 provides expanded home ownership data for 2005 and 2003 for comparison.

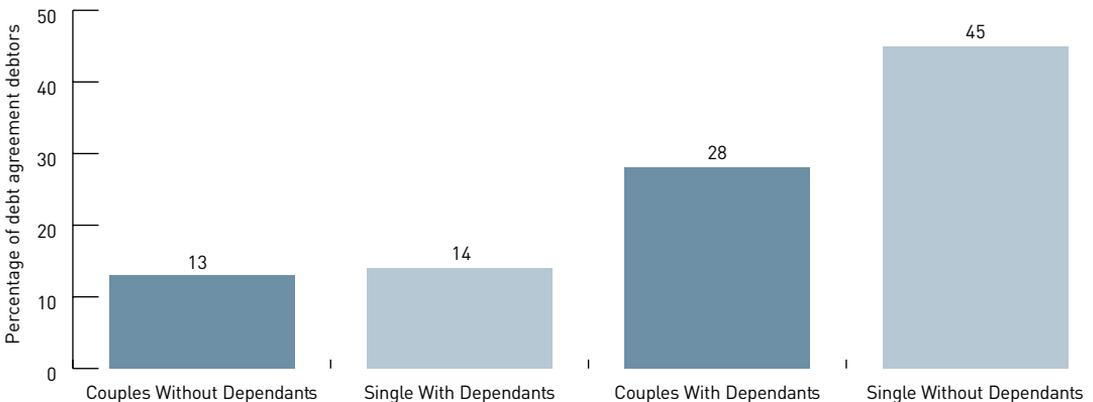
Table 15: Debt agreements - Home ownership update for 2003 and 2005

Home ownership status	2005	2003
Not Owning/Purchasing Home	92	95
Owning/Purchasing Home	8	5

Family situation

45% of debt agreement debtors were single without dependants. This represents the largest group and is followed by debtors who are members of couples (ie married, de facto or same-sex partners) with dependants at 28%, singles with dependants at 14% and debtors who are members of couples without dependants at 13%.

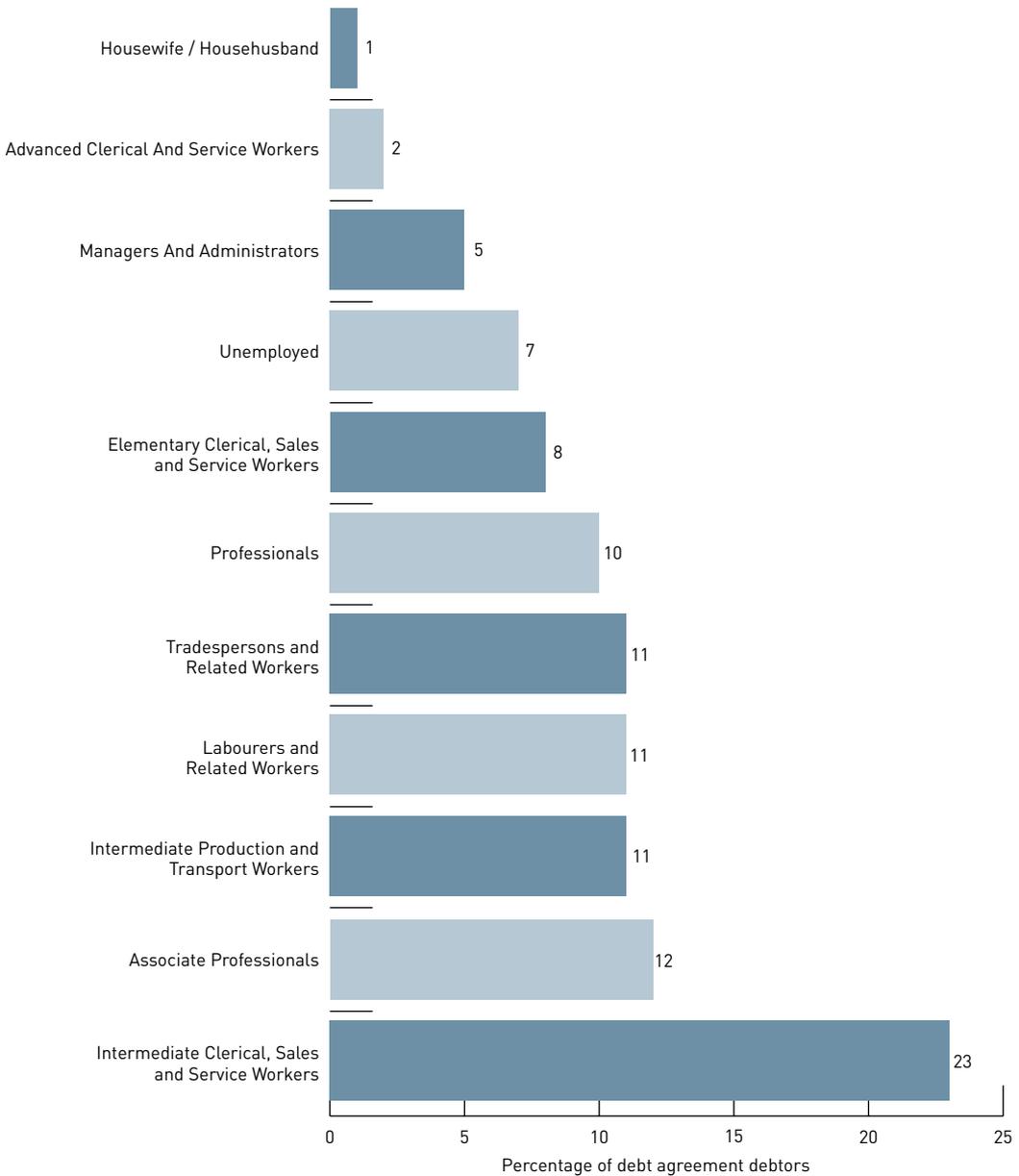
Figure 25: Debt agreements – Family situation



Occupation

The following figure provides details of the occupations of debt agreement debtors for the year 2007 by occupational group.¹⁷

Figure 26: Debt agreements – Occupation



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

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

Personal insolvency agreements

Characteristics of those who entered into personal insolvency agreements

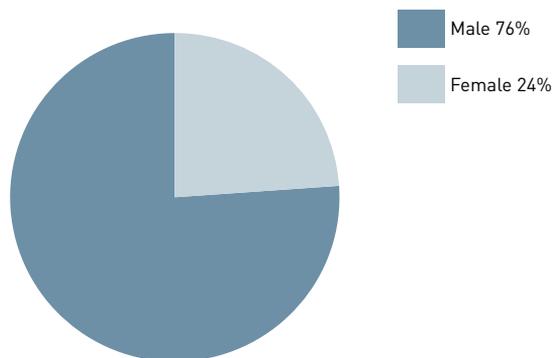
KEY FINDINGS OF DEBTORS WHO ENTERED INTO PERSONAL INSOLVENCY AGREEMENTS IN 2007

- 35% had an income of less than \$30 000 in the year prior to entering into a personal insolvency agreement.
- 'Excessive use of credit' was the main attributed cause of non-business related insolvencies and 'economic conditions affecting industry' was the main attributed cause of business related insolvencies.¹⁸
- More men entered into personal insolvency agreements than women.

Gender

76% of those who entered into personal insolvency agreements were male.

Figure 27: Personal insolvency agreements – Gender



¹⁸ 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'.

Age

The age profile of personal insolvency agreement debtors in 2007 is shown in the figure below. Of all personal insolvency agreement debtors, 4% were between the ages of 15 and 29, 28% were between the ages of 30 and 39 and 68% were over 40. The corresponding population ratios for the general population were 21%, 14% and 45%.¹⁹

Figure 28: Personal insolvency agreements – Age

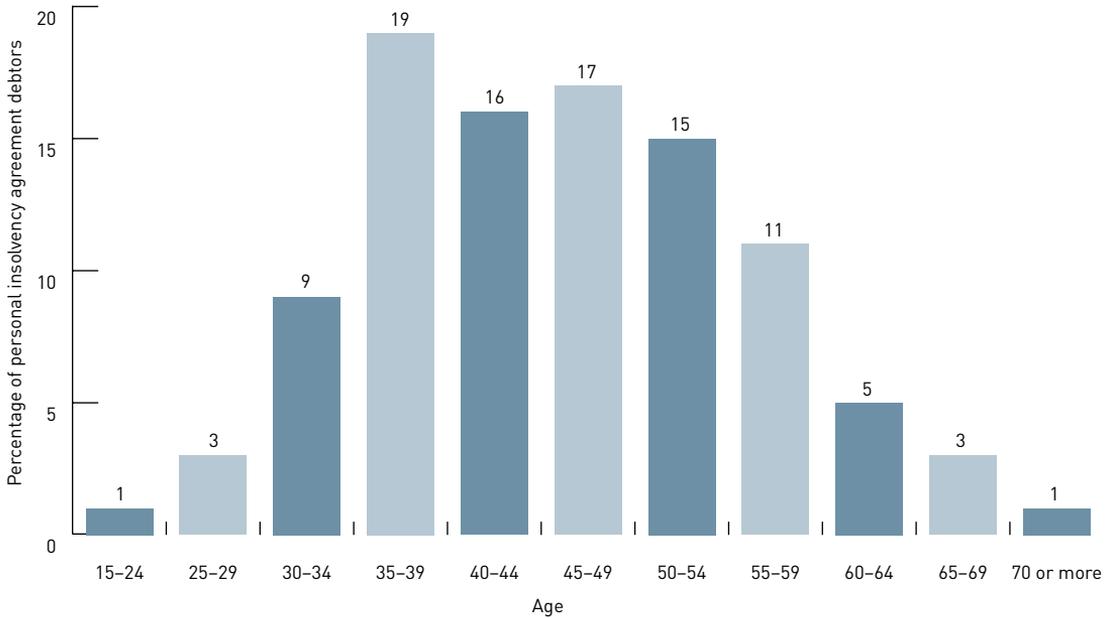


Table 16: Personal insolvency agreements – Age distribution by gender

Age	Male	Female
15-24	0%	3%
25-29	3%	2%
30-34	10%	5%
35-39	19%	19%
40-44	15%	19%
45-49	15%	22%
50-54	15%	16%
55-59	12%	8%
60-64	6%	3%
65-69	3%	3%
70 or more	1%	2%

¹⁹ National and state population figures are current as at May 2008. Source: Australian Bureau of Statistics, catalogue number 3101.0 – Australian Demographic Statistics, September 2007

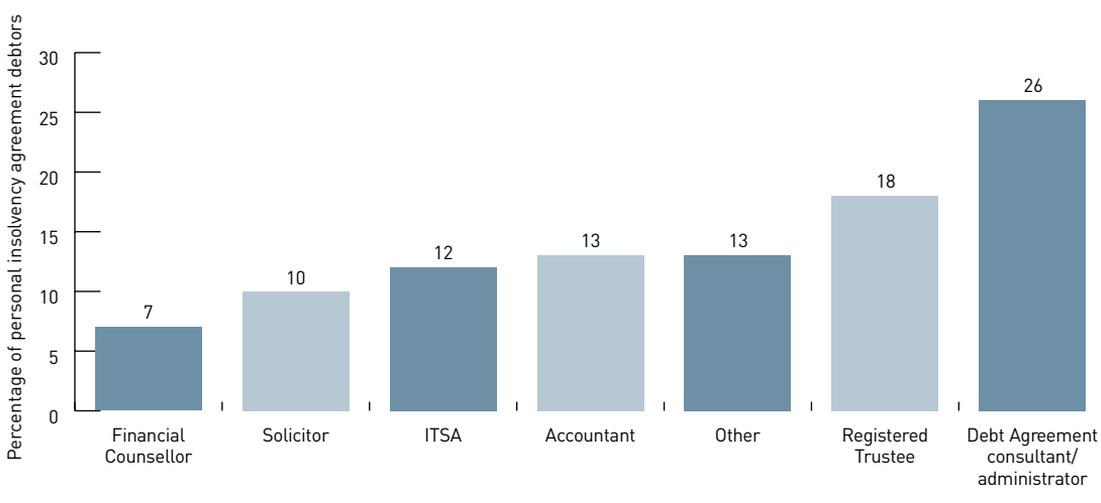
Table 17: Personal insolvency agreements – Age distribution of personal insolvency agreement debtors compared to general population over 15 years of age

Age	Proportion of population over 15	Proportion of Part X Agreements
15–24	17%	1%
25–29	9%	3%
30–34	9%	9%
35–39	9%	19%
40–44	9%	16%
45–49	9%	17%
50–54	8%	15%
55–59	7%	11%
60–64	6%	5%
65–69	5%	3%
70 or more	12%	1%

Sources of information

Of those who entered into personal insolvency agreements, 26% received advice from a debt agreement consultant/administrator followed by registered trustees at 18%.

Figure 29: Personal insolvency agreements – Sources of information



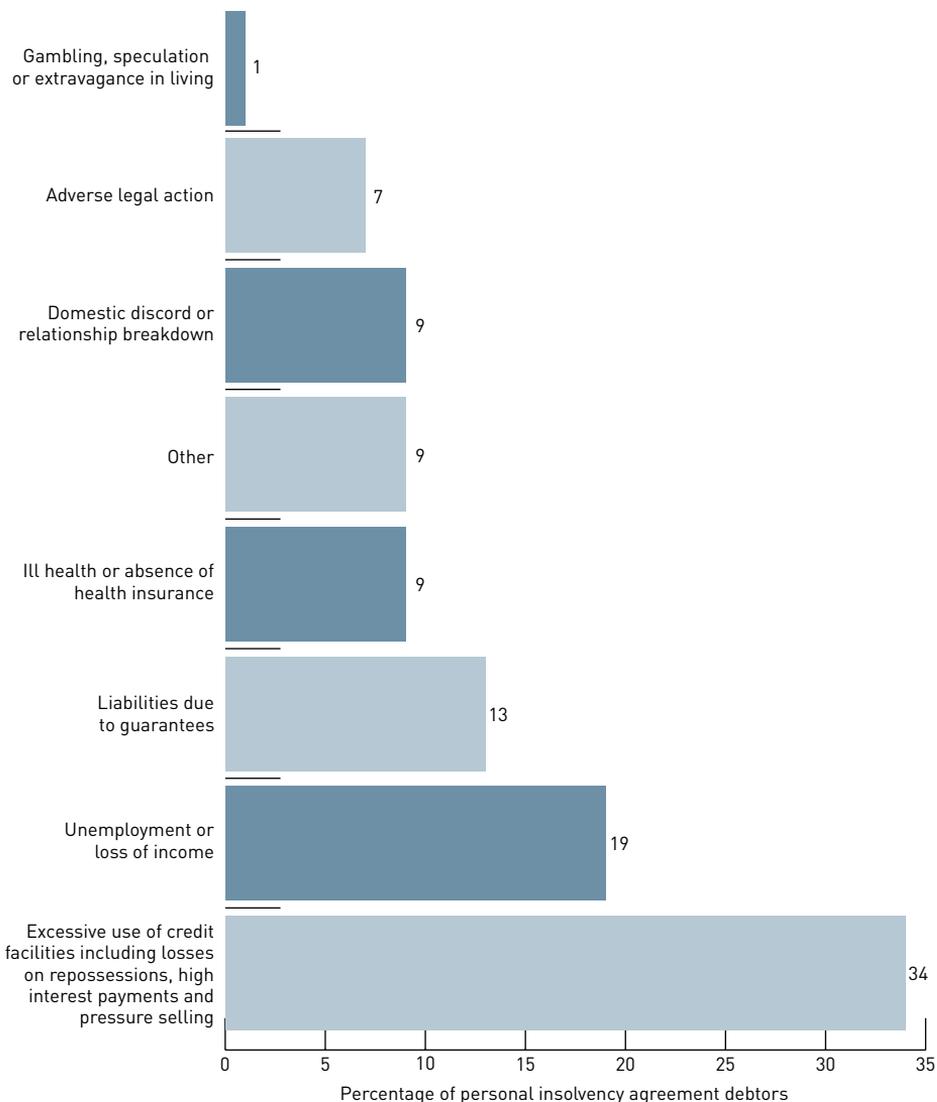
Primary causes of insolvency

For non-business related personal insolvency agreements, 'excessive use of credit' was disclosed as the primary cause of insolvency at 34%, followed by 'unemployment or loss of income' at 19% and 'liabilities due to guarantees' at 13%.²⁰

For business related personal insolvency agreements, 'economic conditions affecting industry' was disclosed as the primary cause of insolvency at 40%, followed by 'inability to collect debts' and 'lack of business ability' at 12% and 11% respectively.

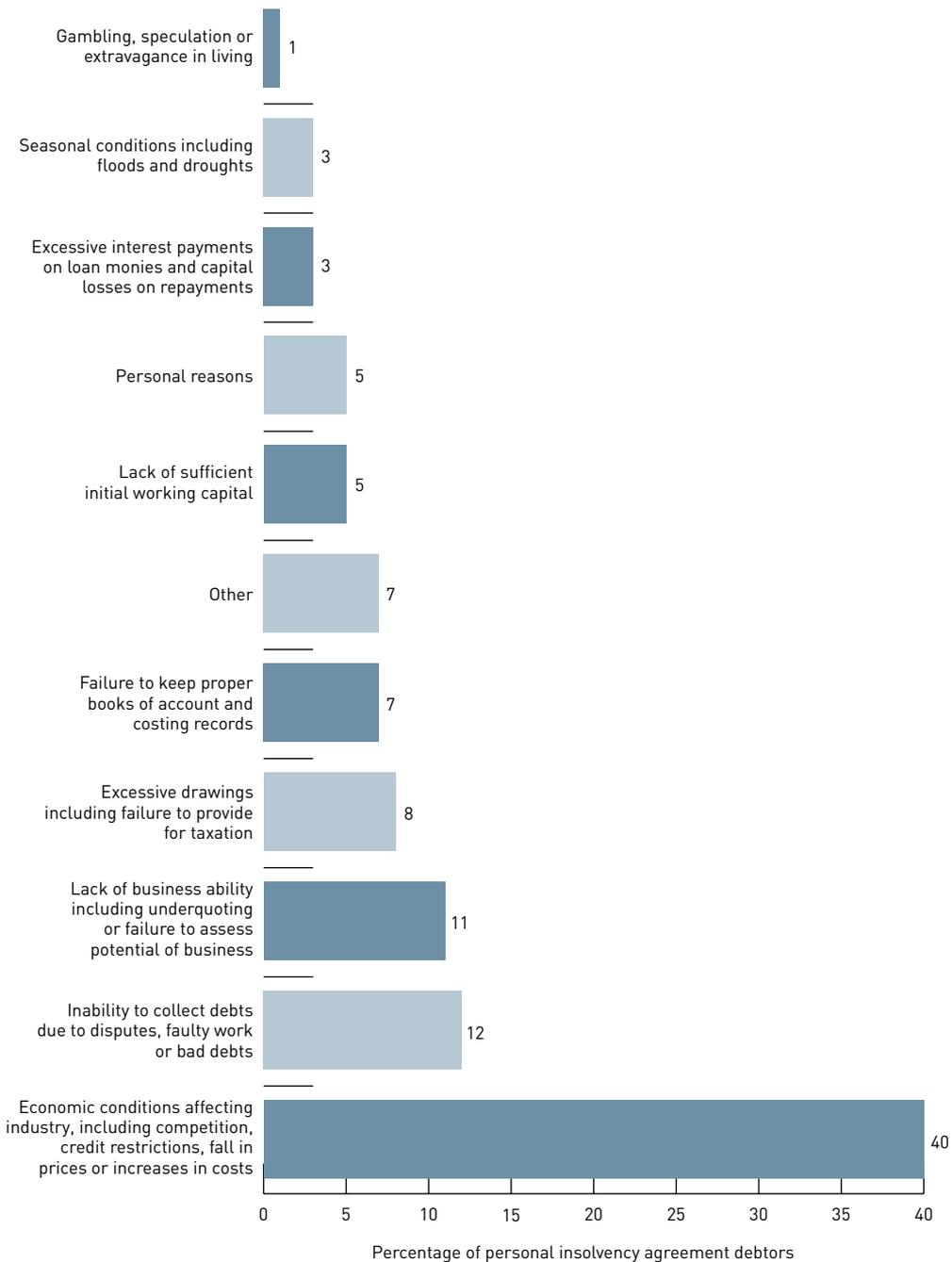
Business related personal insolvency agreements represented 39% of total personal insolvency agreements in 2007.

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



²⁰ 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'.

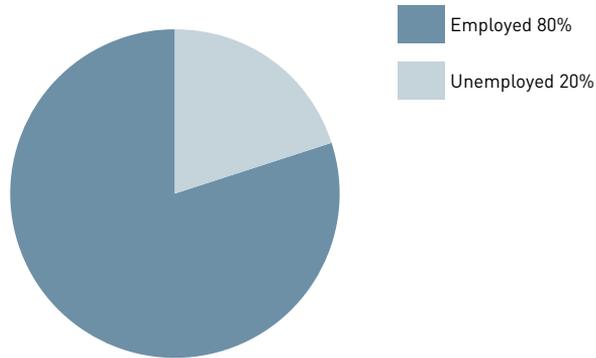
Figure 31: Personal insolvency agreements – Causes (business related)



Employment status

80% of personal insolvency agreement debtors were employed.

Figure 32: Personal insolvency agreements – Employment status



Income

Debtors' income

6% of personal insolvency agreement debtors declared no income, 6% had an income of between \$1 and \$9 999, 23% had an income between \$10 000 and \$29 999, 24% had an income between \$30 000 and \$49 999, 15% had an income between \$50 000 and \$69 999, and 25% had an income of \$70 000 or higher.

Table 18: Personal insolvency agreements – Comparative rates of income earned in 12 months prior to entering personal insolvency agreement

	2007	2005
\$0	6%	7%
\$1–\$9 999	6%	11%
\$10 000–\$29 999	23%	19%
\$30 000–\$49 999	24%	22%
\$50 000–\$69 999	15%	18%
\$70 000 or more	25%	23%

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

Debtors' household income

5% of households with personal insolvency agreement debtors earned less than \$10 000. A debtor's household income includes the debtor's income and the income of their spouse or partner as shown on their Statement of Affairs.

Table 19: Personal insolvency agreements – Comparative household income		
	2007	2005
\$0	4%	4%
\$1–\$9 999	1%	10%
\$10 000–\$19 999	7%	10%
\$20 000–\$29 999	10%	5%
\$30 000–\$49 999	15%	12%
\$50 000–\$69 999	18%	19%
\$70 000 or more	45%	40%

Debt level

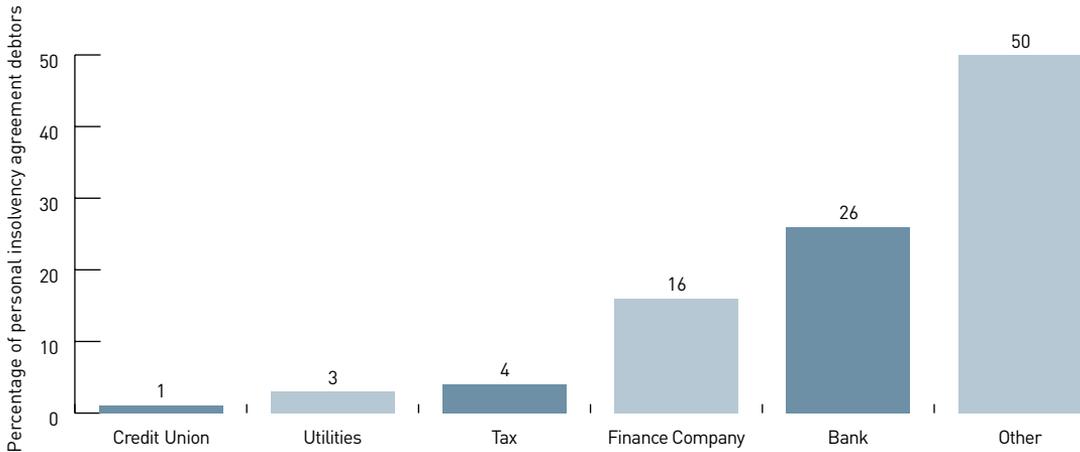
Only unsecured debts (debts that are not secured by a mortgage or lien over property) were taken into consideration. Where a debtor listed a secured debt, only the amount owing above the estimated value of the security was included.

Table 20: Personal insolvency agreements – Comparative unsecured debt levels		
	2007	2005
<\$2 000	2%	8%
\$2 000–\$4 999	0%	0%
\$5 000–\$9 999	0%	1%
\$10 000–\$19 999	3%	0%
\$20 000–\$49 999	6%	3%
\$50 000–\$99 999	20%	9%
\$100 000–\$499 999	50%	45%
\$500 000 or more	19%	33%

Creditors

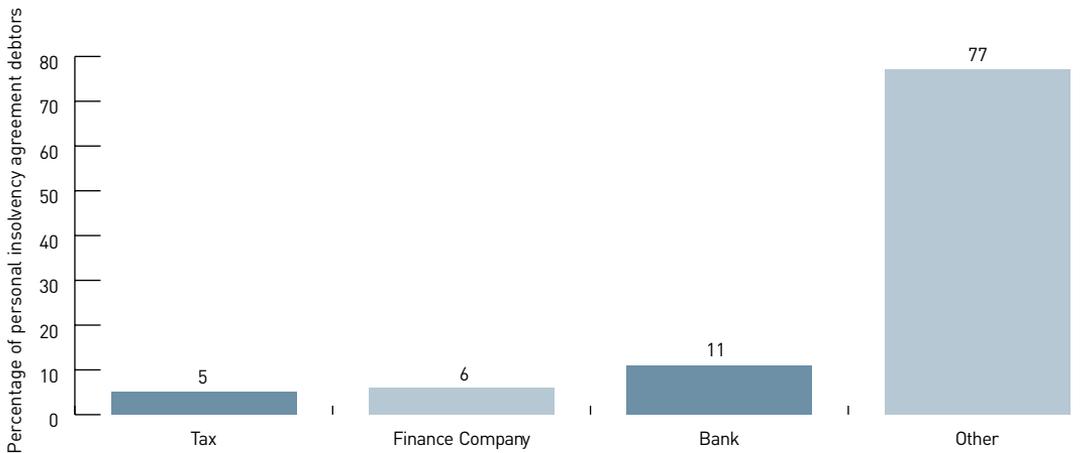
ITSA classifies creditors as banks, building societies, credit unions, finance companies, state housing, tax, utilities (gas, electricity etc) and 'other'. Creditors identified as 'other' may include trade creditors, store accounts, professional fees, medical bills, school fees, family loans and the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

Figure 33: Personal insolvency agreements – Creditor categories



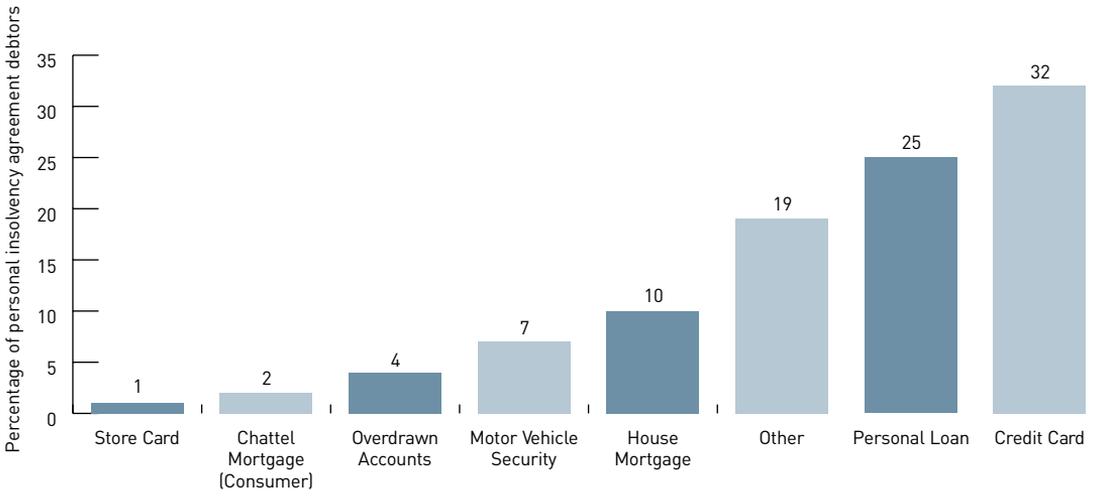
The most common categorisation of creditors was 'other', at 77% in value. 'Banks' accounted for 11% of creditors by value in personal insolvency agreements while 'finance companies' and 'tax' were owed 6% and 5% by value respectively.

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



All liability amounts refer only to the amount of net unsecured debt owed by the debtor. Of those liabilities owed to financial institutions, 32% were categorised as credit card debts followed by personal loan debts at 25%. The next highest liabilities by value were 'other' debts and house mortgage debt at 19% and 10% respectively. Liabilities relating to 'Motor Vehicle Security' and 'House Mortgage' refer to debts where the amount owing exceeds the value of the the security.

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

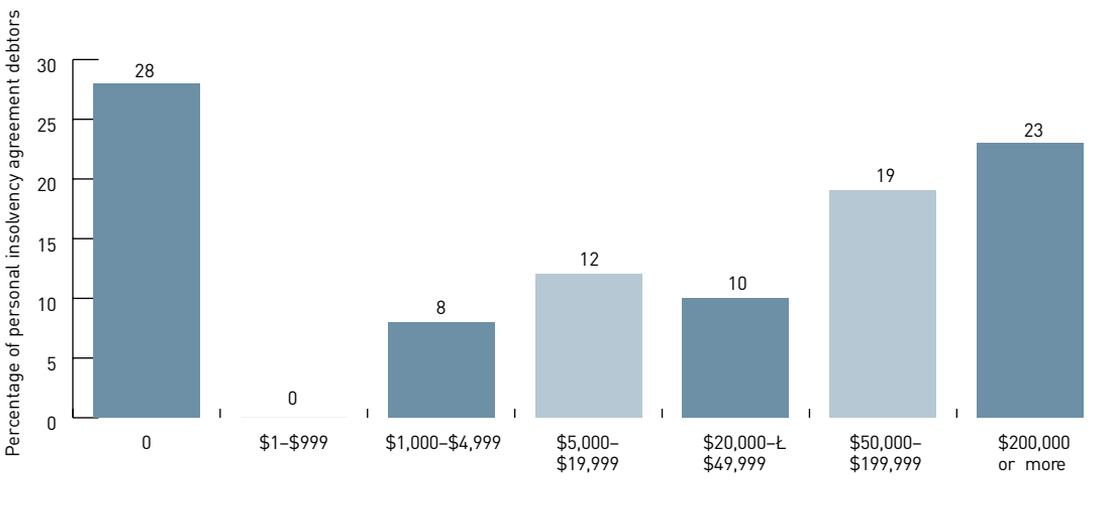


Note: Only financial institutions are displayed in this figure as other creditor types represented in Figure 33 do not generally have sub-types which reflect the type of debt owed.

Assets

28% of debtors disclosed no realisable assets. 23% of debtors had realisable assets of \$200 000 or more. These assets are available to sell (realise) to produce funds to pay creditors.

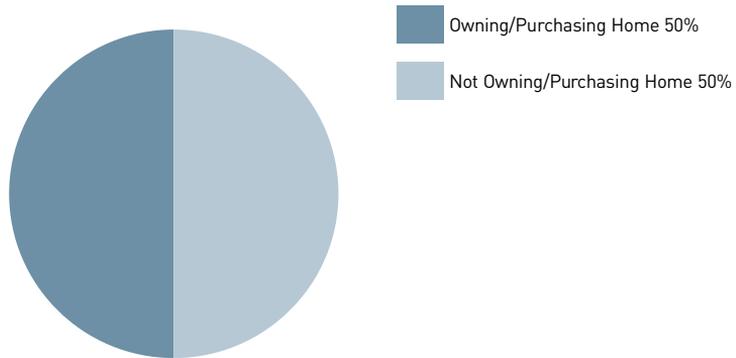
Figure 36: Personal insolvency agreements – Realisable assets



Home ownership

50% of personal insolvency agreement debtors disclosed a house property (including their residence and/or other real estate) at the time of entering a personal insolvency agreement.

Figure 37: Personal insolvency agreements – Home ownership



Note: In previous Profiles of Debtors publications, the home ownership figure reflected the proportion of debtors who disclosed on their Statement of Affairs that they owned or were in the process of purchasing their residential property only. The information in Figure 37 has been expanded to capture the fact that debtors can own real property other than the home in which they reside.

Table 21 provides expanded home ownership data for 2005 and 2003 for comparison.

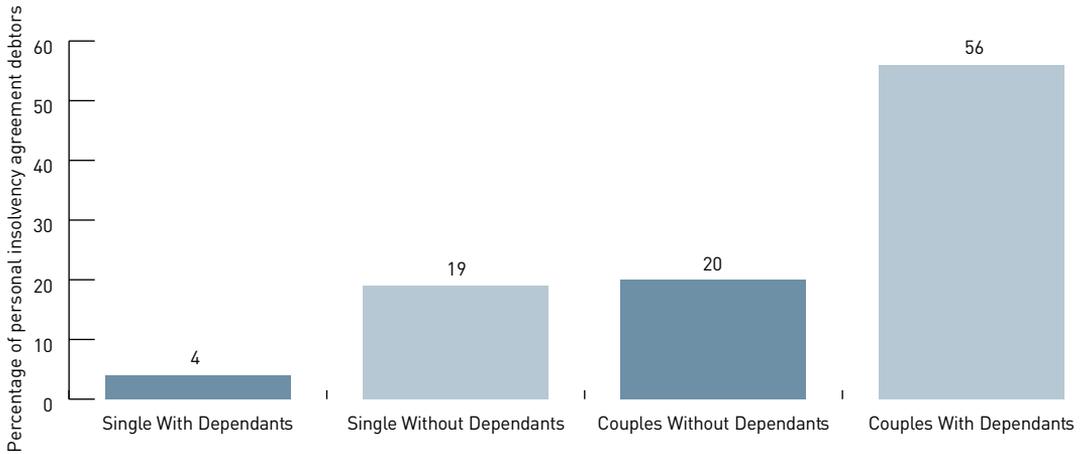
Table 21: Personal insolvency agreements - Home ownership update for 2003 and 2005

Home ownership status	2005	2003
Not Owing/Purchasing Home	67	90
Owing/Purchasing Home	33	10

Family situation

56% of personal insolvency agreement debtors were members of couples (ie married, de facto or same-sex partners) with dependants. This represents the largest group and is followed by couples without dependants at 20%, singles without dependants at 19% and singles with dependants at 4%.

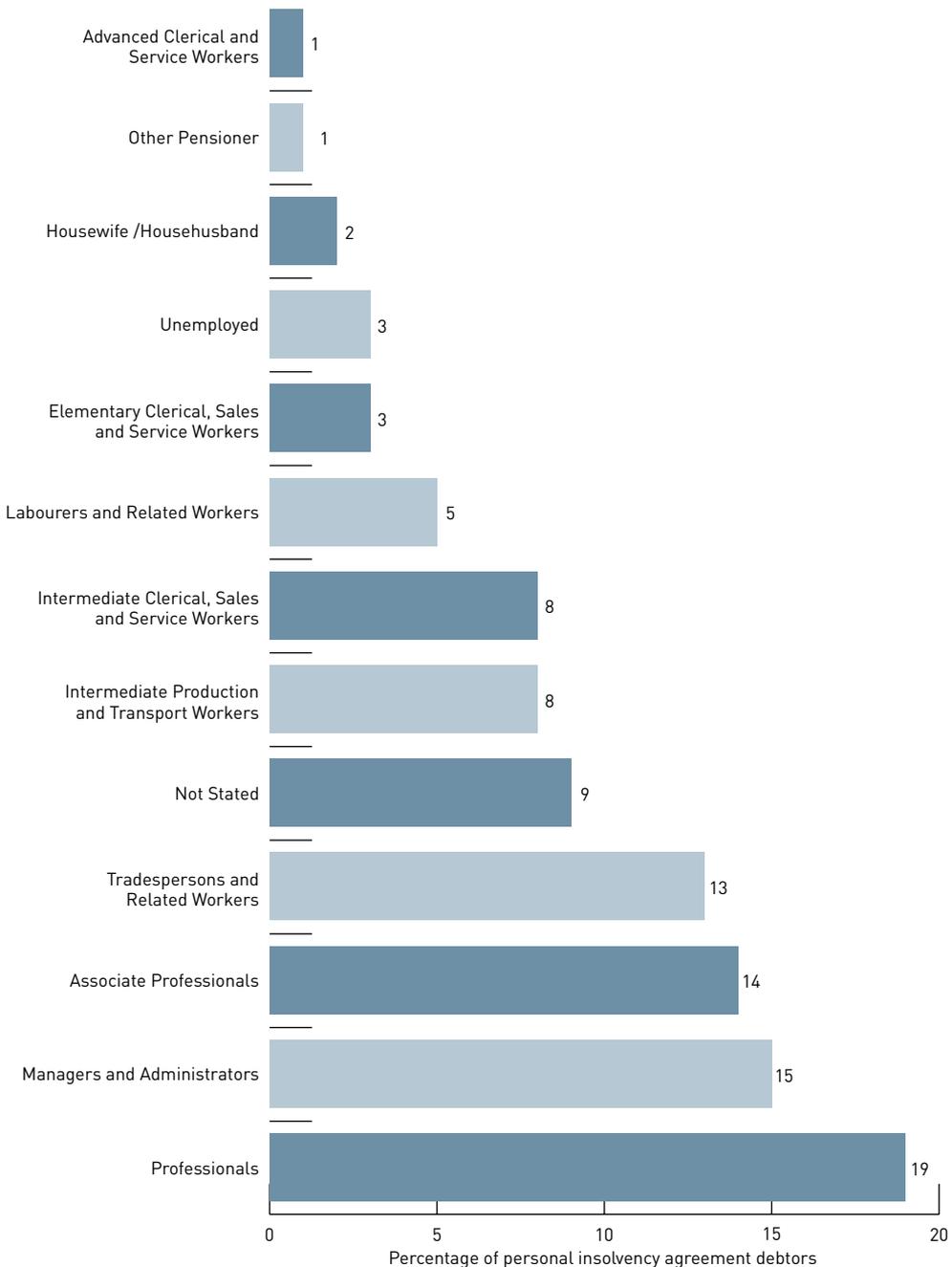
Figure 38: Personal insolvency agreements – Family situation



Occupation

The following figure provides details of the occupations of personal insolvency agreement debtors for 2007 by occupational group.²¹

Figure 39: Personal insolvency agreements – Occupation



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

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

Comparative rates of personal insolvency

In 2007, 0.16% of the total population of Australia became bankrupt or entered into a debt agreement or personal insolvency agreement.

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

Table 22 shows the rates of personal insolvency in 2007 for a number of jurisdictions in which the types of formal personal insolvency are more readily comparable to those of Australia.

	Population	Personal Insolvency Administrations	Ratio of personal insolvency
New Zealand ²²	4 185 133	3 593	0.09%
Australia ²³	21 094 700	32 881	0.16%
England and Wales ²⁴	53 729 000	106 645	0.20%
Canada ²⁵	33 390 141	108 830	0.33%
United States of America ²⁶	301 139 947	775 344	0.26%

²² 'Personal Insolvencies' for 2007 financial year; Source: <http://www.insolvency.govt.nz/cms/site-tools/about-us/statistics/report-2-its-statistical-data-report/its-statistical-data-report-2006-2007.pdf>
Population estimate as at July 2007; Source: <http://www.insolvency.govt.nz/cms/site-tools/about-us/statistics/report-2-its-statistical-data-report/its-statistical-data-report-2006-2007.pdf>

²³ Personal Insolvencies include bankruptcies, debt agreements and personal insolvency agreements.
Population estimate as at September 2007; Source: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3101.0/>

²⁴ 'Personal Insolvencies' include bankruptcies and individual voluntary arrangements; Source: <http://www.insolvency.gov.uk/otherinformation/statistics/200802/Population> estimate as at July 2006;
Source: http://www.statistics.gov.uk/downloads/theme_population/Population_Trends_131_web.pdf

²⁵ 'Personal Insolvencies' include business bankruptcies, consumer bankruptcies and proposals; Source: [http://strategis.ic.gc.ca/epic/site/bsf-osb.nsf/vwapj/annual-report2007.pdf/\\$FILE/annual-report2007.pdf](http://strategis.ic.gc.ca/epic/site/bsf-osb.nsf/vwapj/annual-report2007.pdf/$FILE/annual-report2007.pdf).
Population estimate as at July 2007; Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/ca.html>

²⁶ 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 2007. Those personal insolvencies categorised as business bankruptcies are not included; Source: <http://www.uscourts.gov/bnkrpctstats/statistics.htm#quarterly>
Population estimate as at July 2007; Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html>