Money Manager Media Coverage

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The reporter was Annette Sampson.

Debt Agreements

Since they were introduced, the number of debt agreements has grown from 48 in 1996-97 to 3294 in 2001-02.Bergman believes this upward trend is set to continue with the change in the laws.

There are two types of debt agreements, which are known as Part IX and Part X.

Someone can now propose a Part IX debt agreement if their unsecured debts and assets are less than $64,082 and after-tax income is no greater than $32,041. When the reforms take effect, the income threshold will rise by over 50 per cent to $48,921.

A Part X debt agreement has no income, asset or debt limits.

However, Deborah Southon, general manager at Fox Symes, says that unlike a Part IX agreement where a friend can act as your administrator, a Part X Personal Insolvency Agreement can be done only through a registered trustee.

"And that makes it a very expensive option," she says.

A debt agreement can still result in a note on your credit reference file for seven years and a proposal or a debt agreement will be registered on the public insolvency record, says Southon.

It is not possible to set up a debt agreement if you have already been bankrupt, had a debt agreement or signed an authority to enter a Part X Personal Insolvency Agreement in the previous 10 years.

Be warned. If you give a proposal to ITSA or set up a debt agreement and don't keep up the repayments it is considered an "act of bankruptcy" and a creditor may use it to apply to the Federal Court or Federal Magistrates Court to make you bankrupt.