

Case Study – Part IX (of the Bankruptcy Act 1966) Debt Agreement

Facts

1. The debtor (person in financial difficulty) meets the criteria for the enter a Part IX Debt Agreement:-
 - a. At any time in the last 10 years must not have been:-
 - i. a bankrupt
 - ii. a debtor in a debt agreement
 - iii. subject to Part X of the Bankruptcy Act 1966
 - b. Not have unsecured debts of more than \$82,500.60 (this amount is indexed regularly)
 - c. Have property that is not exempt in the event of bankruptcy to the value of more than \$82,500.60
 - d. Have an expected after tax income for the next twelve months of no more than \$61,875.45 (this amount is indexed regularly)
2. The debtor makes a proposal to creditors which will result in a greater return than would be achieved if the debtor became bankrupt
3. Creditors accept the proposal

Reason for this type of Appointment

1. It is more cost effective and less imposition on the debtor than Bankruptcy or a Part X arrangement
2. The reduced costs help to maximise the return to creditors

Outcome

1. The debtor complies with their proposal and creditors receive a greater return than they would had the debtor become bankrupt

Please note that the above is general information only, a meeting with R.E. Murphy & Co staff should be arranged as soon as possible should a client of yours be experiencing any current or possible future financial difficulty. Further information in relation to R.E. Murphy & Co and insolvency in general is available at this firm's web site at www.remurphy.com.au.