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Trapped in debt but I can't afford to go bankrupt

Q I AM 39 years old, with two children and a working wife. I have several outstanding credit-card and credit-line debts amounting to nearly \$70,000, no thanks to poor discipline in my spending habits when I was younger.

Although I have been dutifully paying the minimum sum each month, I cannot reduce my debt. My monthly net salary of \$3,000 is just enough to cover the minimum repayment, with nothing left for family expenses.

Bankruptcy is not an option as I would lose my job. It's a position in a bank that took me years to secure because of a lack of qualifications.

It would be hard for my many creditors to accept a voluntary proposal to settle my debts. I have every wish to repay what I owe, but at a pace that leaves me enough to feed my family with.

Can you please advise? Is there such a thing as debt consolidation where I pay only one creditor over a longer term, perhaps 10 years?

A UNFORTUNATELY there is no easy solution. All your creditors are entitled to recover their debts from you whenever they choose. The best recourse would be for you to negotiate with them.

One alternative is to consider refinancing your credit card loans with, say, a term loan of sorts with a lower interest rate. But this is not easy and you may require some collateral.

I don't know whether you have fully considered the option of a scheme of arrangement under the Bankruptcy Act. Essentially, you engage a lawyer or an accountant to act as your nominee, who would then make a court application for an interim order to prevent any bankruptcy petition or any other execution or legal proceedings to be commenced against you while you explore a scheme of arrangement with your creditors.

You can make this application to court even before any creditor commences any recovery action against you. Your nominee would prepare a report and submit it to the court for its approval.

A meeting of the creditors would then be called to approve the proposal. If the majority of the creditors, representing 75 per cent or more in value of the debts, agree to the proposal, then the proposal would be binding on all the creditors, subject to the court's approval.

The nominee would then supervise the implementation of the voluntary arrangement. If you fail to comply with the terms of the arrangement, the creditors would no longer be bound by the order and would be able to proceed with filing a petition against you.

Finally, if any creditor has obtained a judgment against you, you can make an application to court to allow you to pay the judgment sum by instalment. Usually the courts will allow your application if the period of repayment is reasonable.

However, you need to make the application each time a creditor obtains a judgment against you.

If they proceed to issue a statutory demand against you with a view to making you a bankrupt, this option would not be available to you.

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