

We owe much more than the rest of Canada

British Columbians average almost \$39k in non-mortgage debt, but there are many ways to get money woes under control

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We're a province of debtors in a nation of debtors.

British Columbians recorded the highest non-mortgage debt average across Canada — \$38,682 late last year, which was 40 per cent higher than the national average of \$27,365.

And that figure is expected to grow by the end of 2014, to almost \$29,000 across Canada and close to \$39,000 in B.C., according to credit-monitoring agency TransUnion.

And factor in mortgages and Canadians' debt-to-income ratio hit 1.63 last year, an all-time high.

That means we owed \$1.63, including on mortgages, for every \$1 we earned.

B.C.'s ratio would be higher, thanks to high housing costs and higher personal debt, but a provincial figure was unavailable.

Seniors in debt

Why people aged 55-plus went into debt (top answers shown)

45 per cent: Overextended credit, poor money management
21 per cent: Illness or injury

How much they owe

30 per cent: \$25,000-\$49,000
20 per cent: \$100,000-plus

Profile:

53 per cent: Still working over age 55.

20 per cent: Still have mortgage (70 per cent of which won't be paid off for more than 11 years)

10 per cent: Are dependent on a friend or family member for \$500 or more a month

Note: Data derived from a survey of 1,100 clients in the debt-counselling database of bankruptcy trustee Sands and Associates. It does not constitute a random sampling.

According to the federal Office of the Superintendent of Bankruptcy, you have a debt problem, or are going to have one, if:

■ You continually go over your spending limit or you use your credit cards as a necessity rather than a convenience.

■ You always borrow money to make it from one payday to the next, or your wages have been garnished to pay for outstanding debts.

■ You pay only interest or service charges monthly and do not reduce your total debt over many months.

■ Creditors pressure you for payment, threaten to sue or repossess



Blair Martin, a consumer debt trustee with Sands & Associates in Vancouver, says a debt problem can be detected when non-secured debts exceed five times your after-tax monthly income. NICK PROCAVLO/PNG

your car, furniture or electronics, or hire a collection agency to recover the money for them. Utility companies cut off service because of unpaid bills.

According to Blair Martin of bankruptcy trustee Sands and Associates, a quick test is, if your total of non-secured debts (excluding mortgage or car loan) is five times greater or more than your after-tax monthly income, you've got a debt problem.

Options for digging out of debt

Get debt counselling. Be wary of companies charging upfront fees.

Talk to more than one counsellor or firm offering debt repayment and compare offers.

Before considering bankruptcy, a bankruptcy trustee (regulated federally) will discuss the possibility of filing a consumer proposal.

The advantages are you keep your assets, actions against you by unsecured creditors (such as wage garnishments) are stopped and you repay only a portion (30 per cent) of your debt. Their fees come from that repayment, not directly from you.

Debt poolers, regulated provincially, can negotiate with creditors

on debtors' behalf. B.C.'s largest, the Credit Counselling Society of B.C., funded partially by banks, arranges in some cases to have only interest fees waived.

If you go bankrupt

Bankruptcy is a legal process performed under the federal Bankruptcy and Insolvency Act when you can't pay debts. You assign all of your assets to a licensed trustee in bankruptcy. This process relieves you of most debts and legal proceedings against you by creditors should stop.

What to ask

Questions to ask before you seek help with debt, according to Consumer Protection B.C., a non-government, industry-funded group that regulates some debt collection and credit counselling companies:

- Does the company offer debt or credit counselling?
- Is it licensed as a "debt pooler" with Consumer Protection B.C.?
- Is the company B.C.-based?
- What type of repayment plan does it offer?
- Does it charge a fee? When is it payable?
- When does the company negotiate with the creditor on your behalf (before or after you sign up for services)?
- How likely is it that creditors will accept the typical repayment plan proposal?

Additional information available at debtightsbc.ca

Note: Bankruptcy trustees, regulated and licensed by the federal government, also offer credit counselling and "consumer proposals" by negotiating a reduced debt repayment plan with creditors. Trustees are the only officials who can arrange for bankruptcy proceedings.

You must assign to your trustee all assets acquired during your bankruptcy, including lottery winnings and inheritances, so they can be divided among your creditors.

Exempt assets include basic furniture, car and tools-of-trade needed to make a living.

Your bankruptcy does not cancel the responsibility of anyone who has guaranteed or co-signed a loan on your behalf. For example, if your parent co-signed a loan for you, that parent would be liable to pay the loan in full even if you decide to file for bankruptcy.

Nor does it excuse you from paying fines, student loans for the first seven years or family maintenance payments.

Generally, information concerning your bankruptcy could show up on your credit rating for a period of six or seven years after your discharge. If you have been bankrupt before, this period could be extended to as much as 14 years.

Whether or when you are eligible for credit again is up to a credit lender, based on your credit rating and other factors, not the credit bureau.

Sources: Office of the Superintendent of Bankruptcy Canada and various others.