



Editorial: Ignorance rife when dealing with debt



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Whatever the ultimate trigger for money woes, society needs to become less judgmental about those encountering debt problems. *ELISE AMENDOLA / AP*

Borrowing money these days is a fact of life. And so it is more important than ever that people understand how to best manage their liabilities.

A recent survey of highly leveraged borrowers by B.C. credit counsellors Sands & Associates suggests many who get in over their heads are woefully uninformed about their best options for action.

People are waiting too long to access professional help. Consumer proposals, as an alternative to declaring bankruptcy, can be negotiated between debtors and their creditors, generally allowing for 30-per-cent repayment over a period of several years.

But, even after acknowledging their own difficult situations, debtors are waiting up to four years to negotiate such settlements or declare bankruptcy.

Some debtors act on their own in seeking solutions, perversely obtaining even more credit to get themselves out of the hole.

Others are cashing in RRSPs — an unwise move since this generates additional tax liabilities and because, since 2009, RRSPS have been legally off limits to creditors.

Then there are those who rely on payday loans with their crushingly high interest rates. It may be time to consider legislated limits for the number of payday loans any individual can access in a given period. And more transparency around interest charges involved might assist debtors in their decision making.

Another problem area highlighted by the research involves students, too frequently being offered easy credit, particularly on university campuses.

Some over-indebted people are visiting unlicensed credit counsellors who, in some cases, are charging exorbitant fees for their consultations. These debtors appear unaware that licensed credit counsellors carry out initial consultations at no charge, and thereafter their fees are federally regulated.

The fact is, these days a vast majority of people borrow money at some point in their lives. And free spending is not always at the root of ensuing financial problems.

Marriage breakup or employment disruptions may be part of the picture. And, of course, in B.C. many homebuyers assume big mortgages then find themselves squeezed by their other expenses.

Unexpected interest rate hikes can also play havoc with personal budgets. Higher debt charges are inevitable in the existing context, and could well trigger a tsunami of defaults which would pose a broader threat to financial systems.

Whatever the ultimate trigger for money woes, society needs to become less judgmental about those encountering debt problems so that they can be more open about their situations, and more freely able to inform themselves about getting the help they require.