



CONSUMER PROPOSAL VS. CREDIT COUNSELLING

When it comes to options for dealing with debt, making a Consumer Proposal through a Licensed Insolvency Trustee can be a better choice than opting into a Credit Counselling program.

We've outlined key points comparing these two consolidation options, some of which may come as a surprise.

Consumer Proposal

Credit Counselling

How Much Debt Repaid?

Total amount of debt can be reduced. Reductions of 70-80% of total debts are most common.



Generally required to repay 100% of the debt.

Interest frozen by negotiation. Some creditors will not agree to an interest freeze.



Interest automatically frozen by law on all debt, including tax debts and student loans.

Tax debts and student loans will continue to charge interest.

Amount of Monthly Payment

Income levels and family size taken into account
A Licensed Insolvency Trustee cannot file a Consumer Proposal that would result in undue hardship.



No set guidelines on maximum payment amount.

Typically higher payment terms than in a Consumer Proposal because 100% of debt is being repaid.

Administration Costs

All administration costs are included in the payment amount offered to creditors – no hidden fees.



Licensed Insolvency Trustee fees are set and regulated by the federal government.



Monthly monitoring and consultation fees, other levies may be charged in addition to monthly debt repayment.

Chargeable fees are unregulated.

Impact on Credit Rating

An R7 rating will be noted for 3 years after completion, or 6 years from the date of filing, whichever comes first.



An R7 rating will be noted for 2 years after completion.

Length of Time

Must be completed within 60 months. Terms of 24-48 months are most common.



Depends on size of debt and repayment. 5 year terms are common.

Creditor Agreement and Collections

Acceptance by 50% of voting creditors means all creditors are bound by Consumer Proposal terms and share monthly payment.



100% agreement by each creditor required, otherwise they must continue to be paid separately.

The ONLY method in Canada for reducing balance owing to Canada Revenue Agency.

No ability to settle income tax debt for less than 100% of balance owing.

Only a Licensed Insolvency Trustee can cease a wage garnishment, asset seizure and other collection action.

Creditors not in agreement with the plan may continue to pursue legal action or collection.

Contact from creditors must cease upon filing.

Creditors in agreement with the plan will typically refrain from contact while the plan is in good standing, but there is no legal authority to enforce this.

Advisor's Qualifications

Licensed Insolvency Trustees are licensed by the federal government.



No set qualifications required to operate as a Credit Counsellor.

No regulatory body.

Overseen by the Office of the Superintendent of Bankruptcy.



No dispute-resolution mechanism in place.

Must comply with Code of Ethics and rules of professional conduct.



Sands & Associates' qualified Licensed Insolvency Trustees will help you understand and compare all your debt management options so you can choose the solution that's right for you.

We take a supportive non-judgmental approach to debt help services and confidential consultations are always free.



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Licensed Insolvency Trustees