



# PERSONAL BANKRUPTCY VS. CREDIT COUNSELLING

Many people find themselves in situations that leave them unable to repay all their debts as they intended to, despite their best efforts.

If you're considering a debt management plan like credit counselling or bankruptcy it's important to understand the key differences between these two debt restructuring options.

## Personal Bankruptcy

## Credit Counselling

### How Much Debt Repaid?

No set repayment of debts. For nearly 80% of bankruptcies no amounts are repaid to the creditors and monthly payments are normally for administration costs only.



Generally required to repay 100% of the debt. Interest frozen by negotiation. Some creditors will not agree to an interest freeze. Tax debts and student loans will continue to charge interest.



### Amount of Monthly Payment

Payments are based on your income and assets that are not exempt. Minimum monthly payment is usually \$200 per month for 9 months.



No set guidelines on maximum payment amount. Typically high payment terms because 100% of debt is being repaid.

### Administration Costs

Monthly payments are set by government tariff with income levels and family size taken into account.



Licensed Insolvency Trustee fees are 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 R9 rating will be noted for 6 years following discharge; it is still possible to obtain credit during this period.

A reasonable goal to rebuild your credit would be 2 to 3 years after your discharge.

Tools such as a secured credit card, GIC loans, RRSP loans, etc may be immediately available to you following your discharge.



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



### Length of Time

Bankruptcy will last for either 9 or 21 months if it is a first-time bankruptcy, depending on income levels.



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

### Creditor Agreement and Collections

No creditor can prevent you from filing for personal bankruptcy. All debts owing to Canada Revenue Agency (including interest and penalties) can be extinguished in a personal bankruptcy.

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

Contact from creditors must cease upon filing.



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

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

No ability to force wage seizures or other collection actions to stop.

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. ✓

Overseen by the Office of the Superintendent of Bankruptcy. ✓

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



No set qualifications required to operate as a Credit Counsellor. ✗

No regulatory body. ✗

No dispute-resolution mechanism in place. ✗

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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& ASSOCIATES

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Licensed Insolvency Trustees