

## When is an old debt too old to collect?

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By Andrew Behman, an Associate of Matthews Folbigg, in our Insolvency, Restructuring and Debt Recovery Group

Sometimes, we are all a bit guilty of putting some of the more difficult to collect debts in the 'too hard basket' for too long. For so long that they become an 'old debt'. But how long can you leave an old debt before it's too late to collect? And the old debt becomes 'statute barred'?

For debts in NSW, the clock generally starts running for a period of 6 years from the date the cause of action first accrues (e.g. the date of default). After the expiry of this 6 year period, the legislation restricts you from recovering the debt and it becomes 'stature barred'.

However, it is possible to reset the clock on old debts depending on the circumstances and events that take place during the 6 year period. A few examples that might reset the clock for an old debt include:

- the debtor has made a payment (or part payment) to you;
- you have entered into a payment arrangement with the debtor (whether by instalments or an agreement to defer payment);
- the debtor has agreed that the debt is owing;
- you have negotiated a discount with the debtor.

### A quick reminder!

Don't forget that if you obtain a judgment ([or default judgment](#)) regarding your debt, you can enforce that judgment for a period of 12 years. However, as we discussed in an [earlier article](#), you can only commence bankruptcy proceedings within the initial 6 years from the date of the judgment.

If you would like more information or advice in relation to insolvency, restructuring or debt recovery practice and procedure, contact Andrew Behman on (02) 9806 7490 or email [abehman@matthewsfolbigg.com.au](mailto:abehman@matthewsfolbigg.com.au), or a Principal of the Matthews Folbigg Insolvency, Restructuring & Debt Recovery Group:

Jeffrey Brown on (02) 9806 7446 or [jeffreyb@matthewsfolbigg.com.au](mailto:jeffreyb@matthewsfolbigg.com.au)

Stephen Mullette on (02) 9806 7459 or [stephenm@matthewsfolbigg.com.au](mailto:stephenm@matthewsfolbigg.com.au)