

One year bankruptcy – debt collection is about to get even harder!

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Proposed amendments to the *Bankruptcy Act* 1966 which would reduce the duration of a typical bankruptcy from three years to one year have been drafted, and it is a matter of when - not if - the amendments will become law throughout Australia.

The reduction is partly to ensure that bankruptcy does not act as too much of a handbrake on the entrepreneurial spirit. Business owners should be able to fail once, twice or even more, before succeeding.

That is all well and good, unless of course you are one of the unpaid creditors left in the wake of a failed business venture.

As all of us in business (including me) know, debt collection is difficult enough at present. When a customer goes bad, one of the few methods to get yourself at the front of the creditors queue is to show that you would be willing to make the debtor bankrupt if they will not pay. In future, bankruptcy will be less of a practical burden on debtors, and there will probably be less stigma attached to having been a bankrupt person.

So, is all lost for debt collection in this country?

Not at all. These reforms make it more important than ever to work smarter at credit management.

For example:

- Getting your credit application process right can save all sorts of headaches. Make sure the paperwork is filled out correctly by the customer, and all details (ABN, full name, date of birth, etc) are verified, for example by an ASIC search or drivers license inspection.
- Whenever possible, get security over your debts. A PPS registration and a personal guarantee can both be part of the terms and condition of your credit application.
- Talk to your competitors! When it comes to debt collection, you and your competitors are in it together. Share tips, tactics and intel with others in your industry. Better still, consider joining an industry association (such as the Australian Institute of Credit Management) who can help you keep debtors under control.

At Matthews Folbigg Lawyers, we can improve your debtor management through these and other means. We are experts in the whole credit process, from drafting terms and conditions of



trade right through to court proceedings and everything in between.

If you would like more information or advice in relation to insolvency, restructuring or debt recovery law, contact a Principal of the Matthews Folbigg Insolvency, Restructuring & Debt Recovery Group:

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