

## Prescribed Information – debt agreements

**You must read this information before you sign the debt agreement proposal. It will help you to be sure that a debt agreement is right for you.**

### Get help with debt decisions

If you are having trouble with debt and need help working out what to do, you can get help.

For information about managing money, visit [www.moneysmart.gov.au](http://www.moneysmart.gov.au).

### You can get free financial counselling

A financial counsellor will help you to understand all of your options and to take action once you've decided what to do. You can speak to a financial counsellor via telephone or in person. Contact the National Debt Helpline on 1800 007 007 or [www.ndh.org.au](http://www.ndh.org.au).

### Some of your options

You can contact the people you owe money to (your creditors) to:

- ask for more time to pay
- arrange to pay over time, and/or
- negotiate to pay a smaller amount to settle your debts.

You may also be able to apply to your creditors to get extra support under hardship provisions.

There are a number of formal options that may be available under the Bankruptcy Act. You must be aware that these options each have serious consequences. The options include:

- temporary debt protection for up to 21 days (a declaration of intention to present a debtor's petition). This stops your unsecured creditors from collecting debts during the 21 day period so that you can seek advice and consider your options
- bankruptcy
- a debt agreement
- a personal insolvency agreement.

You can find information about these options at [www.afsa.gov.au](http://www.afsa.gov.au).

Beware of [unregulated or unlicensed advisors](#) who may offer advice that is too good to be true.

### What is a debt agreement?

A debt agreement is a legally binding agreement between you and your creditors. It lets you pay a percentage of your total debt over a period of time, based on what you can afford, without becoming bankrupt. A debt agreement is not a consolidation loan and it is a type of formal arrangement under the Bankruptcy Act.

You can ask a [registered debt agreement administrator](#) or [registered trustee](#) to administer your debt agreement.

Your creditors will be asked to vote on the proposal that you put forward and the majority in value must agree in order for your debt agreement to be accepted. The Australian Financial Security Authority (AFSA) manages the voting process.

Submitting a debt agreement proposal to AFSA is an act of bankruptcy. This means that, if your creditors don't accept your proposal, they can apply to court to make you bankrupt.

If your proposal is accepted, you make payments to your debt agreement administrator. After taking their fees and paying AFSA's charges, the administrator makes payments to your creditors.

Your debt agreement ends when you complete all the required payments.

**A debt agreement may not release you from all of your debts.** You will still need to pay [certain types of debts](#).

Once your debt agreement is completed, you are released from most of your unsecured debts that existed at the date of your debt agreement proposal, such as credit cards and personal loans. This means you no longer have to repay these debts.

There are some debts that may result in the disconnection of a service, such as a mobile telephone, internet or electricity. If you do not pay these debts in full, the amount you owe forms part of your debt agreement but you may still have services cease.

Secured debts, like home loans or car loans, are treated differently in a debt agreement. If you don't continue to make repayments, the creditor can repossess the secured property. If the creditor sells the secured property and you still owe money, your debt agreement will cover this debt.

You must list all of your debts in your debt agreement proposal. If you don't, you may be making a false declaration. Signing a declaration you know to be false is a criminal offence under subsection 267(2) of the Bankruptcy Act. The maximum penalty is imprisonment for 12 months.

### What happens to me if I enter a debt agreement?

A debt agreement can provide relief if you are struggling to repay your debts. However, there are serious consequences and obligations. You need to be aware of these so that you can decide if a debt agreement is the best option for you.

#### **There will be a record of your debt agreement on the National Personal Insolvency Index (NPII) for a limited time**

This is a searchable public register of all personal insolvency proceedings in Australia. It will show your:

- name, including previous name(s) and alias(es)
- date of birth
- home address
- occupation
- debt agreement key dates
- AFSA administration number
- debt agreement administrator's contact details.

The amount of time your information stays on the NPII depends on your circumstances and how your agreement ends.

If your safety is at risk, you can ask [AFSA to hide your address from the NPII](#). You will be required to provide evidence to support your claim that your safety is at risk.

#### **A debt agreement can affect your ability to get credit in the future**

Your debt agreement will generally appear on your credit file for a minimum of 5 years, and may be there for longer in some circumstances.

If you apply for any credit over a set amount\*, you must inform the credit provider of your debt agreement. If you apply for several small amounts of credit from the same creditor, you must inform the credit provider once the total amount that you wish to borrow adds up to more than the set amount\*. This applies to all types of credit applications, including credit you apply for with another person. Not disclosing your debt agreement in these circumstances is a criminal offence under subsection 269(1) of the Bankruptcy Act. The maximum penalty is imprisonment for 3 years.

\*This amount changes throughout the year. See [indexed amounts](#).

#### **A debt agreement may affect your employment or business**

The Bankruptcy Act does not place any restrictions on employment in any trades or professions, but some [industry associations or licensing authorities](#) may impose restrictions or conditions if you enter into a debt agreement.

If you trade under a business name that is not your own name, you must disclose your debt agreement to everyone with whom you do business. Not disclosing your debt agreement in these circumstances is a criminal offence under subsection 269(1) of the Bankruptcy Act. The maximum penalty is imprisonment for 3 years.

#### **Complaints can be made to AFSA's Regulation and Enforcement division**

Complaints about debt agreement administrators can be made to AFSA's Regulation and Enforcement team by telephone on 1300 364 785, via email to [regulation@afsa.gov.au](mailto:regulation@afsa.gov.au) or online using the [Send us feedback form](#).

### Acknowledgement and declaration

I declare that I have read and understood this information.

Name <i>(please print)</i>	
Signature	Date signed