



Australian Government

Insolvency and Trustee Service Australia



Profiles of Debtors 2003





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Results of a Study by
the Insolvency and Trustee Service Australia



ITSA acknowledges the contribution of participating staff and especially recognises the contributions of Saloni Varma, Graeme Webster, Rachelle Flores and George Georgiou in collating and analysing data and in preparing the text and charts.

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In July 1998, the Insolvency and Trustee Service Australia (ITSA) published a profile of debtors who became bankrupt or entered into Debt Agreements in the 1997 calendar year. In 2002 that publication was updated using 2001-02 data.

Profiles of Debtors 2003, provides a further update using data from the calendar year 2003. New inclusions are in relation to Part X Agreements and occupation of debtors.

The information in this publication relates, essentially, to the socio-economic circumstances of debtors. More general statistical information in relation to bankruptcy is contained in the Annual Report to Parliament by the Inspector-General on the operation of the Bankruptcy Act, which can be found on ITSA's web site, www.itsa.gov.au.

Profile of Debtors 2003 is divided into 3 sections, namely, Bankruptcies, Debt Agreements (under part IX of the Bankruptcy Act) and Part X Agreements. A person can become bankrupt by filing their own debtor's petition with the Official Receiver at an ITSA office or by a creditor filing a petition at the Court, and a sequestration order being made.

Debt Agreements provide a simple, low cost and flexible alternative to bankruptcy, allowing debtors to reach a legally binding arrangement with their creditors for the settlement of debt. A debtor can enter into a Debt Agreement only if their after tax income, unsecured debts and realisable assets are below the threshold amounts as defined in the Bankruptcy Act (refer pages 21 and 23).

The current figures can be obtained from ITSA's web site.

Part X Agreements provide a process for debtors to make a proposal to their creditors, which is then voted on by creditors in a formal meeting. They are an alternative to bankruptcy. Once accepted, the proposal is binding on the debtor and all creditors. Part X administrations are usually administered by Registered Trustees. The costs of setting up and administering a Part X arrangement ordinarily require property of significant value available to creditors for it to be cost effective.

Methodology

Every debtor who becomes bankrupt or proposes a Debt Agreement or a Part X Agreement is required to lodge a Statement of Affairs with ITSA including the reason given by the debtor for their financial difficulties.

ITSA records information from the Statement of Affairs on its database and the data that is presented here represents a 100% sample of the bankrupts and the debtors who entered into a Debt Agreement or Part X Agreement in 2003.

Throughout the booklet there are references to statistics applicable to the general Australian population. Those statistics were extracted from various publications of the Australian Bureau of Statistics, with particular reference to those that relate to the 2001 Census.

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CHARACTERISTICS OF THOSE WHO BECAME BANKRUPT

Summary of key findings of debtors who became bankrupt

- 23% had an income of less than \$10,000 and 78% had an income of less than \$30,000 during the twelve months preceding their bankruptcy;
- 50% owed less than \$20,000 to their unsecured creditors and 78% owed less than \$50,000;
- 'unemployment' was the single largest attributed cause of non business bankruptcies. Business bankrupts cited 'economic conditions affecting their industry' as the largest cause of bankruptcy;
- more males became bankrupt than females; and
- 12% had been bankrupt before.

Frequency of bankrupts

21,900 people became bankrupt in the period 1 January 2003 to 31 December 2003. The ratio of bankrupts varies between the states and territories, with Tasmania having the highest frequency and the Northern Territory having the lowest. The national ratio of bankrupts is 1 bankrupt per 911 people.

Bankrupts: Frequency of Bankrupts
National Rate 1:911

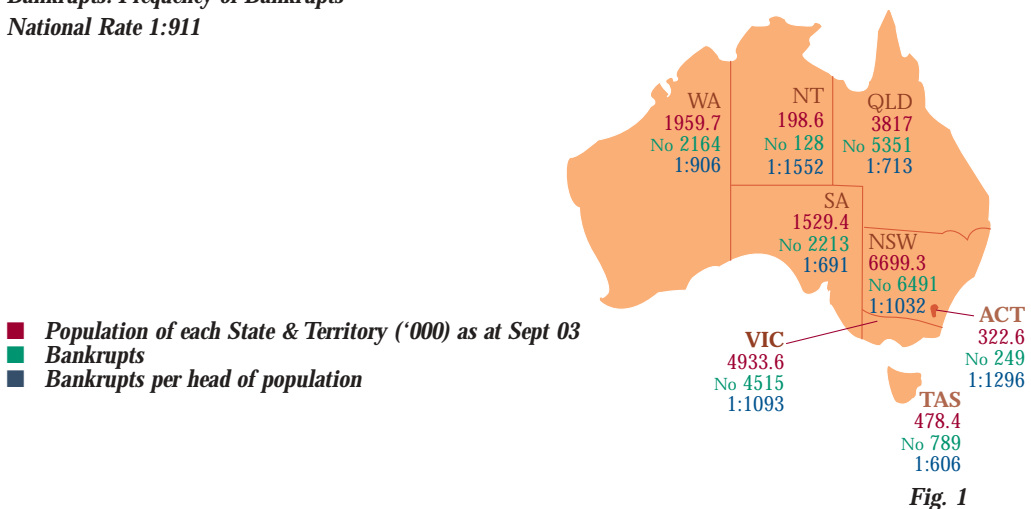


Fig. 1

8 ITSA Profiles of debtors

Gender

49% of the Australian population is male. However, of those who became bankrupt last year, 55% were male.

Bankrupts: Gender

■ Female
■ Male

45%
55%

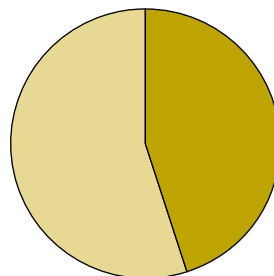


Fig 2

Age

Figure 3 shows the age distribution of bankrupts. A higher proportion of male to female bankrupts occurs across all age groups, as indicated in Fig 4.

Bankrupts: Ages

■ 15-24
■ 25-29
■ 30-34
■ 35-39
■ 40-44
■ 45-49
■ 50-54
■ 55-59
■ 60-64
■ 65-69
■ 70 or more

10%
12%
15%
15%
14%
12%
9%
6%
4%
2%
1%

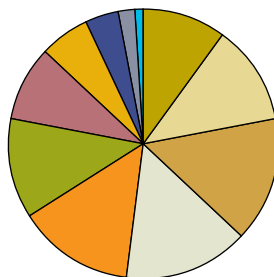


Fig 3

Bankrupts: Age-Proportion of male to female across age group

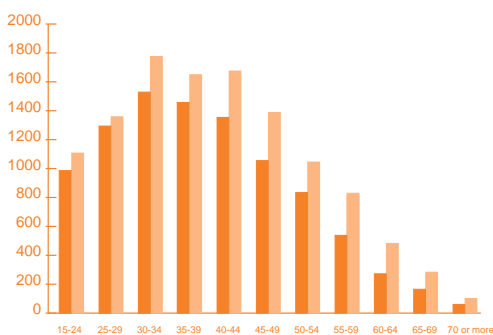


Fig 4

■ Female
■ Male

The following graph shows the age distribution of bankrupts and the comparable age distribution of the general population. Of the total number of bankrupts in 2003, 22% were under the age of 30, 30% were between the ages of 30 and 39 and 48% were over 40. The corresponding population ratios for the general population were 21%, 15% and 44%.

Bankrupts: Age-Comparison bankrupts/general population over 15

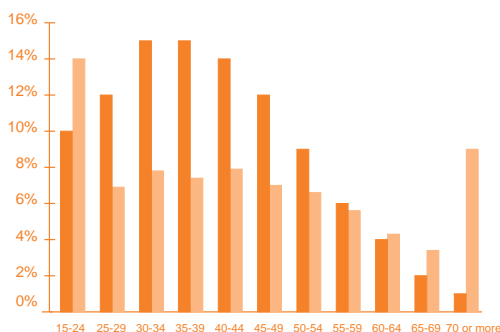


Fig. 5

- Bankrupts
- Population

Sources of information

In the Statement of Affairs a bankrupt indicates where they obtained information about insolvency.

56% of bankrupts obtained advice from professional sources (ie. financial counsellors, solicitors, accountants or registered trustees) with the main source being financial counsellors (40%). These sources are described as ‘professional’ as they provide advice on bankruptcy and its alternatives as well as assistance to debtors in reorganising their affairs to help them overcome or prevent financial difficulty in the future.

24% of bankrupts advised they obtained information from ITSA. ITSA explains bankruptcy, its consequences and alternatives to debtors but does not provide any financial counselling or information about budgeting, debt management etc.

20% of bankrupts advised that they did not obtain advice from either of these sources.

Bankrupts: Sources of Information

- Financial Counsellor 40%
- ITSA 24%
- Other 20%
- Accountant 7%
- Solicitor 5%
- Registered Trustee 4%

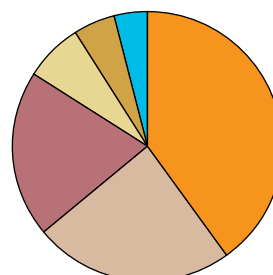


Fig. 6

Repeat bankruptcies

Of those who became bankrupt in 2003, 12% had been bankrupt before. 1% had been bankrupt more than twice before. *Profiles of debtors 2002* identified 13% had been bankrupt before and 2% had been bankrupt more than twice before.

Incidence of Bankruptcy

■ 1 bankruptcy	88%
■ 2 bankruptcies	11%
■ 3 or more bankruptcies	1%

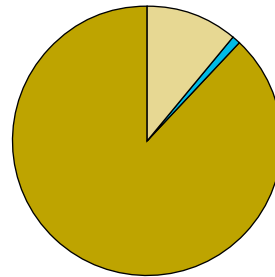


Fig. 7

Causes of bankruptcy

Bankruptcies are categorised as either business or non-business related, based on whether or not the bankruptcy arose from the failure of a business in which the debtor had a proprietary interest. Business bankruptcies represented 18% of total bankruptcies in the financial year 2002-03.

Unemployment was stated as the most common cause for non-business bankruptcies and economic conditions affecting industry was stated as the most common cause for business bankruptcies.

Bankrupts: Causes (Business)

■ Economic conditions affecting industry	30%
■ Lack of business ability	13%
■ Other	12%
■ Personal reasons	10%
■ Insufficient initial capital	10%
■ Excessive drawings	9%
■ Excessive interest	5%
■ Inability to collect debts	5%
■ Failure to keep proper books	3%
■ Seasonal Conditions	3%

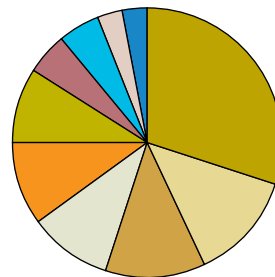


Fig. 8

Bankrupts: Causes (Non Business)

■ Unemployment	37%
■ Excessive use of credit	23%
■ Domestic discord	15%
■ Ill health	11%
■ Adverse litigation	6%
■ Gambling or speculation	3%
■ Liabilities incurred on guarantees	3%
■ Other	2%

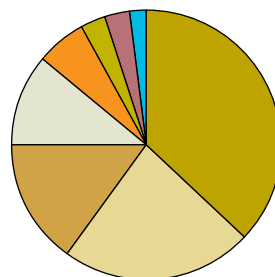


Fig. 9

Employment status

60% of bankrupts were not employed as at the date of bankruptcy (includes unemployed, pensioners, self-funded retirees and those engaged in unpaid 'domestic duties'). For male bankrupts, the rate not employed is 54% while for females the rate is 68%.

The seasonally adjusted unemployment rate for Australia for June 2003 was 6.2%.¹

Bankrupts: Employment Status

■ Employed	40%
■ Unemployed	60%

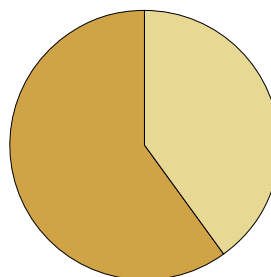


Fig. 10

Income

Bankrupts' income

In the 12 month period immediately before bankruptcy 23% of all bankrupts had an income of less than \$10,000, 59% had an income of less than \$20,000, 19% had an income between \$20,000 and \$30,000 while 22% had an income of \$30,000 or higher. According to the 2001 Census the national median individual income was \$18,200. (Note: All references to income relate to gross income unless stated otherwise.)

Bankrupts: Income in 12 Months Prior to Bankruptcy

■ <\$10 000	23%
■ \$10 000-\$19 999	36%
■ \$20 000-\$29 999	19%
■ \$30 000 or more	22%

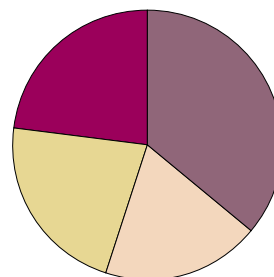


Fig. 11

¹

The unemployment rate, in broad terms, is calculated by representing the number unemployed as a percentage of the labour force rather than of the total population - the labour force comprises persons engaged in employment and those seeking employment. As at September 2003, 28% of persons aged 15-69 years were not in the labour force

Bankrupts' household income

Information is also collected on household income. 15% of households with a bankrupt earned less than \$10,000, 48% less than \$20,000 and 68% less than \$30,000. According to the 2001 Census the national median household income was \$39,000.

Bankrupts: Household Income

■ <\$10 000	15%
■ \$10 000-\$19 999	33%
■ \$20 000-\$29 999	20%
■ \$30 000-\$49 000	21%
■ \$50 000 or more	11%

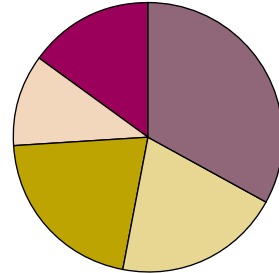


Fig. 12

Debt level

Only unsecured debts were taken into consideration. Where a bankrupt listed a secured debt only that amount owing above the estimated value of the security was included. It was found that 27% of bankrupts owed creditors less than \$10,000, 50% owed less than \$20,000 with 78% owing less than \$50,000. 4% owed their creditors less than \$2,000. 11% of bankrupts owed more than \$100,000 with 2% owing more than \$500,000.

According to the *Reserve Bank of Australia Bulletin March 2003*, the household debt to income ratio has risen from 56% to 125% over the decade to end 2002. Housing debt makes the major part of household debt at 83.5% of which 58.1% relates to owner occupied and 25.4% to investors. Personal debt is 16.5% comprising Credit Cards at 4.2% and 12.3% other.

Bankrupts: Debt level

■ <\$2000	4%
■ \$2000-\$4999	8%
■ \$5000-\$9999	15%
■ \$10 000-\$19 999	23%
■ \$20 000-\$49 999	28%
■ \$50 000-\$99 999	11%
■ \$100 000-\$499 999	9%
■ \$500 000 or more	2%

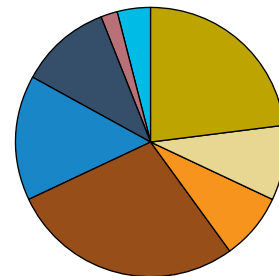


Fig. 13

Creditors

ITSA classifies creditors as banks, building societies, credit unions, finance companies, state housing, tax, utilities (gas, electricity etc) and ‘other’. Creditors identified as ‘other’ would include trade creditors, professional fees, medical bills, school fees, family loans and the like.

In dollar terms, banks accounted for 29% of total debt and finance companies 15%. Tax accounted for 10% of total debt and other represented 44%.

Bankrupts: Percentage of amounts owed to different creditor categories

■ Other	44%
■ Bank	29%
■ Finance company	15%
■ Tax	10%
■ Utilities	1%
■ Credit Union	1%
■ State Housing	<1%
■ Building Society	<1%

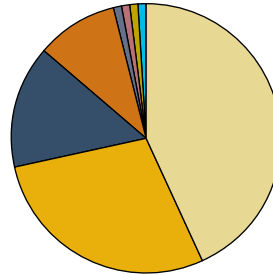


Fig. 14

Bankrupts: Frequency of Occurrence of each Creditor Category in all Bankruptcies

Creditor Types	Frequency in all Bankruptcies
Banks	70%
Other	68%
Finance Companies	67%
Utilities	38%
Tax	18%
Credit Unions	11%
State Housing	4%
Building Societies	2%

Fig. 15

14 ITSA Profiles of debtors

Assets

89.7% of all bankrupts had assets of less than \$1,000.

[Note: it should be understood that under the Bankruptcy Act, some assets are 'non divisible', for example a motor vehicle up to a value of \$5,800 (indexed), normal clothing, household furniture and most superannuation.

These 'non-divisible' assets are not available to the trustee and hence are not included as assets.]

Bankrupts: Realisable Assets

■ \$0	87.3%
■ \$1-\$999	2.4%
■ \$1000-\$4999	3.1%
■ \$5000-\$19 999	2.9%
■ \$20 000-\$49 999	1.5%
■ \$50 000-\$199 999	1.7%
■ \$200 000 or more	1.1%

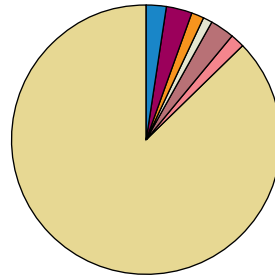


Fig. 16

Home ownership

1% of bankrupts were either home owners or in the process of purchasing a home at the date of bankruptcy, which is a substantial decrease from the financial year 2001-02 when it was 5%.

Bankrupts: Home Ownership

■ Owning/Purchasing Home	1%
■ Not Owning/Purchasing Home	99%

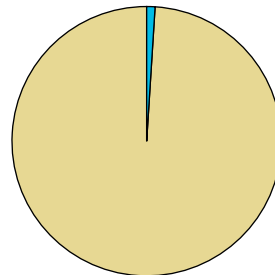


Fig. 17

Single and parental status

44% of bankrupts are single with no children. This represents the largest group of bankrupts and is followed by bankrupts in relationships (i.e. married, de facto or same sex partners) or couples with children at 21%. Single parents constitute 18% of total bankrupts. 17% of all bankrupts in a relationship had no children.

In the 2001 Census, 50.7% people were married, 47% were couples with children, 35.7% were couples without children and single parents were at 15.5%.

Bankrupts: Single and Parental Status

■ Single no children	44%
■ Couples with children	21%
■ Single with children	18%
■ Couples no children	17%

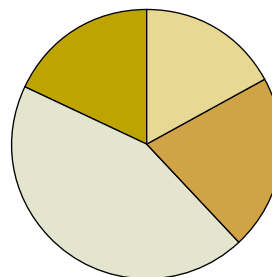


Fig 18

Occupation

The following chart provides details of the occupational group of bankrupts for the year 2003.

(Note: In figure 19 the occupational group 'unemployed' is not the same as unemployed status as shown in figure 10. The unemployed status represents the status at the time of the bankruptcy whereas occupation group relates to their occupation prior to the unemployment status.)

According to the 2001 Census, 9.2% people were employed as Managers and Administrators, 18.2% were employed as Professionals, 11.8% were employed as Associate Professionals, 12.3% were employed as Tradespersons and related workers, 16.5% were employed as Intermediate Clerical, Sales and Service Workers, 8.6% were employed as Labourers and related workers.

Bankrupts: Occupations

■ Unemployed	25.21%
■ Intermediate clerical, sales and service workers	9.56%
■ Labourers and related workers	8.85%
■ Other Pensioner	8.15%
■ Tradespersons and related workers	7.87%
■ Intermediate production and transport workers	6.95%
■ Housewife/House husband	5.46%
■ Associate professionals	5.35%
■ Professionals	5.23%
■ Elementary clerical, sales and service workers	5.03%
■ Invalid pensioner	4.57%
■ Managers and Administrators	3.19%
■ Uncodable	2.47%
■ Advanced clerical and services workers	0.92%
■ Retired	0.59%
■ Student	0.61%

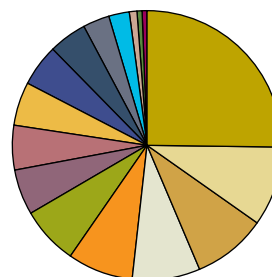


Fig 19

DEBT AGREEMENTS

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CHARACTERISTICS OF THOSE WHO ENTERED INTO DEBT AGREEMENTS

Summary of key findings**of debtors who entered into Debt Agreements**

- 65% had a gross income of less than \$30,000 in the year prior to the Debt Agreement;
- 61% owed unsecured creditors less than \$20,000, with 25% of these owing less than \$10,000;
- 'unemployment', closely followed by 'excessive use of credit', were the main attributed causes of insolvency; and
- more males entered into Debt Agreements than females.

Frequency of debtors entering into Debt Agreements

5,471 persons entered into Debt Agreements in the period 1 January 2003 to 31 December 2003.

The ratio of debtors varies between the states and territories as shown in the following map.

Debt Agreements: Frequency of Debtors
National Rate 1:3645

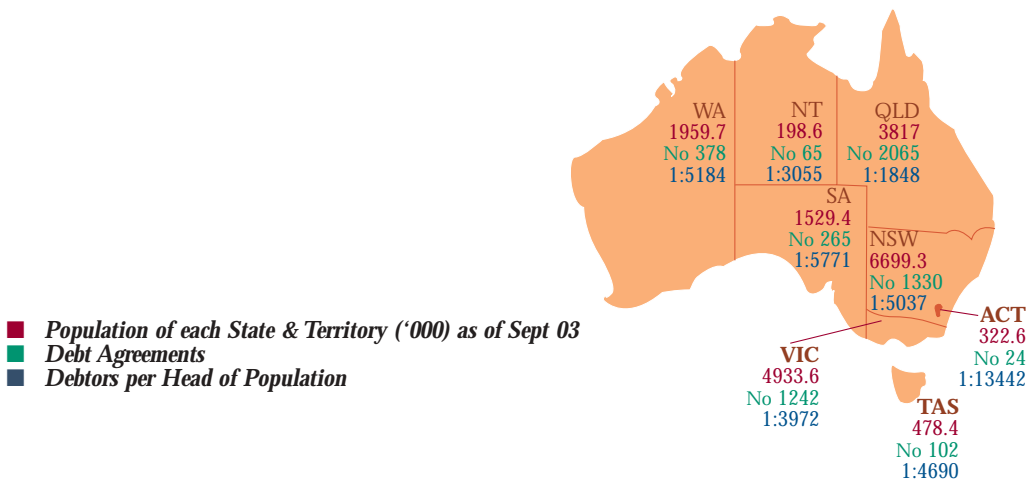


Fig. 20

18 ITSA Profiles of debtors

Gender

52% of those who entered into Debt Agreements were male.

Debt Agreements: Gender

■ Female	48%
■ Male	52%

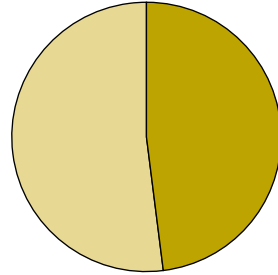


Fig 21

Age

The age profile of debtors is shown on the following chart.

Debt Agreements: Ages

■ 15-24	21%
■ 25-29	22%
■ 30-34	20%
■ 35-39	12%
■ 40-44	11%
■ 45-49	7%
■ 50-54	4%
■ 55-59	2%
■ 60-64	1%

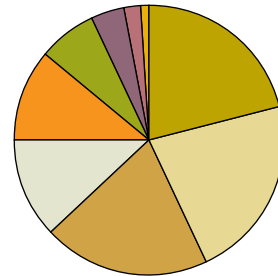


Fig 22

The proportion of male to female debtors is shown in the following graph.

Debt Agreement: Age-Proportion of Male to Female Debtors across Age Group

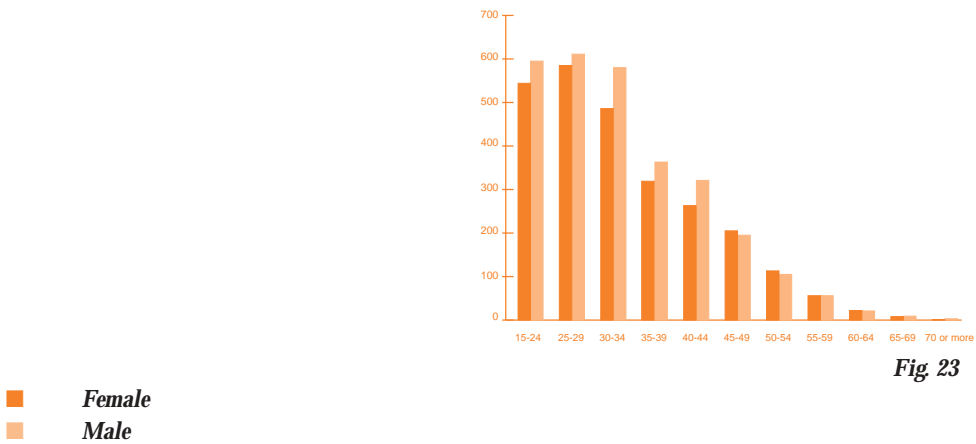


Fig 23

Of all debt agreement debtors, 43% were under the age of 30, 32% were between the ages of 30 and 39 and 25% were over 40. In the general adult population, the ratios were 21%, 15% and 44% respectively.

Debt Agreements: Age-Comparison Debtors/General Population over 15

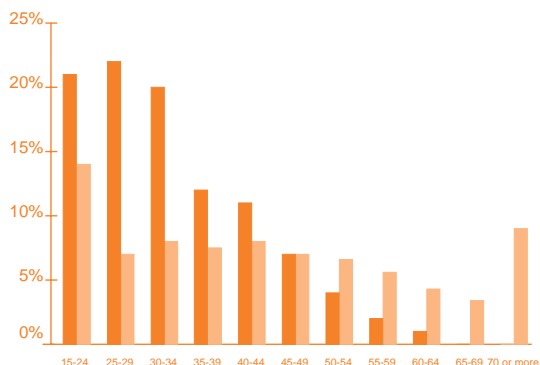


Fig. 24

- Debtors
- Population

Sources of information

Almost all Debt Agreements are administered by professional administrators (that is, not by the debtor, family friend or creditor). Of those who entered Debt Agreements, 79% received advice from debt agreement administrators.

Debt Agreements: Sources of Information

- Other 79%
- Financial counsellor 17%
- Registered trustee 2%
- Accountant 1%
- ITSA 1%

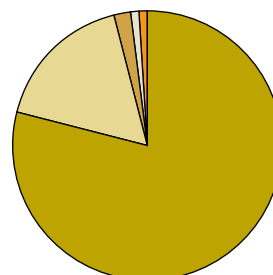


Fig. 25

Causes of insolvency

For business insolvencies, personal reasons was disclosed as the cause of insolvency at 25%, followed by economic conditions affecting industry at 19%.

For non business insolvencies, unemployment was disclosed as the cause of insolvency at 44%, followed by excessive use of credit at 28% and domestic discord at 14%.

The frequency of occurrence of each of the causes of insolvency as disclosed by debtors is as follows:

Debt Agreements: Causes (Business)

■ Other	29%
■ Personal reasons	25%
■ Economic conditions affecting industry	19%
■ Lack of business ability	6%
■ Excessive interest	6%
■ Excessive drawings	4%
■ Insufficient initial capital	4%
■ Inability to collect debts	3%
■ Seasonal conditions	2%
■ Failure to keep proper books	2%

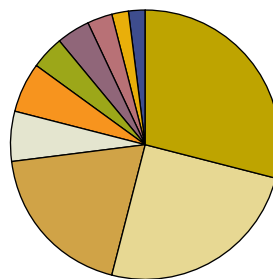


Fig 26

Debt Agreements: Causes (Non Business)

■ Unemployment	44%
■ Excessive use of credit	28%
■ Domestic discord	14%
■ Ill health	6%
■ Other	4%
■ Gambling or speculation	2%
■ Adverse litigation	1%
■ Liabilities incurred on Guarantees	1%

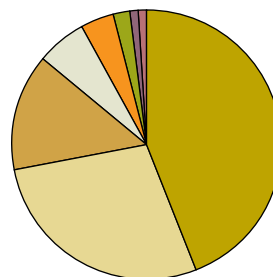


Fig 27

Employment status

The nature of Debt Agreements is such that most debtors make regular periodic payments. 75% of debtors are employed, as compared with the corresponding proportion of 40% in relation to those who became bankrupt.

Debt Agreements: Employment Status

■ Employed	75%
■ Unemployed	25%

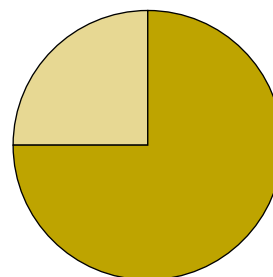


Fig 28

Income

Debtors' income

The after tax income of debtors must be below (currently) \$52,907.40 which equates to approximately \$75,000 gross. 10% of debtors had an income under \$10,000 and 34% were under \$20,000. (Note: All references to income relate to gross income unless stated otherwise.)

Income in 12 Months Prior to Debt Agreement

■ <\$10 000	10%
■ \$10 000-\$19 999	24%
■ \$20 000-\$29 999	31%
■ \$30 000 or more	35%

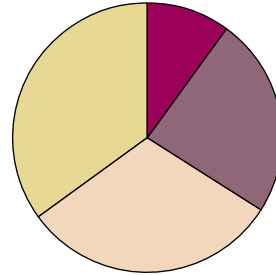


Fig. 29

Debtors' household income

5% of households with Debt Agreement debtors earned less than \$10,000.

Debt Agreements: Household Income

■ <\$10 000	5%
■ \$10 000-\$19 999	15%
■ \$20 000-\$29 999	26%
■ \$30 000-\$49 999	37%
■ \$50 000 or more	17%

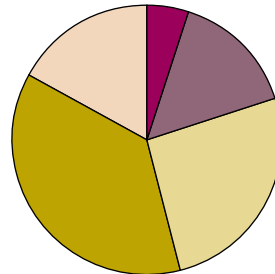


Fig. 30

Debt level

Only unsecured debts were taken into consideration. A debtor is not eligible to propose a debt agreement if their unsecured debts exceed (currently) \$70,543.20.

25% of debtors owed creditors less than \$10,000, 61% owed less than \$20,000.

Debt Agreements: Debt Level

■ <\$2000-\$4999	4%
■ \$5000-\$9999	21%
■ \$10 000-\$19 999	36%
■ \$20 000-\$49 999	35%
■ \$50 000 or more	4%

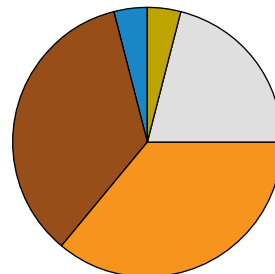


Fig. 31

Creditors

In dollar terms, banks and finance companies were the largest creditor groups, respectively owed 48% and 31% of the total unsecured debt. Tax was owed 3% of the total.

Debt Agreements: Percentage of Amounts Owed to Creditor Types

■ Bank	48%
■ Finance company	31%
■ Other	12%
■ Credit union	4%
■ Tax	3%
■ Utilities	2%
■ Building Society	<1%
■ State housing	<1%

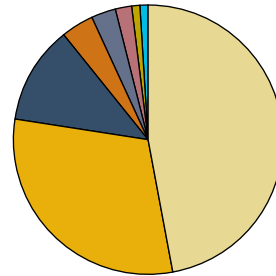


Fig. 32

Debt Agreements: Frequency of Occurrence of each Creditor Category in all Debt Agreements

Creditor Types	Frequency in all Debt Agreements
Banks	95%
Finance Companies	95%
Other	83%
Utilities	39%
Credit Unions	16%
Tax	10%
State Housing	2%
Building Societies	2%

Fig. 33

Assets

85% of debtors had realisable assets less than \$1,000.

A debtor is not eligible to propose a debt agreement if their realisable assets exceed (currently) \$70,543.20.

[Note: it should be understood that under the Bankruptcy Act, some assets are 'non divisible' for example a motor vehicle up to a value of \$5,800.00 (indexed), normal clothing, household furniture and most superannuation. These 'non-divisible' assets are not available to the trustee and hence are not included as assets.]

Debt Agreements: Realisable Assets

■ \$0	82.5%
■ \$1-\$999	2.4%
■ \$1000-\$4999	5.6%
■ \$5000-\$19 999	4.9%
■ \$20 000-\$49 999	2.9%
■ \$50 000-\$199 999	1.6%
■ \$200 000 or more	<1%

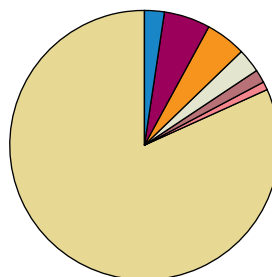


Fig. 34

Home ownership

The study found that 5% of debtors were either home owners or in the process of purchasing a home, which is a substantial decrease from the financial year.

2001-02 when it was 16%.

Debt Agreements: Home ownership

■ Owning/Purchasing home	5%
■ Not owning/Purchasing home	95%

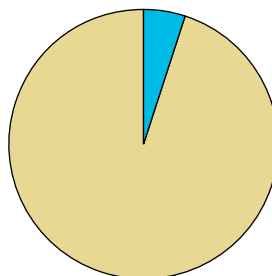


Fig. 35

Single and parental status

40% of debtors are single with no children. This represents the largest group and is followed by debtors in relationships (i.e. married, de facto or same sex partners) or couples with children at 30%, couples with no children at 16% and single parents at 14%.

Debt Agreements: Single and Parental Status

■ Singles no children	40%
■ Couples with children	30%
■ Couples no children	16%
■ Singles with children	14%

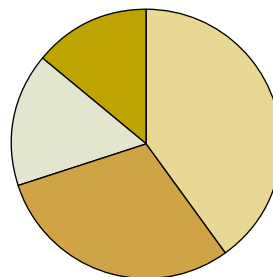


Fig. 36

Occupation

The following chart provides details of the occupational group of Debt Agreement debtors for the year 2003.

Debt Agreements: Occupations

■ Intermediate clerical, sales and service workers	20.71%
■ Labourers and related workers	13.71%
■ Tradespersons and related workers	10.69%
■ Intermediate production and transport workers	10.67%
■ Elementary clerical, sales and service workers	8.24%
■ Unemployed	7.70%
■ Associate Professionals	6.98%
■ Professionals	6.29%
■ Housewife/House husband	5.98%
■ Other Pensioner	3.55%
■ Managers and administrators	2.16%
■ Advanced clerical and services workers	1.61%
■ Invalid pensioner	1.13%
■ Student	0.42%
■ Uncodable	0.12%
■ Retired	0.04%

Fig 19. Bankrupts: Occupations

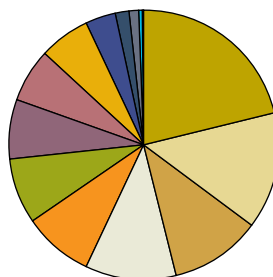


Fig 37

PART X AGREEMENTS

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CHARACTERISTICS OF THOSE WHO ENTERED INTO PART X AGREEMENTS

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CHARACTERISTICS OF THOSE WHO ENTERED INTO PART X AGREEMENTS

Summary of key findings

of debtors who entered into Part X Agreements

- 50% had an income of less than \$30,000 in the year prior to the Part X Agreement;
- 'economic conditions affecting industry' was the main attributed cause of business insolvency and 'liabilities' incurred on guarantees' was the main attributed cause of non business insolvency; and
- more males entered into Part X Agreements than females.

Gender

72% of those who entered into Part X Agreements were male.

Part X Agreements: Gender

- Female
- Male

28%
72%

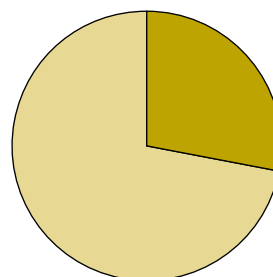


Fig 38

Age

The age profile of debtors is shown on the following chart.

Part X Agreements: Ages

- 15-24
- 25-29
- 30-34
- 35-39
- 40-44
- 45-49
- 50-54
- 55-59
- 60-64
- 65-69

2%
5%
8%
12%
21%
13%
19%
13%
6%
1%

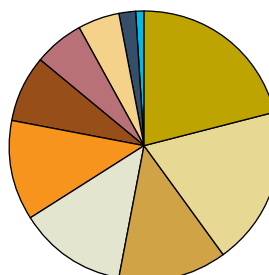


Fig 39

28 ITSA Profiles of debtors

The proportion of male to female debtors is as shown in the following graph.

Part X Agreements: Age-Proportion of Male to Female Debtors across Age Group

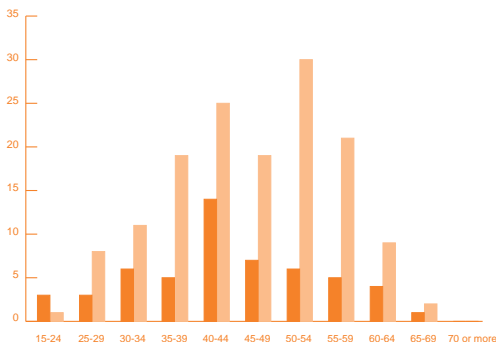


Fig. 40

- **Female**
- **Male**

Of all Part X Agreement debtors, 7% were under the age of 30, 20% were between the ages of 30 and 39 and 73% were over 40. In the corresponding general adult population, the rates are 21%, 15% and 44% respectively.

Part X Agreements: Age-Comparison Debtors/General Population over 15

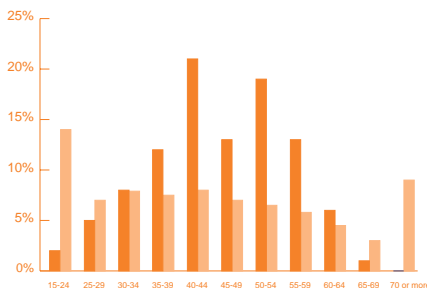


Fig. 41

- **Debtors**
- **Population**

Sources of information

Of those who entered into Part X Agreements, 25% received advice from Registered Trustees followed by Accountants at 21%.

Part X Agreements: Sources of information

Registered Trustee	25%
Accountant	21%
Financial Counsellor	19%
Other	18%
Solicitor	13%
ITSA	4%

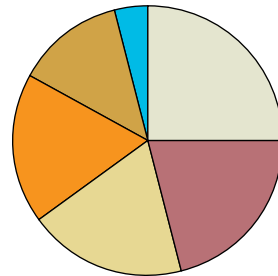


Fig. 42

Causes of insolvency

For business insolvencies, economic conditions affecting industry was disclosed as most common cause of insolvency at 38%.

For non business insolvencies, liabilities incurred on guarantees was disclosed as the cause of insolvency at 26%, followed by excessive use of credit at 21% and unemployment at 16%.

The frequency of occurrence of each of the causes of insolvency as disclosed by debtors is as follows:

Part X Agreements: Causes (Business)

Economic conditions affecting industry	38%
Other	12%
Lack of business ability	12%
Inability to collect debts	10%
Personal reasons	7%
Excessive drawings	5%
Insufficient initial capital	5%
Seasonal conditions	5%
Excessive interest	4%
Failure to keep proper books	2%

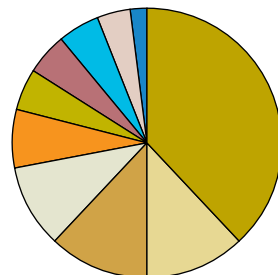


Fig. 43

Part X Agreements: Causes (Non Business)

Liabilities incurred on Guarantees	26%
Excessive use of credit	21%
Unemployment	16%
Other	12%
Adverse litigation	12%
Domestic discord	6%
Ill health	5%
Gambling or speculation	2%

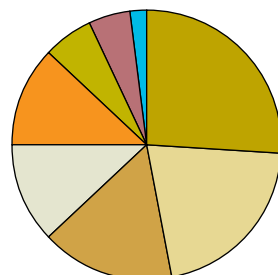


Fig. 44

Employment status

77% of debtors were employed. It is ITSA’s experience that, often, a Part X Agreement is related to joint debtors where one debtor was employed.

Part X Agreements: Employment Status

■ <i>Employed</i>	77%
■ <i>Unemployed</i>	23%

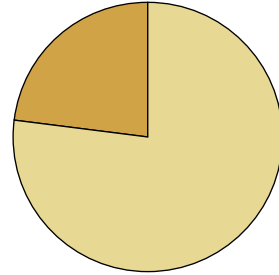


Fig. 45

Income

Debtors’ income

22% of debtors had an income under \$10,000 and 34% were under \$20,000. (Note all references to income relate to gross income unless stated otherwise.) It is ITSA’s experience that, often, a Part X agreement is related to joint debtors where one debtor had an income.

Part X Agreements: Income in 12 Months Prior to Part X Agreement

■ <i><\$10,000</i>	22%
■ <i>\$10,000–\$19,999</i>	12%
■ <i>\$20,000–\$29,999</i>	16%
■ <i>\$30,000 or more</i>	50%

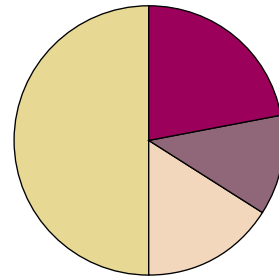


Fig. 46

Debtors’ household income

21% of households with Part X Agreement debtors earned less than \$10,000.

Part X Agreements: Household Income

■ <i><\$10,000</i>	21%
■ <i>\$20,000–\$29,999</i>	11%
■ <i>\$30,000–\$49,999</i>	20%
■ <i>\$50,000 or more</i>	48%

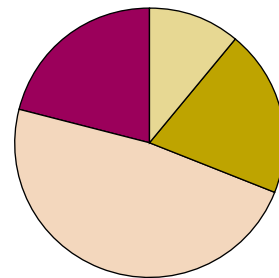


Fig. 47

Creditors

In dollar terms, banks and ‘other’ were the largest creditor groups, respectively owed 27% and 54% of the total unsecured debt. Creditors identified as ‘other’ would include trade creditors, store accounts, professional fees, medical bills, school fees, family loans and the like. Tax was owed 12% of the total.

Part X Agreements: Percentage of Amounts Owed to Creditor Types

■ Other	54%
■ Bank	27%
■ Tax	12%
■ Finance company	7%
■ Building Society	<1%
■ Credit union	<1%
■ State housing	<1%
■ Utilities	<1%

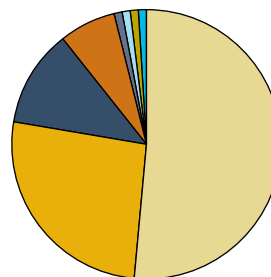


Fig. 48

Part X Agreements: Frequency of Occurrence of each Creditor Category in all Part X Agreements

Creditor Types	Frequency in all Part X Agreements
Other	89%
Banks	81%
Finance Companies	70%
Tax	53%
Utilities	24%
Credit Unions	7%
Building Societies	4%
State Housing	1%

Fig. 49

Assets

66.2% of debtors had realisable assets less than \$1,000.

It is ITSA’s experience that often, a Part X Agreement is related to joint debtors where one debtor had assets.

[Note: it should be understood that under the Bankruptcy Act, some assets are ‘non divisible’ for example a motor vehicle up to a value of \$5,800.00 (indexed), normal clothing, household furniture and most superannuation. These ‘non-divisible’ assets are not available to the trustee and hence are not included as assets.]

Part X Agreements: Realisable Assets

■ \$0	64%
■ \$1-\$999	2%
■ \$1000-\$4999	3%
■ \$5000-\$19 999	6%
■ \$20,000-\$49 999	5%
■ \$50,000-\$199 999	12%
■ \$200 000 or more	8%

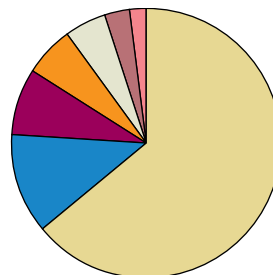


Fig. 50

Home ownership

The study found that 16% of debtors were either home owners or in the process of purchasing a home.

Part X Agreements: Home Ownership

■ Owning/Purchasing Home	16%
■ Not Owning/Purchasing Home	84%

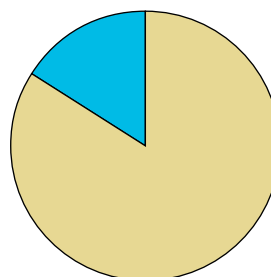


Fig. 51

Single and parental status

43% of Part X agreement debtors are debtors in relationships (i.e. married, de facto or same sex partners) or couples with children. This represents the largest group followed by couples with no children at 36%, single with no children at 17% and single parents at 4%.

Part X Agreements: Single and Parental Status

■ Couples with children	43%
■ Couples no children	36%
■ Single no children	17%
■ Single with children	4%

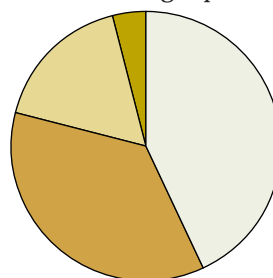


Fig. 52

Occupation

The following chart provides details of the occupational group of Part X debtors for the year 2003.

Part X Agreements: Occupations

■ <i>Managers and administrators</i>	<i>18.27%</i>
■ <i>Professional</i>	<i>17.77%</i>
■ <i>Uncodable</i>	<i>14.95%</i>
■ <i>Tradespersons and related workers</i>	<i>10.63%</i>
■ <i>Associate professionals</i>	<i>10.13%</i>
■ <i>Intermediate clerical, sales and service workers</i>	<i>8.97%</i>
■ <i>Intermediate production and transport workers</i>	<i>5.65%</i>
■ <i>Unemployed</i>	<i>4.15%</i>
■ <i>Labourers and related workers</i>	<i>2.82%</i>
■ <i>Elementary clerical, sales and service workers</i>	<i>2.33%</i>
■ <i>Housewife/house husband</i>	<i>1.83%</i>
■ <i>Advanced clerical and service workers</i>	<i>1.66%</i>
■ <i>Other pensioner</i>	<i>0.66%</i>
■ <i>Retired</i>	<i>0.17%</i>

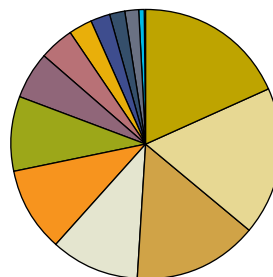


Fig 53

34 ITSA Profiles of debtors

Overview comparison

The following table compares the key characteristics of bankrupts, Debt Agreement debtors and Part X Agreement debtors.

	Bankruptcies	Debt Agreements	Part X Agreement
Number	21900	5471	603
Gender	55% Male	52% Male	72% Male
Employment status	60% unemployed	25% unemployed	23% unemployed
Home ownership	1%	5%	16%
Main source of information	Financial Counsellors	Debt Agreement Administrators	Registered Trustees
Income <\$10 000	23%	10%	22%
Assets <\$1000	90%	85%	66%

The above can be read in context with poverty lines as at June quarter 2003 (Source: Melbourne Institute of Applied Economics and Social Research).

The Henderson poverty line income level for a single unemployed adult with no dependants during the quarter ending June 2003 was \$15,423 rising to \$19,800 for a single parent with one dependent child.