

Personal insolvencies fall (but pressure is rising)



Stewart Free, Jirsch Sutherland Partner and Bankruptcy Trustee

The number of people going financially insolvent in Australia fell in Australia during the March quarter 2022, figures from the Australian Financial Security Authority ([AFSA](#)) show. But that won't last, says Jirsch Sutherland Partner and Bankruptcy Trustee [Stewart Free](#).

According to AFSA, in the March quarter 2022, there were 2215 new personal insolvencies across the country, down from 330 compared to the March quarter 2021 – a fall of 13 per cent. Of these bankruptcies, 29.9 per cent were business related, 30.8 per cent down from the same quarter last year.

“This trend wasn't unexpected,” says Free. “The decreases are the last vestiges of the government's COVID support measures. However, now that there's no more support and as the ATO increases its debt collection, we'll see an increase in corporate insolvencies, which will then flow onto personal insolvencies. And moving forward, people can't use COVID as an excuse to forestall payment, which will increase the stressors.

“In addition, as interest rate rises and cost-of-living hikes bite, I would expect to see pressure on debtors increase and the number of personal insolvencies begin to climb, as creditors re-evaluate their approach.”

Free says AFSA has already increased its allocation of work to Registered Trustees and there has been an increase in inquiries.

Of the overall bankruptcies in the quarter, AFSA reports that 86 were as a result of [sequestration](#) orders, which Free says is likely because “creditors are having to chase to get their debts rather than people voluntarily declaring bankruptcy”.

“Bankruptcies are often seen as a last resort, but it's better to ‘rip the band-aid off’ quickly,” Free adds. “There are so many myths about personal insolvency, so I would recommend that people who are in financial distress speak to a trusted adviser like an accountant or insolvency specialist. It doesn't hurt to take that first step to find out what options are possible.”

At a glance

During the March quarter 2022 compared to the same period in 2021:

- bankruptcies fell by 262
- debtor's petitions, a subset of bankruptcies, fell by 348
- sequestration orders, a subset of bankruptcies, rose by 86
- debt agreements fell by 86
- personal insolvency agreements rose by 13
- The greatest fall in bankruptcies was in the Northern Territory (33.3%), followed by Western Australia (27.6%), NSW (19.2%), Victoria (9.5%), South Australia (9.1%), and Queensland 5.1%. Conversely, Tasmania saw an 18.5% increase in personal insolvencies.