



Personal insolvency queries rise in Victoria

Personal insolvencies are rising across the nation although the trends are differing between the states. Nationwide, total personal insolvencies increased by 1.1% in the September quarter 2016 compared to the September quarter 2015, according to the *Australian Financial Security Authority (AFSA)*.

In the September quarter 2016, economic conditions were the most common business-related cause for the rise in personal insolvencies while unemployment or loss of income and excessive use of credit were the most common non-business related causes.

While rising nationwide, AFSA's September figures show the number of Victoria's personal insolvencies fell 7.8% over the year. Of this:

- bankruptcies fell by 11.9%
- debt agreements fell by 1.3%
- personal insolvency agreements fell by 8.3%



Malcolm Howell

Jirsch Sutherland Victorian Partner, [Malcolm Howell](#), says Victoria has been going through a quiet period with regard to corporate insolvencies. The number of Victorian companies entering into EXAD (external administration) fell by 10.2% in June 2016 compared with the June 2015 quarter, according to data from the Australian and Securities Investments Commission.

But while Victoria is experiencing a slowdown in corporate insolvencies — and despite AFSA's statistics — Malcolm has actually noticed a slight rise in the number of people wanting to discuss bankruptcy — with one of the largest industries affected being construction.



"We are seeing a steady flow of enquiries from the construction industry around personal insolvencies, particularly from tradies," Malcolm says. "One of the issues I see is that no one is investing time into teaching tradies how to budget properly or on the importance of paying taxes on a regular and timely basis. They also tend to get burnt by the larger building companies when they go down."

Malcolm says when the construction industry is going through a rough period then everyone along the line gets affected.

Statistics from the National Credit Insurance body show the Australian home building industry took another hit in October with liquidators appointed to *B & B Day Pty Ltd*. Included as part of this group is: *Home Australia*, *Ashford Homes*, *Collier Homes*, *Homestead Homes*, *Huxley Homes* and *Newstart Homes* (SE QLD).

ASIC insolvency data shows that nationwide, the construction industry has had 1000 insolvencies to August 31, 2016, a figure that represents 17% of all insolvencies.

Malcolm says he's seen this type of cycle before — that is, bankruptcies rising as corporate insolvencies go down. "We're probably in the middle of the cycle now but I can't see corporate insolvencies going up unless the Tax Office gets more aggressive or the banks start taking action to recover non-performing loans," he says. "The banks are tending to nurture the businesses on their books that are having difficulties as it's not good for anyone to have them fail."

Meanwhile, other parts of Victoria are performing well, says Malcolm. "Surprisingly the retail sector is doing okay," he says. "Years ago you would have expected elements of it to fall over during these times."