



WHO'S MAKING AUSTRALIANS BANKRUPT?

A FOLLOW-UP REPORT: SIX YEARS ON

Financial Counselling Australia (FCA) is the national peak body for the financial counselling sector in Australia | November 2025



ABOUT US

WHAT FINANCIAL COUNSELLORS DO

Financial counsellors assist people experiencing financial difficulty by providing information, advice, support and advocacy. Working in not-for-profit community organisations, financial counselling services are free, independent and confidential.

ABOUT FINANCIAL COUNSELLING AUSTRALIA

An Australia free from financial hardship is the vision that drives Financial Counselling Australia (FCA). As the trusted national voice for financial counselling and a supporter of financial capability work, FCA champions access to quality services, strengthens and supports the profession and builds recognition of the vital role it plays in the community. FCA brings the perspectives of financial counsellors and capability workers to national conversations to advocate for fairer markets and fairer treatment.

FCA works closely and collaboratively across the sector and with industry, training providers, regulators, policy makers, peak bodies and the broader community in pursuit of better outcomes for people experiencing financial hardship across Australia.

For more information about FCA go to: www.financialcounsellingaustralia.org.au.

ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

FCA acknowledges the Traditional Custodians of this land, and we pay our respects to Elders past and present. This land is, was, and always will be traditional First Nations land.

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01 FOREWORD

Six years ago, FCA set out to answer a straightforward question: who is making Australians bankrupt? The findings showed that forced bankruptcy was being used too often, sometimes over relatively small debts and often against people already in hardship. That report was part of a broader effort by consumer advocates to spark conversations about fairness, proportionality and the need for reform in Australia's bankruptcy system.

In the years since the last *Who's making Australia Bankrupt* report, our ability to collect and analyse data has grown considerably. We now have access to much richer information than before, giving us a clearer picture of how and where forced bankruptcy is being used and what that reveals about the systems behind it.

Some of what we see is positive. Debt collectors, once among the most active users of bankruptcy, have largely stepped back. Major banks continue to show restraint, and many creditors have strengthened their hardship practices and codes of conduct. These shifts show that when standards are clear and consistent, harm can be reduced.

Other trends are more concerning. The number of forced bankruptcies is climbing again, and the success rate of creditor petitions has tripled since 2019. Four in ten now end in someone losing their home over debts as small as the \$10,000 threshold, the debts having often increased by legal and enforcement costs.

A closer look shows that much of this activity is concentrated among a few creditor types, particularly strata schemes, non-bank business lenders and the Australian Taxation Office. Each has a different role and level of oversight, but together they highlight the uneven nature of hardship protections across sectors.

It's telling that forced bankruptcy is now most common in sectors where consumer protections are weakest and there's no right to hardship assistance or fair dispute resolution. In other words, it's being used most where safeguards are few.

Given that bankruptcy is a personal system, the number of forced bankruptcies that appear to have their origins in business activity, is also striking. It is relatively easy to get into difficulty over \$10k, whether it be via tax debt or business lending.

Bankruptcy is one of the most serious enforcement tools available. It should be used sparingly and only when other options have been exhausted. To make sure that happens, Australia needs to modernise its bankruptcy laws and extend hardship protections across sectors. That includes raising the bankruptcy threshold, introducing a Minimal Asset Procedure, and ensuring people have access to free, timely advice, including in-court financial counselling and clear information about their rights.

These are practical, achievable reforms. They would make the system fairer and more consistent, helping to ensure bankruptcy is used only as a genuine last resort.



Dr Domenique Meyrick
CEO, Financial Counselling Australia

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KEY FINDINGS



6,700 creditors' petitions filed over four years
(FY2021–22 to FY2024–25).



40% conversion rate: 4 in 10 petitions now result in bankruptcy
(up from 12% in 2019–20).



Raising the bankruptcy threshold from \$5k to \$10k coincided with an 80% reduction in filings

WHO IS MAKING AUSTRALIANS BANKRUPT?

Top sectors initiating bankruptcy FY 2024-25



ATO
13% of cases



Strata
12% of cases



Non-bank business lenders
12% of cases



Motor vehicle finance companies
2% of cases
(12% of Financial & Insurance sector cases.)

SECTOR SHIFTS



Debt collectors
down to just 0.2% of cases (to 5 matters from hundreds in FY 2018–19)



Banks
now rarely use bankruptcy (Big Four less than 1% of total cases)



Strata
up 33% nationally in FY 2024–25; NSW leads with 152 cases



Non-bank business lenders
up 56% in FY 2024–25; over 220 lenders taking action across the four years



Private schools
emerging users of bankruptcy (2% of cases)

03

SUMMARY OF RECOMMENDATIONS

MODERNISE THE BANKRUPTCY SYSTEM TO ENSURE IT IS A GENUINE LAST RESORT

1. The Federal Government should urgently implement bankruptcy reforms **announced on 8 July 2024**, which included raising the bankruptcy threshold to \$20,000 (indexed annually).
2. Create a **Minimal Asset Procedure** as an appropriate bankruptcy pathway for people with low assets and income, who have low but unmanageable debt.

EXPAND HARDSHIP ASSISTANCE AND REFORM DEBT ENFORCEMENT IN HIGH-RISK SECTORS

3. Require fairer ATO debt recovery practices including assessment of debtor vulnerability and offer reasonable repayment alternatives before initiating bankruptcy proceedings.
4. Expand standards for motor vehicle finance lenders, including pre and post repossession action, and balloon payment affordability checks.
5. Introduce basic regulatory protections for small business borrowers.
6. Enshrine a right to strata levy hardship assistance in each state and territory's strata legislation.
7. Mandate financial hardship protections across sectors with known gaps, such as government and private schools.

PROVIDE BETTER INFORMATION AND EXPAND ACCESS TO FREE IN-COURT FINANCIAL COUNSELLING

8. Adequately fund in-court financial counselling duty schemes to provide timely support for people facing forced bankruptcy proceedings.
9. The Federal Court should provide clear, accessible, and relevant information to people facing forced bankruptcy proceedings about their options and free supports.

04 INTRODUCTION

ABOUT THIS REPORT

This report is a follow-up to **Who is Making Australians Bankrupt?**, which was published in July 2019. The original report examined creditor applications filed in the Federal Court of Australia to make individuals bankrupt over a period of four financial years (2015–16 to 2018–19).

This report examines Federal Court bankruptcy applications over the subsequent four financial years (2021–22 to 2024–25), offering updated insights into how and by whom bankruptcy is being used as a debt recovery tool, and the consequences for those affected.

The original Who is Making Australians Bankrupt? report was based on targeted searches of specific creditors. Since then, much has changed including our ability to capture and analyse the data in detail, the bankruptcy threshold, economic conditions, and the types of creditors using this process.

For this follow-up report, we have cast the net wider to focus on all Creditors' Petitions filed in the Federal Court Bankruptcy List over the relevant four-year period. This broader dataset enables a more comprehensive picture of how forced bankruptcy is being used, and allows us to uncover systemic trends: who is using the system, where they're happening, and how filings have changed over time.

Note: This report includes only individuals against whom creditors' petitions were filed. Companies are not made bankrupt, instead, they are placed into liquidation or administration, which are separate legal processes and beyond the scope of this report.

ABOUT FORCED BANKRUPTCY

Forced bankruptcy is one of the most serious and invasive forms of debt enforcement available. It can strip a person of control over their finances and assets with consequences¹ that often last long after the bankruptcy ends.

Creditors can start this process when a person owes them more than \$10,000.² If a court makes a sequestration order, a trustee (usually nominated by the creditor) is appointed to take control of the person's financial affairs. This includes selling assets, collecting income contributions and distributing funds to creditors. Trustees hold wide powers under the *Bankruptcy Act 1966 (Cth)* and are rarely replaced unless there is clear evidence of misconduct or bias.

Forced bankruptcy is rarely the first enforcement step. Creditors must first issue formal demands, obtain a court judgement, and serve a bankruptcy notice. But in practice, these steps can pass quickly and may go unnoticed, especially if notices are sent to old addresses or written in dense legal language. For people already in hardship, the process often feels abrupt and overwhelming. Legal notices may be missed, misunderstood, or ignored. Many people don't understand what's happening or don't get help until it's too late.

While there are other enforcement options such as garnishee orders, instalment orders or property seizure, some creditors still favour bankruptcy. It can be more lucrative and places strong pressure on people to pay quickly, particularly when they own a home.

Forced bankruptcy is not always a creditor's last resort. It can be used strategically to recover debts more quickly, denying people a fair opportunity to pay. This underlines the need for strong safeguards, early intervention and fairer enforcement practices.

The case of "Nila" illustrates how legal costs and rigid repayment expectations can push vulnerable people to the brink of bankruptcy. With external support and persistence, she avoided it. But her experience reflects the significant pressure such proceedings can create for individuals already in hardship.

¹see AFSA: **Consequences of bankruptcy website page** for more information

²The forced bankruptcy threshold has changed over the past few years: from \$5,000 to \$20,000 temporarily from 25/3/2020 to 31/12/2020, then a permanent change to \$10,000 from 1/1/2021.

CASE STUDY NILA'S STORY

Nila contacted us in March 2023. She was unable to work after suffering PTSD, anxiety and depression brought on by a violent relationship and a drawn-out family law property settlement.

Nila fell behind in her strata payments, as she was relying on Centrelink as her sole source of income. Her strata obtained 3 court judgments against her totaling \$10,040 (most of which was made up of added legal costs and interest).

Nila made an application to pay by instalments which was initially accepted by the Registrar, but later disputed by Strata and overturned, on the grounds it would take too long to pay off the debt.

Strata was unwilling to negotiate any other arrangement and proceeded to serve Nila with a bankruptcy notice. We gave Nila advice on bankruptcy, consequences of not paying. Nila was able pay the entire amount on the notice by borrowing from friends and avoided bankruptcy.

Source: Financial Rights Legal Centre, 2024



DATA, SCOPE AND METHODOLOGY

This report examines forced bankruptcy proceedings, specifically creditors' petitions filed in the Bankruptcy List of the Federal Court of Australia and the Federal Circuit Court (collectively referred to as the "Federal Court").

DATA SOURCE AND EXTRACTION

The core data was manually extracted from the publicly available [Commonwealth Courts Portal – Bankruptcy List](#) (Court Portal).

The data was consolidated into a single database and underwent multiple stages of cleansing, deduplication, and error removal.

Entries were then classified and finally analysed using Microsoft Power BI (a trademark of the Microsoft group of companies).

CLASSIFICATION OF APPLICANTS

Each matter was identified by its unique Court File Number.

We determined the industry sector of each applicant using AI-assisted and manual web searches.

Where applicant names, from the Court Portal data, appeared with minor variations, they were grouped under a common label.

Matters were classified as "strata" where the file title included keywords like *body corporate*, *strata plan*, *owners corporation*, or *units plan*.

GEOGRAPHIC CLASSIFICATION

Some entries list a registry location (e.g. Sydney), while others list a state (e.g. NSW). For consistency, we converted all to a state-based identifier.

Strata filings in the Tasmanian Registry related to properties in other states. We used ABN Lookup to identify the actual property location and adjusted the state accordingly in our reporting. (note: this adjustment was only applied to strata cases).

LIMITATIONS

Every effort was made by FCA to ensure data accuracy; however, the Court Portal itself does not guarantee accuracy.

Role identification (e.g. applicant vs. respondent) was inferred from naming conventions and may contain some misclassifications.

This report analyses creditors' petitions only. Whether or not they resulted in a sequestration order was not tracked.

CASE STUDIES

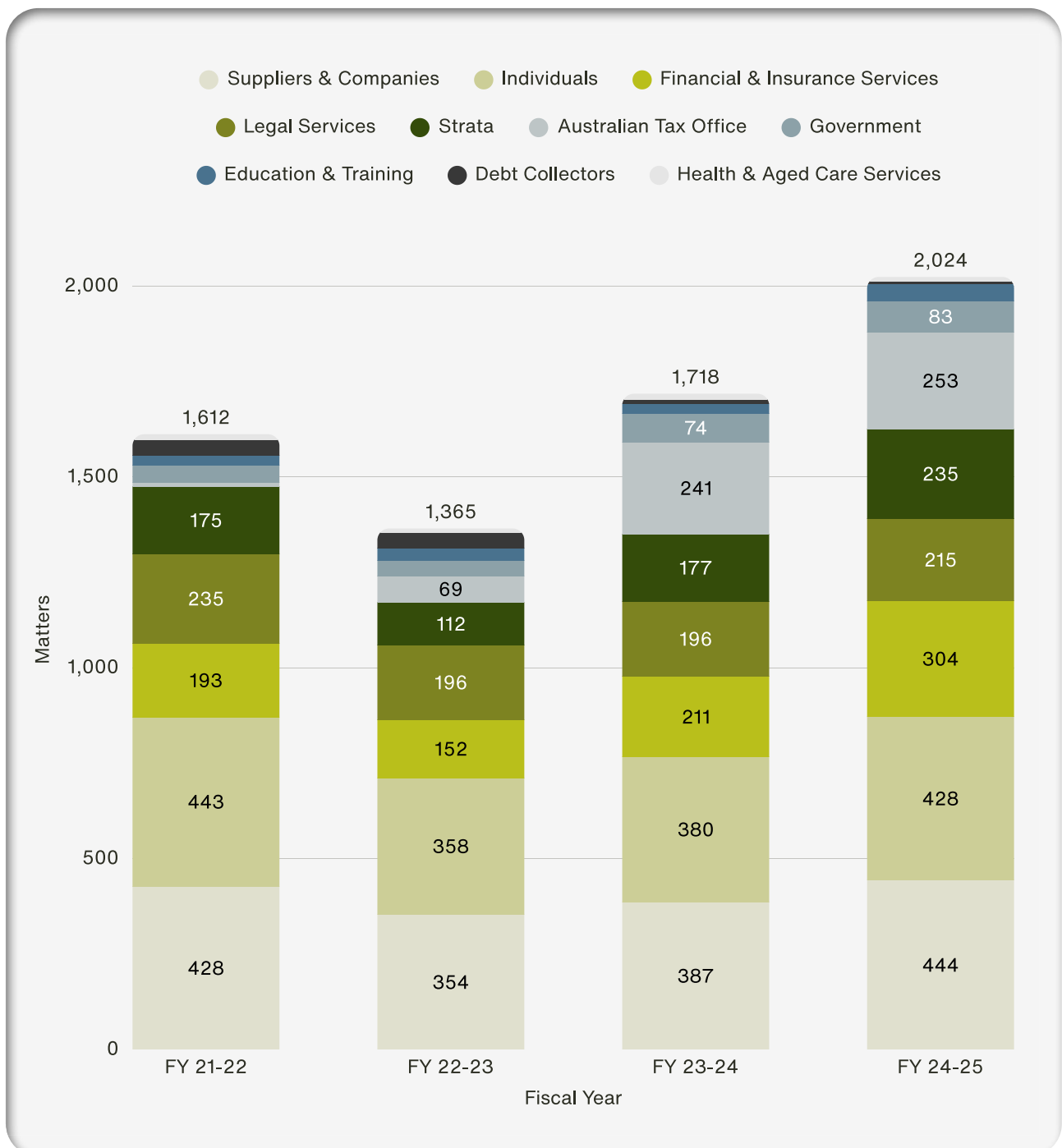
All case studies have been de-identified to protect the privacy of individuals. They were provided by financial counsellors and community lawyers working with people in financial difficulty.

05 SYSTEM-WIDE TRENDS AND INSIGHTS

Looking at who's using the bankruptcy system tells us a lot about where pressure points are building and where things haven't changed much.

TRENDS BY SECTOR

Matters filed in the Bankruptcy list of the Federal Court by industry sector:



NOTE: Detailed data supporting this graph is provided in the Appendix on page 42.

SECTOR	WHO'S INCLUDED	TRENDS & INSIGHTS
Suppliers & companies	Private businesses that supply goods or services pursuing unpaid invoices or debts from individuals that may be small business owners, sole traders, or company directors with personal guarantees.	Filings are relatively stable, averaging 24% of all proceedings over the four years. This group spans a wide range of industries.
Strata	Strata schemes taking action to recover unpaid levies and recovery costs from lot owners (for example an apartment, unit, villa, or townhouse) in the building complex.	In FY 2024-25, strata accounts for 12% of all forced bankruptcy proceedings, on par with the ATO as one of the highest users of forced bankruptcy. Filings have remained high and now exceed pre-pandemic levels despite the doubling of the forced bankruptcy threshold.
ATO	The Australian Tax Office (ATO) pursuing individuals and business owners for unpaid tax debt.	Filings fell during COVID but have since rebounded sharply, making up 13% of all forced bankruptcy proceedings in FY 2024-25.
Legal services	Filings where the applicant is a law firm, legal practitioner, trustee, liquidator or receiver.	Filings are relatively stable, accounting for an average of 13% of all proceedings over the four years. Most filings appear to come from bankruptcy trustees, liquidators, or receivers pursuing funds to increase returns to creditors. A smaller subset may involve law firms chasing unpaid legal fees or cost order. But it's hard to tell for sure from the available data.
Individuals (as applicants)	Individuals, may include sole traders and small business owners, enforcing debts owed to them.	Individuals as applicants are steady users of the system averaging 24% of all proceedings each year. They might be owed money personally, or for work done, or goods supplied, or they might be rent arrears recovered by landlords.
Health & aged care services	Private health providers or aged care facilities seeking to recover unpaid fees for medical, dental or aged care services.	Minor users with numbers remaining low, averaging less than 1% over the past four years.
Government (other than ATO)	State and federal governments and departments, local councils, workers compensation schemes, and regulatory bodies pursuing recovery of overpayments, fines, or compensation debts.	Government accounts for around 4% of all filings annually. While not among the highest users, their actions can still have serious consequences.
Financial & insurance services	Banks, non-bank lenders, finance companies, and insurers recovering unpaid debts from individuals and small and other businesses.	Accounts for a significant share of all filings and rising each year, from 12% in FY 2021-22 to 15% in FY 2024-25. This increase is largely driven by small and other business non-bank lenders and motor vehicle finance companies.
Education & training	Private education providers (e.g. schools, colleges) pursuing unpaid tuition or other fees.	A small but notable share of filings trending upwards, at 2% in FY 2024-25, with activity mainly involving private schools.
Debt collectors	Companies specialising in recovering debts which they have purchased from other organisations.	Since our 2019 report, debt collectors have significantly reduced their reliance on forced bankruptcy as a debt collection tool accounting for a mere 0.2% of proceedings in FY 2024-25.

TRENDS BY STATE

Matters filed in the Bankruptcy list of the Federal Court by state:



NOTE: Detailed data supporting this graph is provided in the Appendix on page 42.

While the number of filings has increased steadily over the last four years, some patterns emerge when you look at different states and territories:

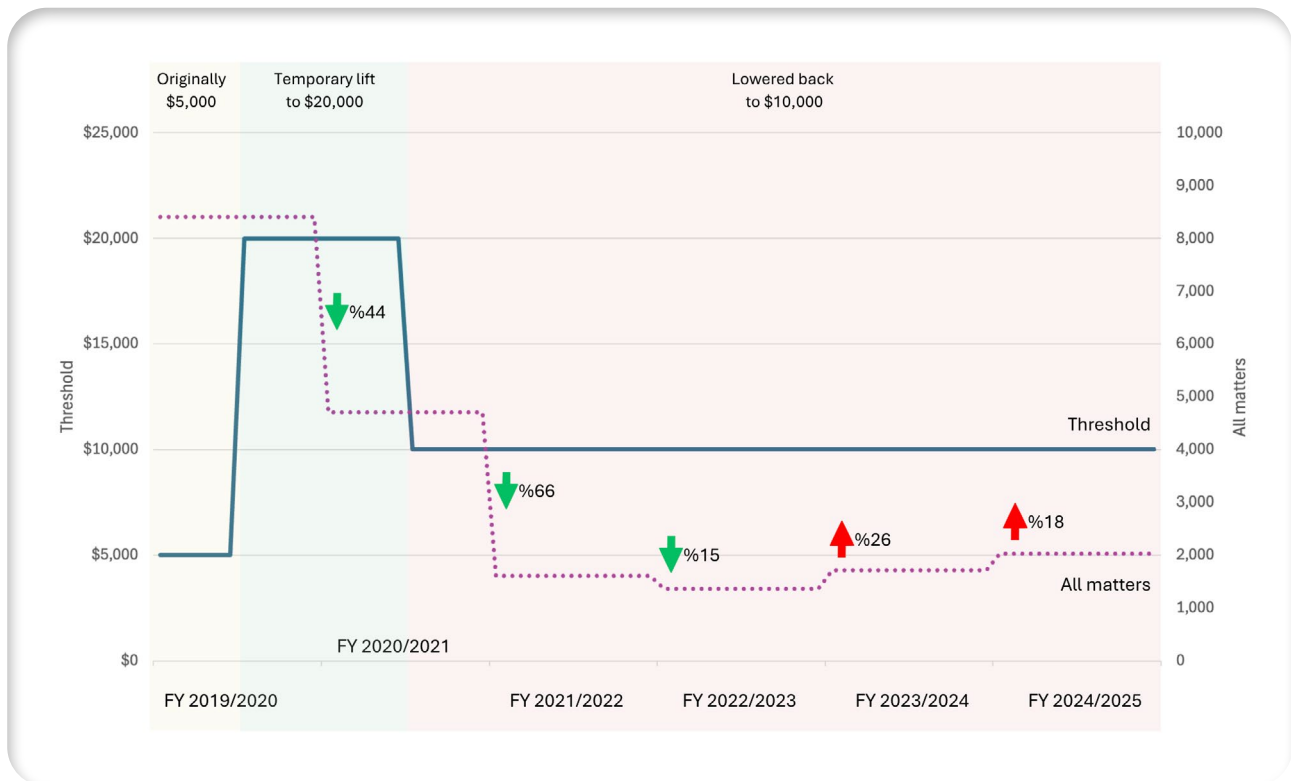
- New South Wales (NSW) continues to top the list, with the highest number of bankruptcy filings every year. In FY 2024–25, it made up nearly half of all filings nationally. This fits with what we're seeing elsewhere in the report, especially the high number of strata debt-related bankruptcies in NSW.
- Victoria (VIC) is next in line and has seen a steady increase in filings over the past few years.
- Queensland (QLD) has remained relatively stable. It contributes a significant share of the national filings, but unlike VIC and NSW, it hasn't seen the same level of growth.
- The ACT stands out in a different way. It has seen a sharp rise in filings recently, especially in FY 2024–25. This growth is linked to strata-debt related forced bankruptcy proceedings - something we explore in more detail later in this report.
- Smaller jurisdictions (WA, SA, TAS and NT) still account for only a small proportion of filings.

IMPACT OF CHANGES TO THE FORCED BANKRUPTCY THRESHOLD

The minimum debt required to initiate forced bankruptcy proceedings, known as the *bankruptcy threshold*, has changed in recent years:

- Before 25 March 2020: the threshold was just \$5,000.
- 25 March 2020 to 31 December 2020: temporarily raised to \$20,000 as part of COVID-19 relief measures.
- From 1 January 2021 onwards: permanently increased to \$10,000.

Here we look at the total number of forced bankruptcy proceedings by fiscal year and how these have likely been impacted by changes to the bankruptcy threshold.

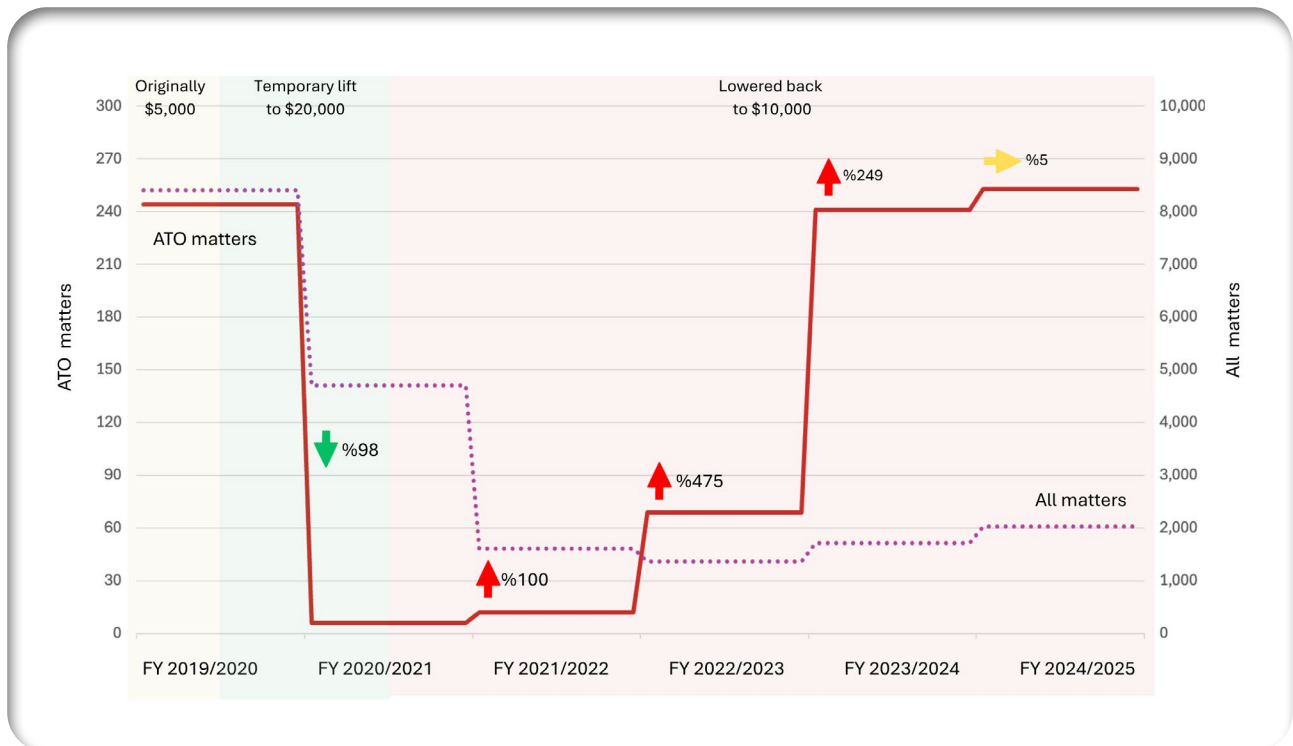


These movements reflect more than one factor:

- In March 2020, the Australian Government temporarily raised the minimum debt required to initiate bankruptcy from \$5,000 to \$20,000, a reform long sought by consumer organisations. This higher threshold significantly reduced the number of debts eligible for bankruptcy proceedings. At the same time, major creditors such as the ATO paused or reduced enforcement activity as part of broader pandemic relief measures.
- When the threshold was permanently reset to \$10,000 in January 2021, filings fell further, pointing to the continuing effect of the higher threshold and the lingering impact of creditor restraint.
- As routine enforcement resumed, bankruptcy applications increased by 26% in FY2023–24 and a further 18% in FY2024–25.
- The pandemic experience suggests that higher thresholds can substantially reduce low-value bankruptcies without undermining legitimate debt recovery, protecting people from losing their homes or businesses over modest debts. However, higher thresholds alone are unlikely to shift enforcement behaviour, especially in sectors lacking hardship frameworks or effective oversight.

The ATO is the single largest creditor in the bankruptcy system, making its enforcement approach highly influential on overall trends.

- During the pandemic (2020-21): The ATO adopted a markedly restrained approach, pausing most bankruptcy proceedings in line with broader government measures to support individuals and businesses. This pause, combined with the temporary \$20,000 threshold, contributed significantly to the sharp fall in filings.
- Post pandemic shift (2022-23): Even after the threshold was lowered to \$10,000, the ATO appears to have resumed proceedings only in limited cases. Filings remained well below pre-pandemic levels
- Return to enforcement (2024 onwards): By mid-to-late 2024, the ATO had increased enforcement activity³, contributing to the steady rise in applications. While the agency has hardship support available, these are not always consistently applied or suited to debtors' needs and capacity to repay. This is particularly significant given that ATO-related bankruptcy matters often impact not just the individual but also small business employees, suppliers, and local communities.



³ <https://www.ato.gov.au/media-centre/addressing-collectable-tax-debt-tax-institute-s-tax-summit-2023>

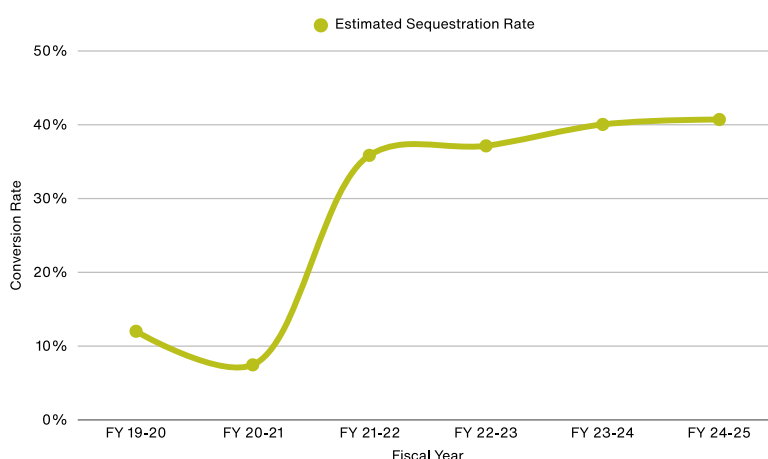
CONVERSION RATES: APPLICATION VERSUS SEQUESTRATION

There is a clear distinction between a creditor's petition (an application in the Federal Court to make someone bankrupt) and a Sequestration Order (when the Court formally declares them bankrupt by force).

Not all creditors' petitions result in sequestration. Some people manage to pay, negotiate a resolution, or get legal help and challenge the debt. Nonetheless, these filings are still a strong indicator of creditor debt enforcement behaviour and how successful they are in bankrupting someone.

In this analysis, we've looked at the conversion rate - that is, how many of these applications result in someone being forcibly made bankrupt. The table below compares total Creditors' Petitions filed in the Federal Court (FCA data), and bankruptcies initiated by Sequestration Orders (AFSA data)⁴.

Fiscal Year	Creditors Petitions filed / forced BR proceedings (FCA data)	Bankruptcies by Sequestration (AFSA data)	Estimated Sequestration rate %
FY 2019-20	8,399	1,009	12%
FY 2020-21	4,704	351	7%
FY 2021-22	1,612	578	36%
FY 2022-23	1,365	507	37%
FY 2023-24	1,718	688	40%
FY 2024-25	2,024	824	41%



The above analysis highlights key trends:

- The proportion of creditors' petitions that result in forced bankruptcy has tripled since FY 2019–20 from 12% to 40%, indicating that forced bankruptcy is now more likely to succeed in 4 out of 10 cases once initiated.
- Creditors are filing fewer petitions overall but may be increasingly targeting cases where recovery is more likely: e.g. where the debtor owns property.
- The rising success rate may also reflect that debtors have fewer resources or options to defend proceedings, negotiate settlements, or pay debts in time. This suggests growing debtor vulnerability and a reduced ability to avoid bankruptcy once the process is underway.
- The overall decline in filings since FY 2019-20 suggests that a narrower pool of creditors is now responsible for a larger share of bankruptcy proceedings. While we can't directly link these to bankruptcy outcomes, this concentration raises concerns that the system is increasingly shaped by the enforcement practices of a few dominant creditor types. This has implications for fairness, proportionality, and regulatory oversight.

⁴ Source for BR by Sequestration Order: AFSA quarterly personal insolvency statistics

<https://www.afsa.gov.au/about-us/statistics-and-insights/monthly-personal-insolvency-statistics>

WHAT NEEDS TO HAPPEN?

The increasing number of forced bankruptcy proceedings suggests that more people may be facing the severe consequences of bankruptcy over relatively modest debts. Experience during the COVID period suggests that a higher threshold and more flexible approaches to debt collection can help prevent this harm.

With filings climbing again, it is time to revisit current settings and safeguards. The existing \$10,000 threshold has not kept pace with the cost and impact of legal action. It sits below the level of many common consumer debts and offers little barrier in small business tax or trade debt matters. A modest increase, alongside other targeted reforms, would help ensure bankruptcy is used appropriately and not as a routine enforcement tool.

RECOMMENDATION 1

Urgently implement bankruptcy reforms announced 8 July 2024

- Raising the forced bankruptcy threshold permanently to \$20,000 and indexed annually. This would provide more meaningful protection, ensuring bankruptcy is reserved for genuinely serious insolvency matters rather than being used as a routine debt collection tool.
- Extending the Bankruptcy Notice period from 21 days to 28 days. This will give individuals a realistic opportunity to seek advice, understand their options, and take action to respond before the creditor escalates the matter by filing a Creditor's Petition to initiate forced bankruptcy proceedings.
- Removing the proposal, or acceptance, of a debt agreement as an act of bankruptcy.
- Reducing the period a discharged bankruptcy is publicly recorded on the National Personal Insolvency Index (NPII) from it being a permanent record to being seven years following discharge from bankruptcy.

RECOMMENDATION 2

Introduce a Minimal Asset Procedure

- Introduce a Minimal Asset Procedure as a safer, lower-cost alternative to voluntary bankruptcy, providing a pathway for debtors experiencing vulnerability to re-set and move on voluntarily from unmanageable debt.



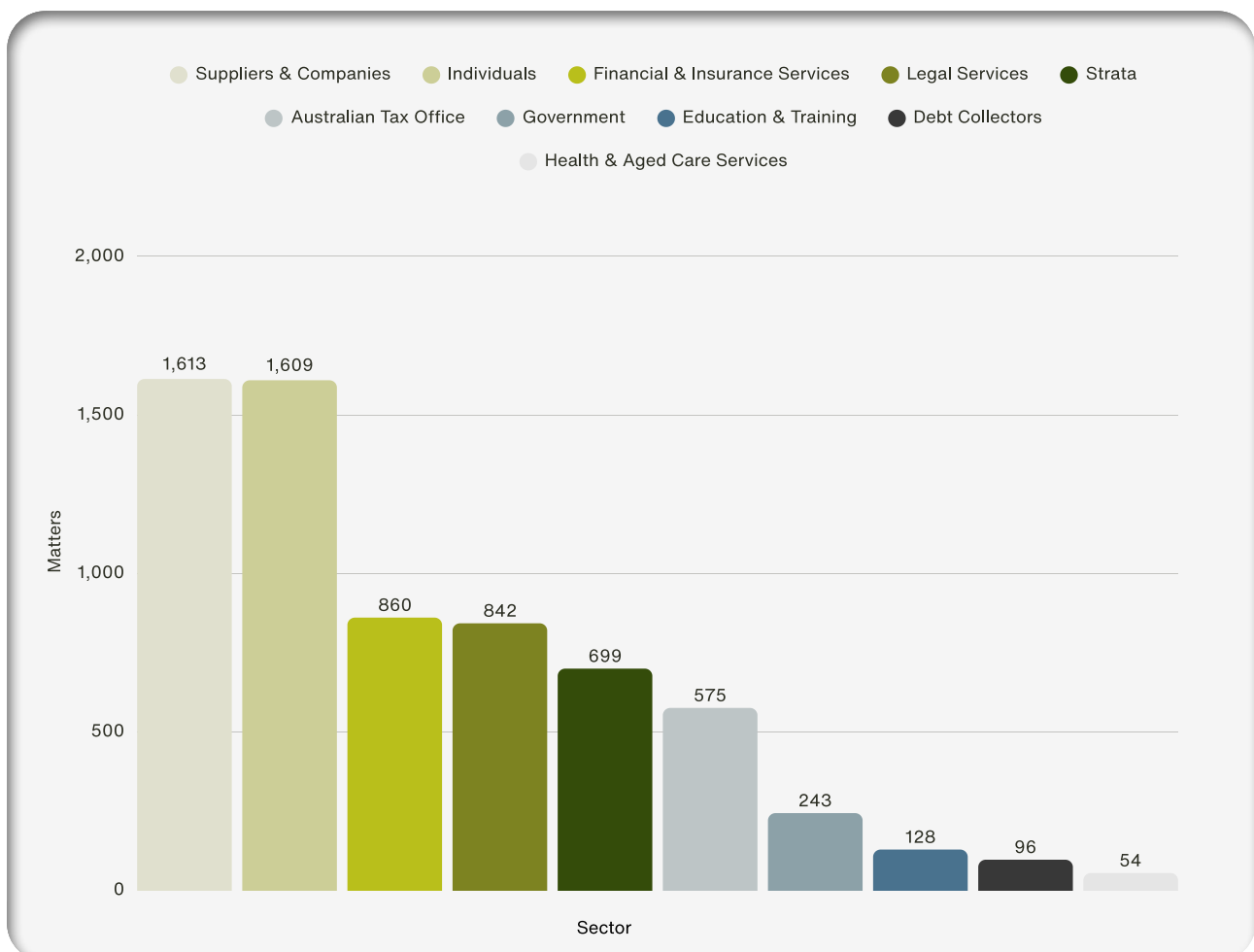
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SECTOR-BY-SECTOR SNAPSHOT

While the overall trends provide a broad picture of how forced bankruptcy is being used, a closer look by sector reveals where the biggest risks and problem areas lie. Some sectors appear to be consistently using bankruptcy as part of their debt recovery strategy, while others have emerged as new players since our 2019 report.

SECTOR-BY-SECTOR

Matters filed in the Bankruptcy list of the Federal Court by sector over the period 1 July 2021 to 30 June 2025:



This section focuses on five key areas:

1. **Debt collectors** - previously a dominant driver, still important but changing in profile.
2. **Australian Taxation Office** - consistently the most frequent single organisation initiating bankruptcies.
3. **Financial and insurance services** - accounts for a significant and rising share, each largely driven by non-bank business lenders and motor vehicle financiers.
4. **Strata** - schemes enforcing strata levy debts, prominent in NSW, VIC and the ACT.
5. **Other sectors of interest** - including suppliers and companies, education (particularly private schools), and government.

Each sector has its own story but together these snapshots provide a clearer picture of what is happening and where consumer protections are falling short.

DEBT COLLECTORS

Our 2019 report identified that debt collectors were among the most frequent users of forced bankruptcy. This placed them at the aggressive end of the enforcement spectrum and made them a significant driver of overall bankruptcy applications.

High-use collectors often pursued bankruptcy over relatively modest debts, with added legal fees inflating the amounts owed and, in many cases, leading to the forced sale of people's homes. These practices often occurred at arm's length from the original lender. The lack of industry-wide standards or binding limits meant this small group could continue to initiate bankruptcies as a matter of choice, producing inconsistent and often devastating outcomes for vulnerable debtors.

We raised concerns about:

- The appropriateness of using bankruptcy to recover purchased debts, including relatively small debts that could otherwise be managed through hardship or repayment arrangements.
- The need for reform to prevent aggressive enforcement by debt buyers, including increasing the forced bankruptcy threshold.
- The responsibility of debt sellers (the original creditors) to engage only ethical debt collectors and maintain oversight and control of their use of court processes.

Matters filed in the Bankruptcy list of the Federal Court by debt collectors

Debt Collectors	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
CCC Financial Solutions	14	5	1	1	21	22%
Credit Four*		21	1		22	23%
Ledger Aquisitions		8	3	2	13	14%
Executive Credit Services Pty Ltd	6				12	13%
Axess Debt Management	8	2	4		11	11%
Zurich Capital & Finance	11	3			11	11%
Complete Credit Acquisitions				2	2	2%
Nationwide Mercantile	2				2	2%
Access Capital Finance Pty Ltd		1			1	1%
Profcoll Pty Ltd			1		1	1%
Total Matters	41	40	10	5	96	100%
As a % of ALL forced bankruptcy matters	2.5%	2.9%	0.6%	0.2%		

*Credit Four entered voluntary administration in April 2021.

Since our 2019 report, debt collectors have dramatically reduced their use of forced bankruptcy.

- Back in FY 2018–19, debt collectors were responsible for hundreds of bankruptcies each year. Lion Finance alone filed 512 petitions, and the top three collectors initiated over 560 proceedings in total.
- By contrast, in FY 2024–25, just five creditor's petitions were filed by debt collectors. The largest filer across the four-year period, CCC Financial Solutions, has significantly scaled back its activity.
- This marks a substantial and sustained shift in the sector's approach and suggests a growing willingness to act more responsibly in the wake of public scrutiny and sector pressure.

⁵ For this report, we use the term "debt collector" to describe a company that has purchased a debt from the original creditor (for example, a bank or telecommunications provider). Once a debt has been purchased, the debt collector becomes the legal owner with the right to collect and enforce the debt, including initiating forced bankruptcy proceedings, in their own name.

“WHERE ARE THEY NOW?” | LION FINANCE

In our 2019 report we identified Lion Finance as the most prolific user of forced bankruptcy proceedings to recover purchased debts – filing more than 20 times as many applications as other debt collectors of similar scale, with a sustained year-on-year increase in filings.

Following our 2019 Report

- Financial institutions and other creditors stopped or threatened to stop using Lion Finance and Collection House (Lion’s parent company) because they did not want to be associated with such poor practices.
- Lion Finance ceased filing creditors’ petitions for debts below \$20,000⁶.
- Collection House entered voluntary administration amid financial difficulties following changes to their debt collection practices⁷.
- The Lion Finance debt portfolio was sold to Credit Corp, which has not undertaken any bankruptcy proceedings since our last report.

NEW & EMERGING ISSUES: THE ROLE OF DEBT SELLERS IN RESPONSIBLE DEBT RECOVERY

When a debt is sold, the original creditor (debt seller) can specify conditions about how the debt is managed, and many creditors do this. Sale contracts between creditors and debt collectors are private, and terms can vary significantly, but they often include provisions about acceptable collection practices, hardship considerations, and buy-back requirements if specific conditions are breached.

For example, a debt collector may require the creditor to buy back the debt if it is discovered that the debtor is in severe hardship or if the debt is disputed in ways such as unsuitable lending that were not disclosed at sale. Conversely, creditors can and should use these agreements to set clear boundaries on enforcement, including when and how forced bankruptcy can be used.

The original creditor retains an important role in ensuring that debts are not collected through overly aggressive or harmful enforcement practices once sold. Creditors can, and should, take steps to ensure they only sell debts to collectors with strong financial hardship policies, and that forced bankruptcy is used only as a last resort.

Recent developments have highlighted this responsibility:

- ASIC’s **REP 782** “Hardship, hard to get help” (2023) emphasised the need for improved hardship practices across the industry, finding that many consumers in financial hardship face barriers to getting help, including after debts are sold. This underscores the need for creditors to work only with debt collectors who are committed to fair hardship practices.
- The new **Banking Code of Practice 2025** has strengthened protections for individuals and small businesses. Not only do member banks agree to comply with the **ACCC/ASIC Debt Collection Guideline: for Collectors and Creditors**, they also commit to additional responsibilities when they sell a debt to a debt collector, including to:
 - o only choose a debt collector that has agreed to comply with the bank’s customer hardship and collection guidelines;
 - o have processes in place to monitor the debt collectors’ actions;
 - o require the debt collector to consult with the bank before commencing bankruptcy proceedings to recover an unsecured debt.
- These Banking Code obligations are now also mandatory reporting requirements in the BCCC’s biannual compliance reporting, ensuring accountability and visibility of bank practices in debt sales.

WHAT NEEDS TO HAPPEN?

Creditors are not passive actors once a debt is sold. By setting and monitoring conditions of sale, creditors can prevent unnecessary or inappropriate use of forced bankruptcy and ensure debt recovery is conducted fairly, balancing the need to recover debts with the rights and wellbeing of consumers in financial hardship.

Creditors need to remain vigilant. Those who fail to do these things may end up contributing to harmful outcomes for individuals and increasing systemic misuse of bankruptcy as a collection tool.

⁶ <https://www.abc.net.au/news/2019-11-19/australian-banks-change-rules-around-selling-debt-to-collectors/11705240>

⁷ <https://www.bankingday.com/collection-house-pushed-debtors-into-bankruptcy-now-tables-have-turned>

AUSTRALIAN TAXATION OFFICE (ATO)

Our 2019 report highlighted the ATO as the single largest user of creditor-initiated bankruptcy in Australia, although its use had been declining sharply - from 1,215 applications in 2015–16 to 543 in 2018–19.

While the ATO paused almost all bankruptcy proceedings during the COVID-19 relief period, this was short-lived. The ATO has steadily increased bankruptcy activity since FY 2021–22, reaching 253, or 13% of total forced bankruptcy proceedings in FY 2024–25, surpassing pre-pandemic levels of 244 in FY 2019–20, even with a doubled bankruptcy threshold of \$10,000.

This return to a more BAU posture, in addition to concerns about the availability and suitability of ATO debt relief⁸, raises concerns that forced bankruptcy is not being used by the ATO as a genuine last resort to resolve tax debts.

Matters filed in the Bankruptcy list of the Federal Court by the ATO

Australian Tax Office	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs
Total matters filed by the ATO	12	69	241	253	575
As a % of ALL forced bankruptcy matters	1%	5%	14%	13%	

CASE STUDY DEVAN'S STORY

Devan, a financial counselling client with a \$140,000 tax debt including over \$50,000 in interest, contacted the ATO to negotiate a repayment arrangement. He offered \$1,200 per fortnight, a realistic and sustainable amount based on his financial position. The ATO rejected the offer, stating the minimum repayment they would accept was \$2,000 to \$2,500 per fortnight.

Devan had made a mistake in his initial Statement of Financial position to the ATO, where he unintentionally overstated his assets. Despite a financial counsellor later submitting corrected information and clarifying the error, the ATO did not adjust its offer and continued to argue that Devan could sell or borrow against assets that were not actually available.

The ATO advised that unless Devan met the higher repayment amount, the debt would be sent to external collectors and potentially escalated to bankruptcy proceedings.

Devan now faces the risk of forced bankruptcy and financial stress despite being willing and able to repay a significant portion of the debt.

Source: Financial Counselling Australia, 2025

⁸ <https://www.financialcounsellingaustralia.org.au/fca-content/uploads/2025/07/Joint-financial-counselling-sector-submission-ATO-Vulnerability-Framework.pdf>

NEW & EMERGING ISSUES: ATO DEBT AND SMALL BUSINESS

Bankruptcy in Australia is always a personal process. Companies cannot be made bankrupt, yet a significant share of ATO initiated bankruptcies are likely to arise from debts originally incurred in a small business context.

Over 65% of the ATO's \$55.9 billion in collectible debt is owed by small businesses, much of it undisputed.⁹ Small business debts to the ATO tend to be more sizable than personal tax debts. For context, the median size of the ATO debt for small business owners seeking support from the Small Business Debt helpline in 2025 was \$70,000.

The common pathway from small business ATO debt to personal bankruptcy involves issuing Director Penalty Notices (DPNs), which make company directors personally liable for certain company tax debts, including PAYG withholding, GST, and superannuation guarantee charges. If a DPN is not complied with, the debt becomes enforceable against the individual director. There are ongoing concerns about how the DPN regime operates, particularly when it affects victim-survivors of financial abuse who are dealing with coerced tax debts.¹⁰

WHAT NEEDS TO HAPPEN?

In our 2019 report we recommended the ATO take steps to limit its use of bankruptcy as a debt recovery tool, improve its hardship engagement processes, and strengthen protections for vulnerable taxpayers.

The ATO has taken some steps to improve its response to people in financial difficulty, but problems remain. Relief is still applied too narrowly, repayment options are often unrealistic, and decision-making transparency is limited. As one of the most frequent users of bankruptcy, the ATO's approach has a major impact on small business owners and individuals alike.

Ensuring better hardship practices and that bankruptcy is only used by the ATO as a true last resort will require further changes.

RECOMMENDATION 3

Require fairer ATO debt recovery processes

- The ATO should be required to assess individual circumstances, including vulnerability, and offer affordable, reasonable repayment plans. This would help ensure that any enforcement action, including forced bankruptcy, is proportionate and genuinely a last resort.



⁹ <https://www.abc.net.au/news/2025-08-02/ato-debt-recovery-sees-calls-to-national-debt-helpline-spike/105590112>

¹⁰ <https://www.igt.gov.au/wp-content/uploads/2025/04/Report-into-the-identification-and-management-of-financial-abuse-within-the-tax-system.pdf>

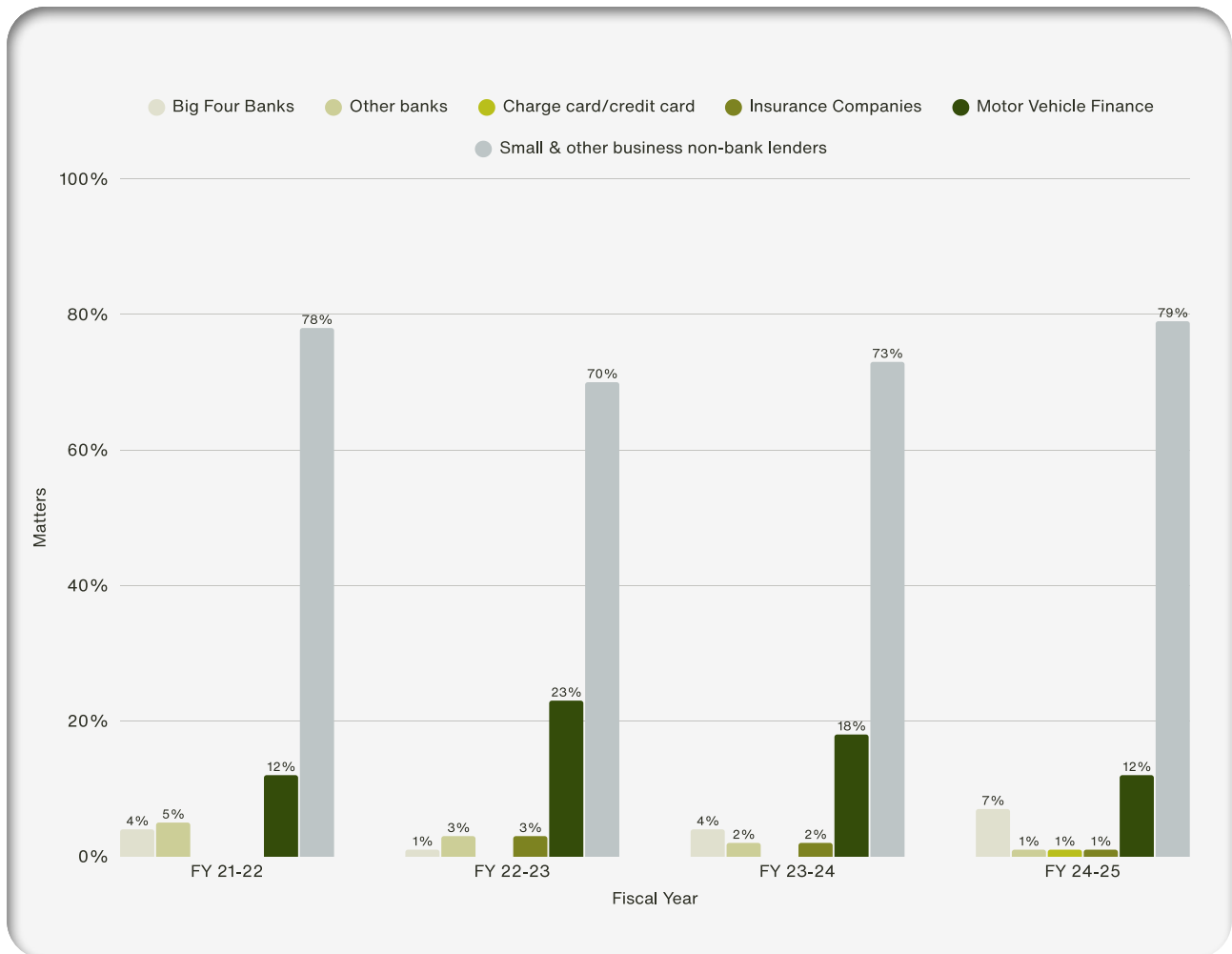
FINANCIAL AND INSURANCE SERVICES

In FY 2024-25, 15% of all forced bankruptcy proceedings were in the financial and insurance services creditor category. This is compared with 13% for the ATO for the same period.

The profile of which creditors in this category are using forced bankruptcy has shifted substantially since our report in 2019.

In 2019, the most active petitioners were American Express, certain smaller banks such as Bendigo and Adelaide Bank, and BMW Finance. By 2025, these players have largely stepped back (See “Where are they now?” AMEX), while non-bank business lenders and motor vehicle finance companies have emerged as dominant users of the bankruptcy system.

Matters filed in the Bankruptcy list of the Federal Court by financial and insurance companies



THE BIG FOUR BANKS

Matters filed in the Bankruptcy list of the Federal Court by the big four banks

Big Four Banks	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
CBA	2		8	13	23	59%
Westpac	5			3	8	21%
ANZ	1	1	1	3	6	15%
NAB		1		1	2	5%
Total matters	8	2	9	20	39	100%
As a % of ALL Financial & Insurance Services matters	4%	1%	4%	7%		

The Big Four banks have continued to step back from using forced bankruptcy, making up just 7% of filings in the financial & insurance services category in FY 2024–25— a clear continuation of the downward trend we saw in our 2019 report.

The CBA figures may reflect its position as the largest lender by market share; however, the increase in the number of forced bankruptcies it has initiated over the past two financial years is concerning.

OTHER BANKS

Matters filed in the Bankruptcy list of the Federal Court by other banks

Other banks	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
Bendigo and Adelaide Bank	2	1	3		6	26%
Judo Bank	2		1	3	6	26%
Macquarie Bank	2	2	1		5	22%
Gateway Bank	2	2			4	17%
Bank of New Zealand	1				1	4%
Australian Central credit Union	1				1	4%
Total Matters	10	5	5	3	23	100%
As a % of ALL Financial & Insurance Services matters	5%	3%	2%	1%		

In our 2019 report we highlighted that Bendigo and Adelaide Bank were using bankruptcy at a higher rate than other similar-sized institutions. Pleasingly, along with other smaller banks, their use has since dropped sharply. However, Judo Bank stands out as the exception. Despite being much smaller than Bendigo and Adelaide Bank, with around one-seventh the value of total resident loans and financial leases¹¹, it was the only bank in this category to initiate bankruptcy proceedings in FY2024-25.

¹¹ APRA, Monthly Authorised Deposit-taking Institution Statistics September 2025, Table 2 Loans and finance leases on Australian books of selected individual ADIs <https://www.apra.gov.au/statistics>

“WHERE ARE THEY NOW?” | AMEX

In our 2019 report American Express (AMEX) was identified as one of the top petitioning financial service providers using forced bankruptcy proceedings to recover unpaid credit card debts.

In the 2018-19 financial year alone, AMEX applied to make 119 people bankrupt, more than 10 times the number made bankrupt by the Big Four banks combined.

Matters filed in the Bankruptcy list of the Federal Court by AMEX

Charge card/credit card	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
American Express				3	3	100%
Total matters	0	0	0	3	3	100%
As a % of ALL Financial & Insurance Services matters	0%	0%	0%	1%		

Following our report, and increased scrutiny, the number of applications by AMEX dropped by nearly 70% to 39 in 2019-20 financial year with no applications until 2024-25 where 3 applications were made.

The above results align with broader regulated credit sector trends and expectations for improved hardship practices: i.e. a greater willingness to engage in hardship arrangements and negotiate repayment plans, rather than using bankruptcy proceedings.

INSURANCE COMPANIES

When insurance companies initiate forced bankruptcy proceedings, it's typically to recover costs from an uninsured person. For example, if the insurer has compensated their policyholder for vehicle damage or injury, they may seek to recover those costs - including repairs, towing, medical expenses, and legal fees - from the at-fault, uninsured driver. If the person is unable or unwilling to pay, the insurer may pursue bankruptcy as a last resort to recover the debt.

Matters filed in the Bankruptcy list of the Federal Court by insurers

Other banks	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
QBE Insurance		2	2	2	6	46%
AAI Insurance		1	1		2	15%
LawCover Insurance			2		2	15%
Lexon Insurance				2	2	15%
Insurance Australia Group		1			1	8%
Total Matters	0	4	5	4	13	100%
As a % of ALL Financial & Insurance Services matters	0%	3%	2%	1%		

The number of applications to make people bankrupt by insurers remains consistently low.

MOTOR VEHICLE FINANCE

Motor vehicle finance loans are secured against the vehicle being purchased.

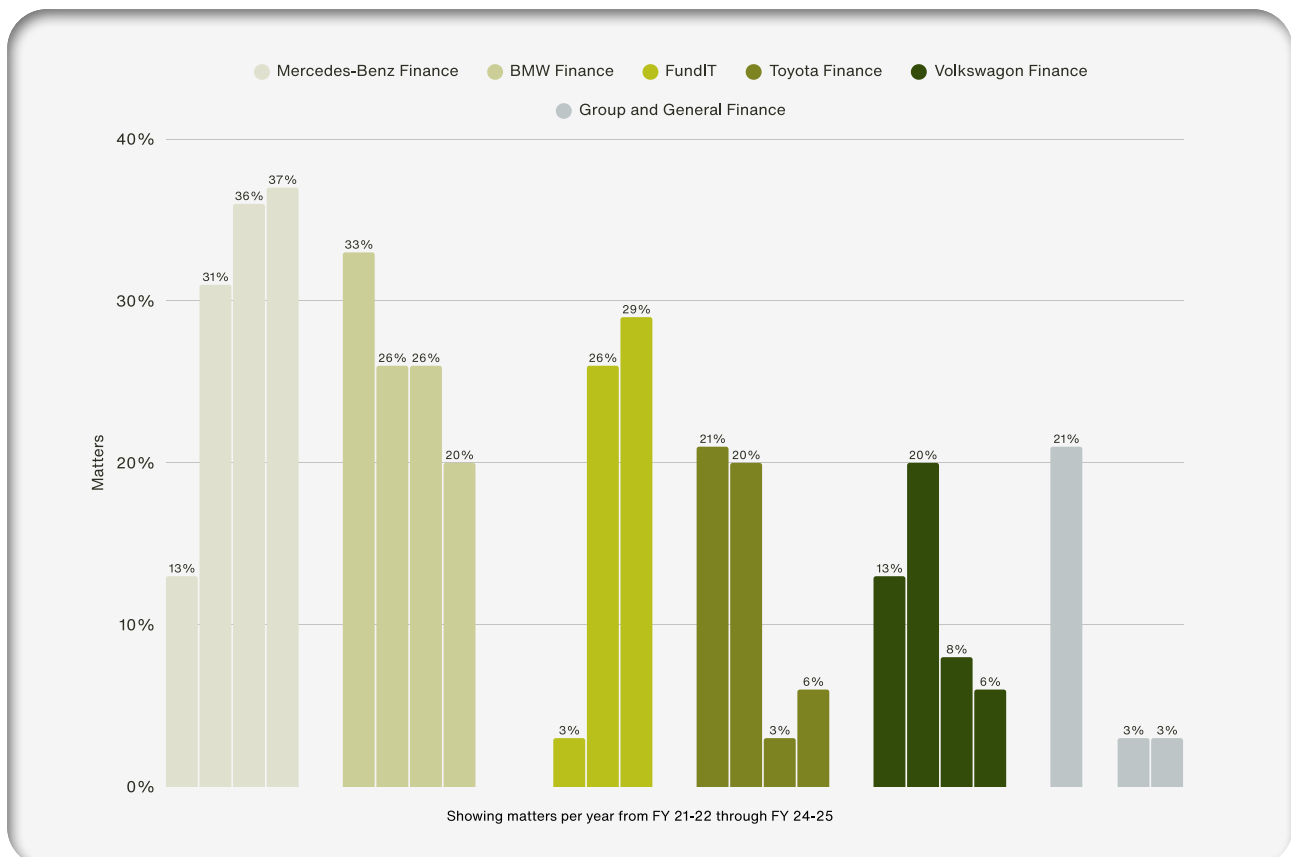
When someone defaults on their car loan, the lender can repossess the car, sell it, and use the proceeds (minus enforcement and sale costs) to recover the debt. But in many cases, the sale doesn't cover the full amount owed, leaving the borrower with a shortfall debt they still have to repay.

Matters filed in the Bankruptcy list of the Federal Court by lenders specialising in motor vehicle finance

Motor Vehicle Finance	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
Mercedes-Benz Finance	3	11	14	13	41	31%
BMW Finance	8	9	10	7	34	26%
FundIT		1	10	10	21	16%
Toyota Finance	5	7	1	2	15	11%
Volkswagon Finance	3	7	3	2	15	11%
Group and General Finance	5		1	1	7	5%
Total Matters	24	35	39	35	133	100%
As a % of ALL Financial & Insurance Services matters	12%	23%	18%	12%		

Motor vehicle finance companies now account for 12% of all forced bankruptcy proceedings in the financial & insurance services category - more than banks, finance and insurance companies combined.

Matters filed by motor vehicle finance companies – trends by % share



- Mercedes-Benz Finance significantly outstrips other motor vehicle finance providers in the use of bankruptcy and continues to increase its use of this method of debt recovery.
- While the number of filings by BMW Finance has dropped since our 2019 report, they also remain a regular user of bankruptcy. FundIT, a newer entrant to the motor vehicle finance market, has emerged as a significant user in the past two years.
- Toyota Finance and Volkswagen Finance use remains consistently low.

Most lenders in this category - including BMW, Mercedes-Benz, Toyota, Volkswagen, and Fundit - offer finance for both consumer and business vehicle purchases, whereas Group and General Finance only provides business lending. As a result, it is not possible to determine whether individual bankruptcy proceedings relate to personal or business debts.

NEW & EMERGING ISSUES: MISSED OPPORTUNITIES AND ENFORCEMENT RISKS

Under current consumer credit laws, once a 30-day default notice expires, lenders can immediately repossess a vehicle with no further warning. The ASIC Form 14 notice, which includes information about hardship, dispute resolution and free support services like the National Debt Helpline (NDH), is only provided after repossession.

This means many people are blindsided, with little time or support to avoid repossession, let alone prevent a shortfall debt or later bankruptcy. It's a missed opportunity for early intervention.

The use of forced bankruptcy to recover motor vehicle shortfall debts also raises a number of red flags:

- Was the original loan affordable? Did it include an unrealistic balloon payment?
- Were enforcement and sale costs so high they wiped out most of the sale proceeds, increasing the borrower's shortfall debt?
- Were borrowers given a fair chance to resolve the default before repossession occurred?

Importantly, there is a regulatory gap for business-purpose vehicle loans. These loans are not covered by Australian Credit Law, meaning small business borrowers have no guaranteed hardship rights, no repossession safeguards, and no access to AFCA. This leaves them far more exposed to aggressive enforcement and the risk of forced bankruptcy than owners of personal use vehicles.

WHAT NEEDS TO HAPPEN?

The continued use of forced bankruptcy by some motor vehicle lenders highlights the need for stronger regulatory oversight, better consumer information, and clearer standards around post-repossession conduct.

RECOMMENDATION 4

Expand hardship and debt enforcement standards of motor vehicle finance lenders

- Introduce a requirement for creditors to issue a 21-day pre-repossession notice after default (and before seizing the vehicle), clearly outlining the consumer's rights, hardship options, access to dispute resolution and free support such as the NDH — to ensure people have a fair chance to resolve the issue before costly enforcement begins.
- Introduce clear standards such as an ASIC regulatory guide, for post-repossession conduct, including a reasonableness requirement on enforcement and sale costs to prevent excessive erosion of value once repossession has occurred.
- Require lenders to provide upfront transparency about balloon payments and assess their realism in affordability checks.



SMALL AND OTHER BUSINESS NON-BANK LENDERS

Small and other business non-bank lenders play a growing role in Australia's credit landscape. Often operating online and offering fast approvals, these lenders provide cash flow finance, invoice factoring, and other short-term credit to sole traders, SMEs, farmers and other businesses.

For our analysis, each lender in this category that initiated two or more proceedings was individually verified from their website to confirm they were a non-bank entity offering credit for business purposes. In doing this, we found that a large portion of these lenders market their products specifically to sole traders and small businesses.

In FY 2024–25, small and other business non-bank lenders were responsible for nearly 80% of all forced bankruptcy proceedings within the financial & insurance services category. That's nearly eight times the combined filings by banks, finance and insurance companies (10%).

Small and other business non-bank lenders are now on par with the ATO as one of the biggest drivers of forced bankruptcy in Australia, responsible for around 12% of all cases in FY 2024–25. That means these largely unregulated lenders are wielding the same enforcement power as the nation's tax authority but with far fewer checks and balances.

Matters filed in the Bankruptcy list of the Federal Court by small and other business non-bank lenders:

Small & other business non-bank lenders	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
BIZFUND	15	29	45	64	153	24%
Flexicommercial	3		3	53	59	9%
TimberCorp Finance	10	12	3	4	29	4%
Metro Finance	11		4	8	23	4%
Scottish Pacific Finance	3	4	4	12	23	4%
Dynamoney (incl Grow Funding)	8		4	9	21	3%
Lumi Finance	1		1	17	19	3%
De Lage Landen	4	7	3	2	16	2%
FirstMac Asset Funding	2	3	9		14	2%
Leasewise Australia	4	1	2	3	10	2%
Marketlend	2	2	6		10	2%
SkyeCap				9	9	1%
Sub-Total	63	58	84	181	386	59%
Other matters	88	48	69	58	263	41%
Total Matters	151	106	153	239	649	100%
As a % of ALL Financial & Insurance Services matters	78%	70%	73%	79%		

NOTE: Lenders with fewer than 9 filings across the period have been grouped into "Other matters" to focus on the main players.

Across the four years there were 221 different non-bank lenders taking action, indicating a proliferation of lenders in this highly unregulated sector.

In FY 2024–25, a striking 76% of proceedings in this category were initiated by just 10 applicants, notably, BizFund, Flexicommercial, Scottish Pacific, Lumi Finance and SkyCap making up the lion's share.

- BizFund (also trading as TruCap and BizFund Aus) dominates this category, providing “*business loans of \$5K to \$1M without performing up-front credit checks.*”¹² Its filings have increased sharply year-on-year — from 9% of filings in FY 2021–22 to 27% in FY 2024–25. Over the past four years, BizFund initiated more than three (3) times the number of bankruptcy proceedings than the Big Four banks combined.
- Flexicommercial, a subsidiary of Humm Group, filed 53 bankruptcy applications in FY 2024–25. That’s a staggering 1,667% increase on the previous year. Flexicommercial provides business asset finance through brokers and say that they “... *work with our brokers to get deals approved that other lenders deem too hard.*”¹³
- Scottish Pacific describes itself as the “*largest non-bank business lender in Australia,*” offering invoice finance, trade finance, and asset-based lending. Its filings also increased in FY 2024–25, with 12 matters, up from 4 in each of the previous two years.
- Lumi markets fast business loans up to \$500,000 with minimal documentation and same-day approval. Lumi, which previously had no filings, has become a regular user in recent years with 9 bankruptcy matters in FY 2024–25, double the previous year.
- SkyeCap is a relatively new entrant in the online SME lending space. Their website states a “*90% approval rate, \$5,000 to \$100,000 fast loans, in less than 2 hours to funding.*”¹⁴ FY2024–25 was the first time SkyeCap used forced bankruptcy proceedings filing 9 matters.
- BNPL and invoice-advance style products are emerging in this space. Lenders such as EarlyPay, DelayPay, and LimePay are beginning to appear in bankruptcy data — pointing to an evolving business lending model where repayment is linked to future invoices or instalment terms.

NEW & EMERGING ISSUES: GAPS IN LENDING PROTECTIONS FOR SMALL BUSINESSES

FY 2024–25 recorded the highest number of filings by small and other business non-bank lenders across the four-year period, representing a 56% increase compared with the previous year. The apparent reliance on forced bankruptcy as an enforcement tool by these lenders is increasing at a concerning rate, especially among online lenders and newer entrants.

That’s worrying, especially given that these business lenders aren’t covered by Australian Credit Law and most don’t follow an enforceable industry code such as the Banking Code of Practice.

This means there’s often no obligation to consider hardship, no clear complaints process, no transparency around enforcement, and no access to AFCA for binding independent dispute resolution.

This regulatory gap leaves small business borrowers with little or no protection when things go wrong, particularly where the business is informal or intertwined with personal finances.

Borrowers can be left with unaffordable debts, often secured against their family home, and with no pathway to hardship relief, dispute resolution, or basic consumer safeguards, leaving them far more exposed to aggressive enforcement and the risk of forced bankruptcy.

CASE STUDY GARY’S STORY

A self-employed tradesperson, Gary sought \$15,000 to cover short-term cashflow issues — \$10,000 in mortgage arrears and \$5,000 owed to suppliers — after COVID-related disruptions and rising costs left him temporarily unable to trade.

He contacted an online broker, explaining the funds were needed for both personal and business purposes. The broker recommended only one lender — a non-bank business lender — who ‘upsold’ and approved a \$30,000 business loan, secured by a second mortgage over his home.

The lender paid the majority of the borrowed funds to Gary’s mortgage and council rates, even though the loan was classified as a business product. The contract included a clause stating that if he fell behind on these obligations, it would trigger a default under the business loan.

Despite being in clear financial distress and disclosing his mortgage arrears, Gary was not assessed for capacity to meet the terms of the new loan. He defaulted less than three weeks after settlement.

Over time, unaffordable default fees, penalty charges, and legal costs caused the debt to balloon from \$30,000 to over \$74,000. The lender obtained a court order for possession of the Gary’s home.

Gary, who had little understanding of the contract or its risks, later reflected:

“The stress of this made me lose my job. I’m now looking for full-time work so we can find somewhere to rent. The only good news is that I don’t have to deal with that lender anymore.”

Source: Small Business Debt Helpline, 2025

¹² <https://www.bizfund.com.au/> ¹³ <https://www.flexicommercial.com/au/> ¹⁴ <https://skycap.com.au/>

WHAT NEEDS TO HAPPEN?

Small business borrowers who take out loans from non-bank lenders lack access to basic legally enforceable safeguards. This creates serious risks, especially where personal guarantees are involved. Further, recent Federal Court findings suggest business loans are not always being provided for business purposes.¹⁵

Gary's story highlights the lack of lending obligations for business-purpose loans, even when the funds are clearly for both personal and business needs. Without these protections, borrowers can be left with unaffordable repayments, opaque terms, punitive default fees, and ultimately the loss of their homes. It underscores the urgent need for stronger regulation of non-bank small business lending, particularly when the lines between personal and business finance are blurred.

RECOMMENDATION 5

Small business owners are among the most exposed in bankruptcy proceedings. To address gaps in protections, action is needed to regulate harmful practices in small business lending, including the overuse of forced bankruptcy proceedings. One effective approach could be a licensing or registration scheme to bring small business non-bank lenders into line with basic community standards. Key safeguards could include

- Mandatory policies for all lenders offering loans to small businesses, covering financial hardship, complaints, and domestic and family violence.
- Clear, upfront disclosure of key loan terms, costs, and default consequences.
- Compulsory membership of the Australian Financial Complaints Authority (AFCA), ensuring small business borrowers have a clear and fair complaints process.
- Basic suitability or appropriate lending checks to ensure people aren't borrowing more than they have capacity to repay.



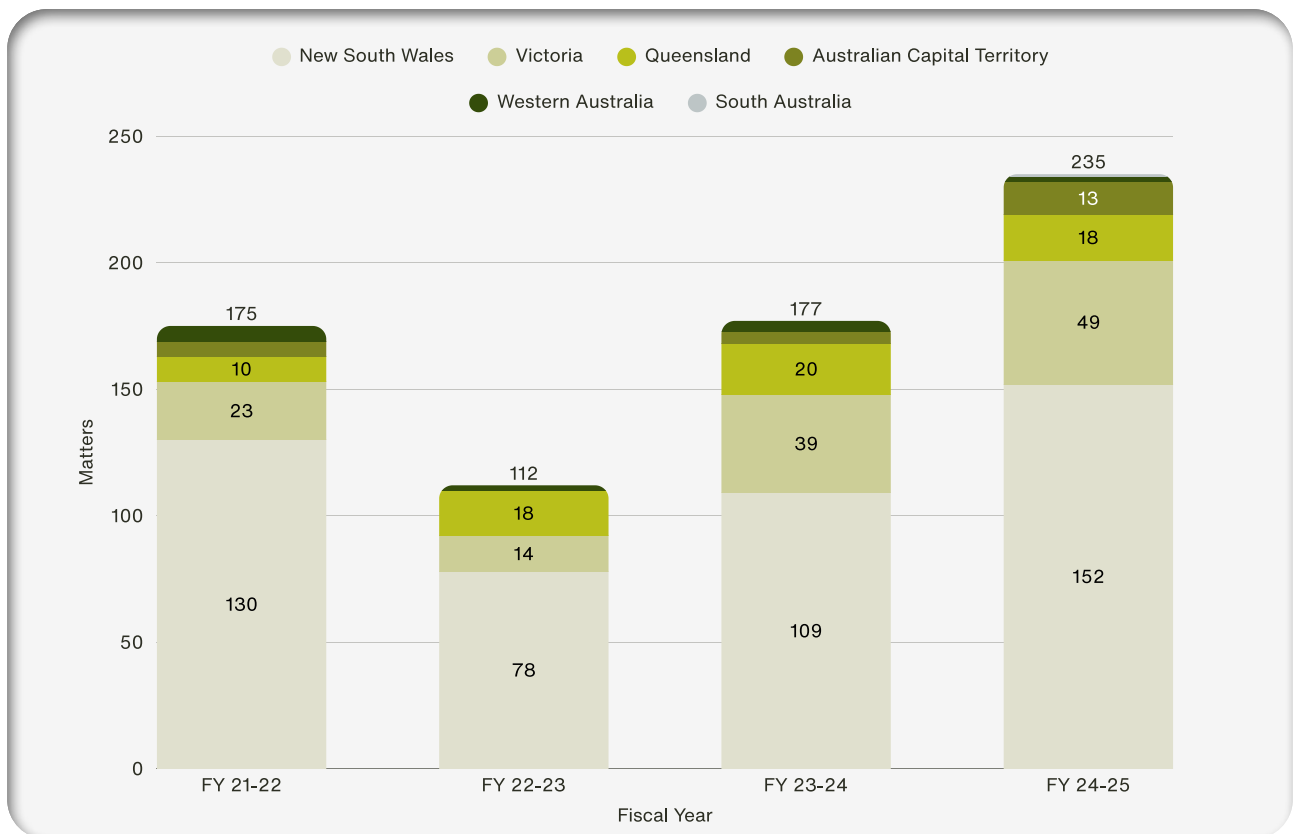
¹⁵ <https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2025-releases/25-060mr-federal-court-finds-green-county-and-max-funding-engaged-in-unlicensed-lending-practices/>

STRATA

A strata levy is also known as a strata fee, owner's corporation fee, or contribution or body corporate fee. These are monies paid by owners of apartments, units, villas or townhouses towards the shared costs of the building complex.

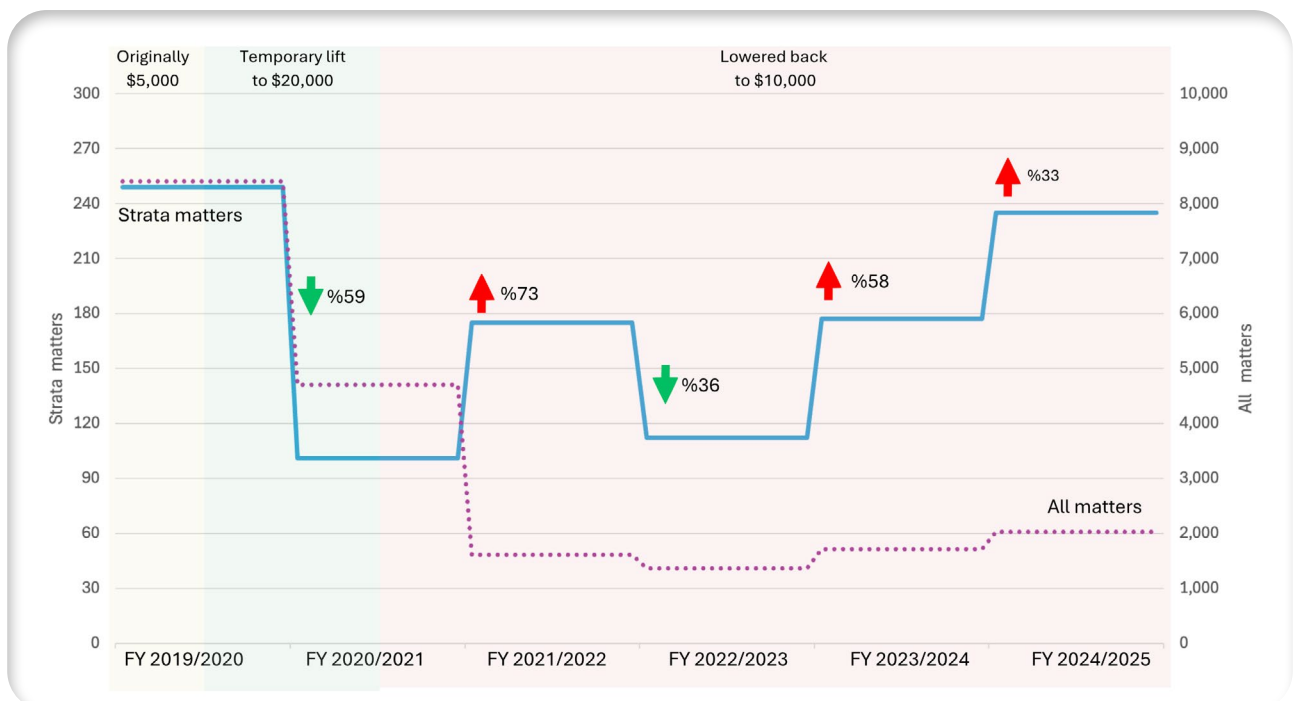
An unpaid strata levy can attract high interest and penalty charges if not paid by the due date. If amounts remain unpaid, an owners' corporation can take legal action against owners to recover unpaid strata levies together with any interest, penalties and the reasonable expenses of taking this action (such as debt collection, legal and court costs).

Matters filed in the Bankruptcy list of the Federal Court by strata bodies



NOTE: Detailed data supporting this graph is provided in the Appendix on page 42.

Comparison of trends in strata proceedings with overall filings, highlighting the effect of bankruptcy threshold changes.



The data highlights concerning trends in the use of forced bankruptcy by strata bodies to recover unpaid levies.

- Strata accounts for a growing share of all forced bankruptcy proceedings nationally, rising from just 2% in FY 2020–21 (101 of 4704 matters) to 12% in FY 2024–25 (235 of 2024 matters). This trend is most pronounced in New South Wales.
- While bankruptcy proceedings in other sectors have generally declined over the years, strata related matters have climbed back to pre-COVID levels, despite the doubling of the bankruptcy threshold to \$10,000 in 2021.
- In FY 2024-25, strata related filings grew by 33% nationally, with NSW driving much of this increase.
- **In NSW:**
 - FY 2021–22: 19% (130 filings) of all bankruptcies in the state were over strata debt. That is nearly 1 in 5.
 - FY 2024–25: that number rose to 152 filings, the highest on record, making up 16% of all NSW filings, well above the national average of 12%.
- **In Victoria:**
 - FY 2023–24: the number of filings jumped 179% from the previous year.
 - FY 2024-25: followed with a further 26% increase in filings.
- **In the ACT** more than 50% of all forced bankruptcies in FY 2024–25 were initiated over strata debt. This is a seriously disproportionate figure.

These trends raise serious concerns, not just about how strata debt is being enforced, but about the absence or inconsistency of protections for homeowners facing financial difficulty.

Without stronger safeguards, many vulnerable owners are at risk of losing their homes unnecessarily, when earlier resolution and support should have been possible.

NEW & EMERGING ISSUES: LACK OF HARDSHIP RIGHTS AND ESCALATION TO BANKRUPTCY

In our 2019 report, data visibility was limited, but early signals indicated that there was an emerging problem of strata using forced bankruptcy proceedings to recover unpaid levies.

Now with better tools for collecting and analysing Federal Court data, it's clear that strata debt-related forced bankruptcy proceedings are growing, growing, disproportionate and enabled by gaps in state and territory strata legislation.

The strata sector's increasing reliance on forced bankruptcy, even as most other sectors have reduced their use, highlights a regulatory gap.

In 2024 there were over 368,000 strata schemes across Australia with an estimated 15% of residents living in strata properties.¹⁶

Yet there are few, if any, safeguards in state-based laws to protect strata property owners in financial hardship. Access to clear information, hardship assistance, dispute resolution and other basic consumer protections is inconsistent or entirely missing, leaving owners exposed to aggressive enforcement action, including forced bankruptcy.

Financial counsellors and community lawyers regularly see strata homeowners being aggressively pursued with legal action, including forced bankruptcy proceedings, over relatively small underlying payment arrears. In some cases, people are losing their homes over debts of \$10,000, much of which is made up of legal fees, court costs, and penalty interest charges.

While strata managers act on instructions from strata committees, they are often guided by their lawyers about debt recovery options. Where there is a close relationship between a strata manager and a law firm, this may influence the enforcement path taken, including whether bankruptcy is considered as a course of action.

These patterns reinforce the need for legislative reform to ensure strata homeowners experiencing financial hardship are treated fairly and given meaningful pathways to resolve their arrears without losing their homes.

¹⁶ <https://cityfutures.ada.unsw.edu.au/2024-australasian-strata-insights/>

CASE STUDY KATE'S STORY

Kate called the NDH in early 2024, unable to pay the body corporate fees for a flat she's lived in for decades. Her only income is the age pension, and her only asset is the flat that she owns outright, which Kate thinks is worth about \$350,000.

Kate's body corporate fees are around \$500 a quarter. She paid the fees over the decades from her age pension until a few years ago, when she incurred a large legal debt to the body corporate following a dispute. She managed to pay the whole amount except for a few thousand dollars. From then, she did not meet the regular repayments, and the interest on the arrears kept increasing. The body corporate regularly added legal fees to the amount Kate needed to pay.

Kate was made bankrupt in early 2024, when her body corporate register said she owed just under \$20,000. The Court ordered that a further \$6,000 be added for the creditor's legal fees. The trustee's fees rapidly added up, reaching nearly \$45,000 in just two months. The rate per hour for the trustee's staff ranged from approx. \$250 for admin staff to nearly \$800 for the trustee.

Kate's other debts, at the time she was made bankrupt, were a few thousand dollars to utility providers and for council rates.

Source: Consumer Action Law Centre, 2025

WHAT NEEDS TO HAPPEN?

Because strata laws are state-and territory-based, the problem plays out differently across jurisdictions.

NSW has been the starting point for urgent reform. FCA, Financial Rights Legal Centre and Marrickville Legal Centre ran a two-year advocacy campaign that resulted in the **NSW Strata Schemes Legislation Amendment Bill 2025** passed on 18 February 2025. This introduced vital new protections to ensure owners in hardship are given a fair chance to repay arrears without facing legal action or accrual of legal fees. These changes came into effect 27 October 2025¹⁷.

Similar reform efforts are now underway in **Victoria** (led by Mortgage Stress Victoria) and the **ACT** (led by Care Financial Counselling Service).

RECOMMENDATION 6

Enshrine a right to strata levy hardship assistance and limit legal action

Each state and territory should uplift protections and information available to owners in hardship. New legislation, mirroring recent reforms in NSW, should include:

- Standard levy and reminder notices that include information to assist owners in financial hardship.
- Recovery notices that give owners in arrears at least 30 days to respond.
- A right to request a hardship arrangement, which can only be refused on reasonable grounds.
- A requirement to offer a payment plan before any legal action is initiated.
- A ban on legal action while an agreed payment plan is being followed; or a hardship dispute is before a resolution body.
- A prohibition on legal and collection costs being charged to the owner's account without a court or tribunal order. Payments must be applied to levies first.
- A requirement for internal dispute resolution in all strata schemes.
- Empowerment of tribunals to hear hardship and payment plan disputes and to make binding decisions, all at no cost.

¹⁷ <https://www.nsw.gov.au/departments-and-agencies/fair-trading/news/changes-to-strata-laws#changes-that-started-on-27-october-2025>

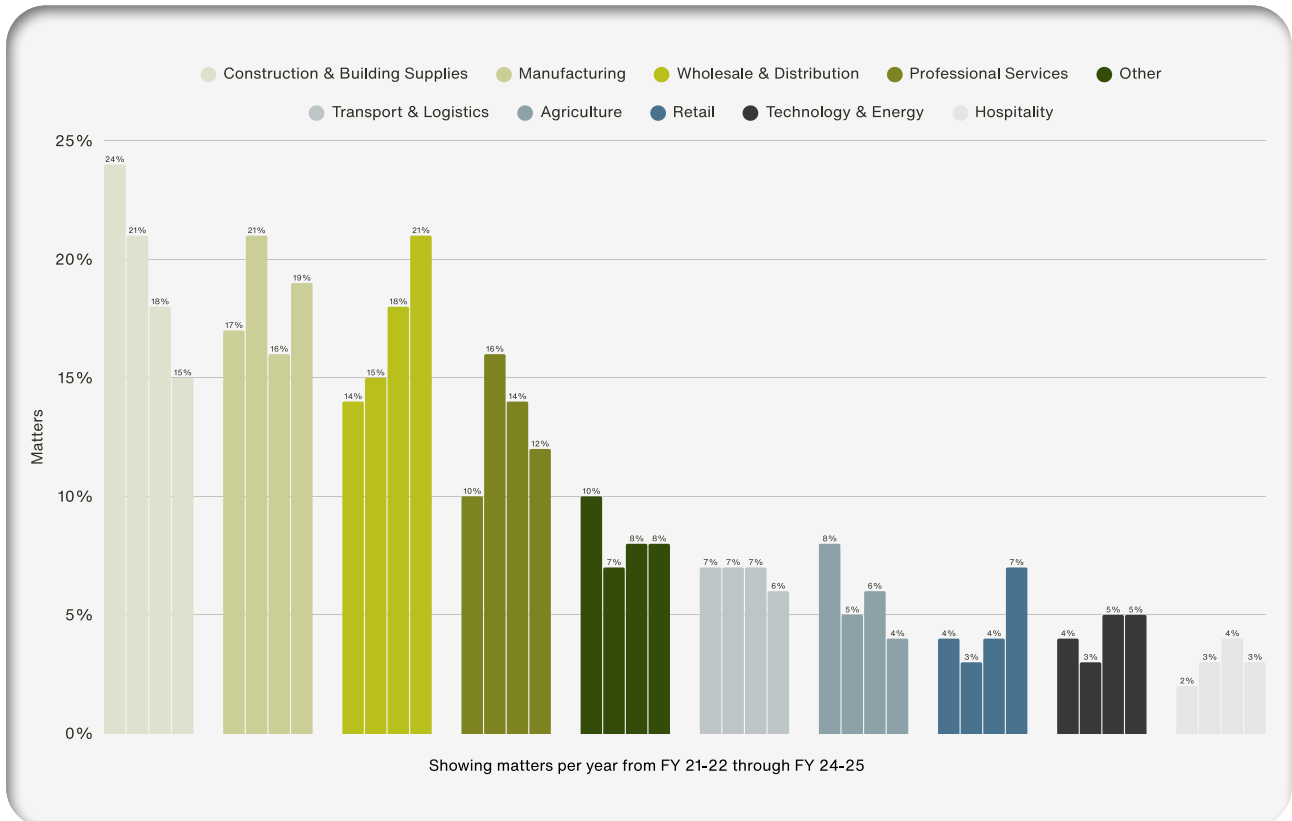
OTHER SECTORS (SUPPLIERS & COMPANIES, PRIVATE SCHOOLS, GOVERNMENT)

Here we touch on the use of forced bankruptcy in other sectors of interest such as suppliers & companies, education (private schools) and government.

SUPPLIERS AND COMPANIES

Suppliers and companies have consistently accounted for around 24% of all forced bankruptcy proceedings over the last four years.

Matters filed in the Bankruptcy list of the Federal Court by suppliers and companies:



NOTE: Detailed data supporting this graph is provided in the Appendix on page 42.

While the group spans a wide variety of industries, the top three sectors alone (construction, manufacturing, and wholesale) account for nearly 55% of all supplier/company applications.

These industries often operate on trade credit and supply goods or services on account, so when payments are delayed or disputed, it can escalate to legal recovery. These legal proceedings will likely be about unpaid invoices, where personal guarantees are involved, highlighting the risks for small business owners where the line between personal and business liability is blurred.



EDUCATION (PRIVATE SCHOOLS AND TRAINING COLLEGES)

While bankruptcy is typically associated with banks, debt collectors and government agencies, our analysis shows a growing number of private schools turning to the bankruptcy system to recover unpaid fees from parents.

Matters filed in the Bankruptcy list of the Federal Court by private schools and training colleges

Education / private schools	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
Sirius College	4	6	7	13	30	23%
Oakleigh Grammar	2	5	1		8	6%
Overnewton Anglican Community College		3		3	6	5%
Trinity Grammer School, Kew		2	2	1	5	4%
Wesley College Melbourne			3	2	5	4%
Sub-total (Top 5 applicants)	6	16	13	19	54	42%
... Other schools and colleges	19	16	13	26	74	58%
Total Matters	25	32	26	45	128	100%
As a % of ALL forced bankruptcy matters	1.6%	2.3%	1.5%	2.2%		

- In FY 2024-25 education accounted for 2% of all forced bankruptcy proceedings. Notably, all of the top five schools initiating proceedings are located in Victoria.
- The volume of filings has increased markedly in FY 2024-25, with 45 applications, up 73% on the previous year.
- This may be attributable to rising mortgage interest rates and rising living costs placing pressures on already tight household budgets whilst parents try to keep their child in the same school.
- Many schools do not have publicly available financial hardship policies or payment plan options for struggling families. It's unclear whether parents facing bankruptcy over unpaid fees were given realistic opportunities to negotiate before legal action was taken.

CASE STUDY EFRAIM'S STORY

Efraim speaks a language other than English and receives the disability support pension due to an acquired brain injury, which makes it difficult for him to remember things. He received a form from the Magistrate's Court relating to an alleged debt of just over \$10,000 from an educational institution. Efraim was unable to remember the institution, or if he had ever attended a course with them.

After receiving assistance from the Consumer Action Law Centre's (CALC) financial counselling and legal teams, Efraim realised the alleged debt was for payment of private school fees for his children, who had graduated some years earlier. Efraim did not dispute the debt, but neither could he recall the specific circumstances in which he incurred it. He also couldn't remember the last time he had made a payment or acknowledged the debt in writing. As the debt was already over the \$10,000 bankruptcy threshold, his home and car were at immediate risk. Efraim advised he could only afford to pay around \$50 a week.

CALC reviewed the statement of claim filed in the Magistrate's Court which included another \$1,500 in 'reasonable debt collection and enforcement expenses' and \$1,500 in legal fees. Shortly thereafter the private school's legal representation indicated to Efraim that they would accept just under \$13,500 to settle the matter.

CALC managed to secure pro bono legal assistance for Efraim.

Source: Consumer Action Law Centre 2025

GOVERNMENT

In FY 2024-25, 4% of all forced bankruptcy proceedings were initiated by government bodies.

Matters filed in the Bankruptcy list of the Federal Court by governments, agencies and regulators

Government	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
Workers Compensation	7	20	26	34	87	36%
State & Federal Government & Regulators	29	18	41	39	127	52%
Local Government	9	3	7	10	29	12%
Total Matters	45	41	74	83	243	100%
As a % of ALL forced bankruptcy matters	3%	3%	4%	4%		

WORKERS COMPENSATION

Workers compensation schemes are state government entities that support injured workers but may pursue individuals to recover debts, for example, where there's been an overpayment, an entitlement dispute, or a finding of fraud and the worker is unwilling to repay those funds voluntarily.

Matters filed in the Bankruptcy list of the Federal Court by state workers compensation schemes

Workers Compensation	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
Workers Compensation Nominal Insurer (NSW)	4	15	20	23	62	71%
Workcover Queensland	1	5	4	10	20	23%
Return to Work Corporation of SA	1		2	1	4	5%
Victorian Workcover Authority	1				1	1%
Total Matters	7	20	26	34	87	100%
As a % of ALL Government matters	16%	49%	35%	41%		

- The Workers Compensation Nominal Insurer (NSW) is by far the most frequent user of bankruptcy proceedings in this category, responsible for 71% of all filings over the past four years
- NSW is followed by WorkCover Queensland which accounts for 23% of filings.
- While not common, the use of forced bankruptcy by these public insurers highlights how disputes or complications in compensation claims can have serious financial consequences for individuals.



STATE AND FEDERAL GOVERNMENTS, BODIES AND REGULATORS

While most state and federal government bodies and regulators rarely use forced bankruptcy, the Queensland Building and Construction Commission (QBCC) is a clear outlier. Over the past four years, it has consistently been the most active in this space, accounting for more than half of all matters filed.

Matters filed in the Bankruptcy list of the Federal Court by governments and regulators

State & Federal Government & Regulators	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
Queensland Building and Construction Commission	18	10	31	18	77	61%
Child Support Registrar	2	4	3	1	10	8%
Commissioner of State Revenue (Victoria)		1	3	8	12	9%
ASIC	1	1	1	3	6	5%
Commonwealth of Australia	2			4	6	5%
Health Care Complaints Commission		1	1	1	3	2%
State of NSW	1			2	3	2%
ACCC	2				2	2%
Independent Commission Against Corruption (NSW)	1			1	2	2%
State of Victoria	1	1			2	2%
Crown in right for state of NSW	1				1	1%
Department of Mines, Industry Regulation & Safety			1		1	1%
Transport for NSW			1		1	1%
Commissioner of Police (NSW)				1	1	1%
Total Matters	29	18	41	39	127	100%
As a % of ALL Government matters	64%	44%	55%	47%		

The QBCC is a statutory body and regulates the building industry, including contractor compliance and building standards, in QLD. The QBCC may initiate forced bankruptcy proceedings to recover money owed to it. For example, these proceedings could be used to recover insurance payouts made under the Home Warranty Insurance Scheme against a licenced contractor who is deemed responsible for the underlying failure, or for unpaid fines for licensing or regulatory breaches.



LOCAL GOVERNMENT (COUNCILS)

Local councils have significant powers to recover unpaid rates, including placing a charge over the property (effectively a secured interest) and, if necessary, recovering the debt through a sale of land. Given this, it's surprising to see some councils using forced bankruptcy proceedings even though overall use remains low.

Matters filed in the Bankruptcy list of the Federal Court by local government councils in each state and territory

Local Government	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total all FYs	% of Total matters
New South Wales	8	0	3	7	18	62%
Queensland	0	2	1	1	4	14%
South Australia	0	1	1	0	2	7%
Victoria	1	0	0	1	2	7%
Western Australia	0	0	1	1	2	7%
Australian Capital Territory	0	0	1	0	1	3%
Total Matters	9	3	7	10	29	100%
As a % of ALL Government matters	20%	7%	9%	12%	12%	

- NSW councils dominate filings, accounting for 62% of all local government bankruptcy applications.
- Other states have only a handful of matters and rarely use forced bankruptcy as an enforcement tool.

WHAT NEEDS TO HAPPEN?

Beyond the major creditor groups, forced bankruptcy is also used in sectors where financial hardship frameworks are often weak, inconsistent, or entirely absent. These gaps mean individuals and small businesses experiencing temporary difficulty may face harsh enforcement without first being offered fair, affordable alternatives.

RECOMMENDATION 7

Introduce a right to financial hardship assistance in sectors where protections are currently lacking. These include sectors such as suppliers and companies, government, and education.

- Creditors in these sectors should be required to assess hardship and offer realistic repayment options to individuals and small businesses. This would help reduce the risk of unnecessary enforcement and help ensure forced bankruptcy is genuinely used only as a last resort.

07

NAVIGATING THE SYSTEM: BARRIERS AND SUPPORT

GETTING HELP WHEN FACING FORCED BANKRUPTCY

Access to free, specialist help is limited but critical for people facing forced bankruptcy.

FINANCIAL COUNSELLING

Financial counsellors play an important role in supporting people in financial hardship.

People can call the National Debt Helpline (NDH) on 1800 007 007 or chat via ndh.org.au for free, confidential, and independent financial counselling.

Financial counsellors can:

- Help people understand the bankruptcy process and its impacts.
- Explore alternatives to bankruptcy (like payment plans or negotiating with creditors).
- Help people prepare Statements of Financial Position.
- Support people to engage with creditors where possible.

While financial counsellors do not provide legal advice, they can work alongside community lawyers to support people in financial hardship. However, providing advice and support to a debtor facing forced bankruptcy requires specialist training and skills, which not all financial counsellors have.

COMMUNITY LEGAL SERVICES

For people facing forced bankruptcy, who cannot afford private legal assistance, timely access to free legal advice and support is critical.

Across Australia community legal centres provide free legal advice to individuals on various issues. Some services provide general or very limited advice whilst others do not give bankruptcy advice at all.

However, demand for these services is high, and their capacity is limited. Many people still attend court unrepresented, with community legal centres often unable to act on their behalf or represent them fully.

SELF-REPRESENTATION SERVICE

The Attorney-General's Department funds a **national self-representation service** to provide assistance to unrepresented people in the Federal Court and Federal Circuit Courts.

Assistance is provided in priority areas including forced bankruptcy. A debtor needs to first apply and meet eligibility criteria (income, assets and merit of the case) to access this service.

People who are eligible are provided with information and legal assistance through a one-hour appointment with a solicitor from the service. Appointments need to be pre-booked, are usually conducted by phone or at court, and may include:

- legal advice about the issue at court,
- assistance in preparing documents, including correspondence and court forms,
- advice about other options to resolve the issue, and
- information about court orders and procedures.

The service is provided across Australia by the following organisations:

- **LawRight** – Queensland,
- **Legal Aid Western Australia** - Western Australia,
- **JusticeNet South Australia** - South Australia and Northern Territory,
- **Justice Connect** - New South Wales, Victoria, Tasmania, Australian Capital Territory.

These services do not provide ongoing legal representation and will not represent the debtor or communicate with the court or other parties (creditors and their lawyers) on their behalf. However, they may offer some people more than one appointment to support them throughout their case or refer them for pro-bono legal assistance.

“Justice Connect initiates contact with a person seeking information within 2 days of the person contacting the service. However, on average it is 15 days between their first contact with the service to the first available in-depth hour-long advice appointment with the Self-Representation Service. This means it is uncertain whether a help seeker gets advice before the date for compliance with their bankruptcy notice, because they may not have either identified the Self-Representation Service or been referred to the Service with sufficient time.”¹⁸

IN-COURT SUPPORT: THE DUTY SCHEME

The Financial Counselling Court Duty Scheme (“the Duty Scheme”) currently operates in the Bankruptcy List of the Federal Circuit and Family Court in the Melbourne and Adelaide Registries. The service previously operated in the Sydney registry but ceased in May 2025 due to the funding ending.

Experience shows that debtors often have little or no understanding of the purpose of the hearing or the need to demonstrate solvency to avoid bankruptcy. They are often overwhelmed by the stress of their debts and other problems, are highly emotional and unable to take decisive steps to address their financial situation. They also cannot afford to pay for legal advice or for representation. These factors often make it difficult for the courts to manage contested creditors’ petitions in a fair and efficient manner.

The Duty Scheme was established to address these challenges by providing on-site, immediate financial counselling to individuals facing forced bankruptcy when they attend court without legal representation, in response to a Creditor’s Petition.

The key objectives of the Duty Scheme are:

- To assist self-represented debtors to understand the nature of bankruptcy proceedings, so they are better able to determine their rights and to make effective decisions in presenting their cases; and
- To increase the efficiency of the court in achieving the just resolution of bankruptcy matters of unrepresented debtors as promptly as possible.

Each financial counsellor that is part of the Duty Scheme must complete mandatory training provided by the Court. They are also supported on an ongoing basis by their organisation with client work arising from attending court.

The Duty Scheme is delivered by CALC in Melbourne and Uniting Communities SA in Adelaide. The Sydney based service, previously run by the Financial Rights Legal Centre, ceased operations as of May 2025 due to funding ending.

An evaluation of the Victorian Registry Duty Scheme was undertaken by Melbourne Law School in 2015.¹⁹ This found that the service improved the efficiency of the Bankruptcy List while offering significant benefits to debtors. It helped debtors who were solvent to demonstrate their solvency and avoid bankruptcy and supported people in vulnerable circumstances who had not received any advice or assistance before their court appearance. These findings remain true for each of the operating Duty Schemes today.

Despite its proven benefits, the Duty Scheme faces limitations in terms of funding and reach.

- There is currently no Duty Scheme in the Brisbane, Canberra, Darwin, Hobart and Perth Registries. As a result, not all individuals who need these services can access them, leaving many vulnerable people without crucial support.
- Current funding does not fully cover the cost of the services provided in Victoria and South Australia. Additionally, one-off three-year philanthropic funding for the Financial Rights Legal Centre to deliver the service ended in May 2025, leaving the Sydney Registry, one of the busiest, without a dedicated Duty Scheme.
- Without appropriate funding, the remaining Duty Schemes may need to be scaled back or, in a worst case, suspended.

¹⁸ **Joint consumer submission to Attorney General’s Department – Personal Insolvency Discussion Paper, September 2023**

¹⁹ Paul Ali, Lucinda O’Brien and Ian Ramsay, ‘Financial counselling and the self-represented debtor in the Federal Circuit Court bankruptcy list: An analysis of a recent pilot service’, *Insolvency Law Journal*, Vol 23, No 4, 161-180, 2015.

CASE STUDY

After her marriage ended, the debtor and her ex-partner no longer agreed about payment of a debt. As the account was in both names, the solicitors filed a Creditor's Petition in the Federal Court against both partners as joint debtors.

Distressed and unaware of how far the matter had progressed, the client was referred by the court to the Duty Scheme. The financial counsellor provided information about how bankruptcy would affect her future, including her credit record, rental prospects, and financial independence.

During the court appearance, the financial counsellor appeared on behalf of both partners and secured an adjournment. Eventually, broader family was able to offer a lump sum to put towards the debt.

With support from the financial counsellor and with some legal advice, they gained the confidence to contact the solicitors themselves and negotiate an agreement to accept the payment, finalise the debt, and dismiss the creditor's petition, thereby avoiding bankruptcy.

Source: Financial Rights Legal Centre, 2022

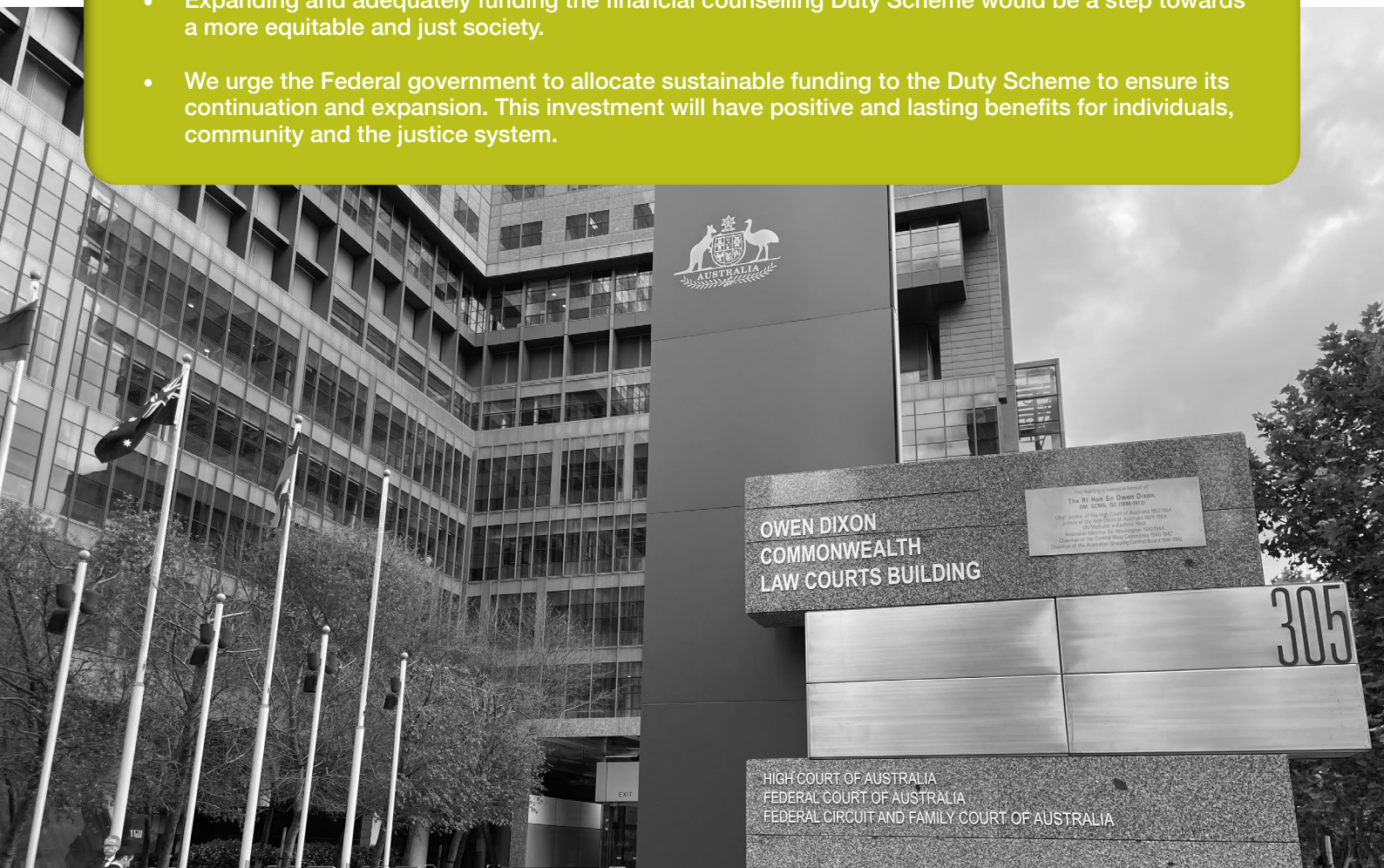
WHAT NEEDS TO HAPPEN?

The Duty Scheme plays a vital role in assisting unrepresented individuals facing forced bankruptcy, so they understand their rights and can make effective, timely decisions. This service also increases the efficiency of the courts in achieving a just resolution of bankruptcy matters.

RECOMMENDATION 8

Adequately fund free in-court financial counselling Duty Scheme

- Expanding and adequately funding the financial counselling Duty Scheme would be a step towards a more equitable and just society.
- We urge the Federal government to allocate sustainable funding to the Duty Scheme to ensure its continuation and expansion. This investment will have positive and lasting benefits for individuals, community and the justice system.



INFORMATION FOR INDIVIDUALS FACING FORCED BANKRUPTCY

A CONFUSING AND STRESSFUL PROCESS

People facing forced bankruptcy often attend court confused, unprepared, and unaware of their rights and options. Many are highly stressed, unable to afford legal advice, and do not understand the significance of court proceedings or the need to demonstrate solvency to avoid bankruptcy.

NON-ATTENDANCE DRIVEN BY A LACK OF UNDERSTANDING

Alternatively, many people don't show up at all, and this may be because they do not understand the bankruptcy process or the need to attend court and file documents to challenge a Creditor's Petition. Some may assume the matter will resolve itself or believe that contacting the creditor is enough. Others simply do not grasp the serious consequences of not appearing in court, including the risk of being made bankrupt by default.

A PROVEN PRECEDENT TO ADDRESS LACK OF GUIDANCE

There is precedent for courts taking an active role to improve information for respondents in enforcement processes. For example, the NSW Supreme Court uses an Information Cover Sheet in home repossession proceedings (UCPR Form 93), providing clear, practical guidance about what the proceedings mean, respondents' options, and where they can seek help.

This was developed through the Possession List Users Groups during the global financial crisis, when many people were at risk of losing their homes. At that time, a duty solicitor was provided at the Court to assist people to draft and witness stay applications, helping them to sell their properties themselves or find alternative accommodation.

A similar approach should be adopted in the bankruptcy context. While the information needed would differ, this example provides a clear precedent for the concept of court-issued, practical information being provided to unrepresented respondents facing significant enforcement action.

CURRENT FORMS ARE COMPLEX

The current **Federal Court - Creditor's Petition (Form B6)** is complex and difficult for individuals to understand. Many people do not realise the seriousness of receiving a Creditor's Petition or know how to get advice, prepare for court, or attend hearings by phone or online.

These challenges are even greater for people from culturally and linguistically diverse backgrounds, people with mental health or cognitive impairments, and others experiencing vulnerability. Without clear information, these individuals risk not fully understanding the process or being made bankrupt unnecessarily.

WHAT NEEDS TO HAPPEN?

Providing clear, accessible information when a Creditor's Petition is served, and again when entering the court process, would support fairer outcomes and improve court efficiency by reducing unnecessary adjournments.

RECOMMENDATION 9

Provide clear, accessible and relevant court approved information to people facing forced bankruptcy

Introducing a Federal court-approved Information Cover Sheet to accompany Creditor's Petitions would help individuals facing forced bankruptcy proceedings to:

- Understand the purpose of the hearing and the consequences of bankruptcy,
- Learn about options to respond, including negotiating with creditors or seeking adjournments,
- Know how to seek free legal and financial counselling assistance,
- Understand how to attend hearings, including phone and online options,
- Access interpreter services if needed.

08

APPENDIX: SUPPORTING DATA

Trends by Sector	FY 21-22		FY 22-23		FY 23-24		FY 24-25		Total all FYs	% of Total matters
	Matters	%	Matters	%	Matters	%	Matters	%		
Suppliers & Companies	428	27%	354	26%	387	23%	444	22%	1,613	24%
Individuals	443	27%	358	26%	380	22%	428	21%	1,609	24%
Financial & Insurance Services	193	12%	152	11%	211	12%	304	15%	860	13%
Legal Services	235	15%	196	14%	196	11%	215	11%	842	13%
Strata	175	11%	112	8%	177	10%	235	12%	699	10%
Australian Tax Office	12	1%	69	5%	241	14%	253	13%	575	9%
Government	45	3%	41	3%	74	4%	83	4%	243	4%
Education & Training	25	2%	32	2%	26	2%	45	2%	128	2%
Debt Collectors	41	3%	40	3%	10	1%	5	0%	96	1%
Health & Aged Care Services	15	1%	11	1%	16	1%	12	1%	54	1%
Total Matters	1,612		1,365		1,718		2,024		6,719	

Trends by State	FY 21-22		FY 22-23		FY 23-24		FY 24-25		Total all FYs	% of Total matters
	Matters	%	Matters	%	Matters	%	Matters	%		
New South Wales	676	42%	574	42%	677	39%	943	47%	2,870	43%
Victoria	469	29%	360	26%	480	28%	529	26%	1,838	27%
Queensland	270	17%	275	20%	350	20%	344	17%	1,239	18%
South Australia	89	6%	73	5%	77	4%	87	4%	326	5%
Western Australia	79	5%	64	5%	99	6%	79	4%	321	5%
Australian Capital Territory	17	1%	11	1%	24	1%	25	1%	77	1%
Tasmania	6	0%	5	0%	7	0%	10	0%	28	0%
Northern Territory	6	0%	3	0%	4	0%	7	0%	20	0%
Total Matters	1,612		1,365		1,718		2,024		6,719	

Suppliers and Companies	FY 21-22		FY 22-23		FY 23-24		FY 24-25		Total all FYs	% of Total matters
	Matters	%	Matters	%	Matters	%	Matters	%		
Construction & Building Supplies	104	24%	74	21%	68	18%	65	15%	311	19%
Manufacturing	72	17%	75	21%	62	16%	86	19%	295	18%
Wholesale & Distribution	58	14%	53	15%	70	18%	95	21%	276	17%
Professional Services	42	10%	55	16%	55	14%	52	12%	204	13%
Other	44	10%	25	7%	31	8%	37	8%	137	8%
Transport & Logistics	30	7%	25	7%	27	7%	28	6%	110	7%
Agriculture	35	8%	16	5%	22	6%	17	4%	90	6%
Retail	19	4%	10	3%	15	4%	30	7%	74	5%
Technology & Energy	15	4%	9	3%	20	5%	20	5%	64	4%
Hospitality	9	2%	12	3%	17	4%	14	3%	52	3%
Total Matters	428		354		387		444		1,613	
As a % of ALL forced bankruptcy matters	27%		26%		23%		22%		24%	

Strata by State	FY 21-22		FY 22-23		FY 23-24		FY 24-25		Total all FYs	% of Total matters
	Matters	%	Matters	%	Matters	%	Matters	%		
New South Wales	130	74%	78	70%	109	62%	152	65%	469	67%
Victoria	23	13%	14	13%	39	22%	49	21%	125	18%
Queensland	10	6%	18	16%	20	11%	18	8%	66	9%
Australian Capital Territory	6	3%	0	0%	5	3%	13	6%	24	3%
Western Australia	6	3%	2	2%	4	2%	2	1%	14	2%
South Australia	0	0%	0	0%	0	0%	1	0%	1	0%
Northern Territory	0	0%	0	0%	0	0%	0	0%	0	0%
Tasmania	0	0%	0	0%	0	0%	0	0%	0	0%
Total Matters	175		112		177		235		699	
As a % of ALL forced bankruptcy matters	11%		8%		10%		12%		10%	

PLEASE NOTE: percentages may not add to 100% due to rounding



**BANKRUPTCY SHOULD
ALWAYS BE THE LAST RESORT.**

