

Changing Debtor: Evolving Profiles and the Rise of 100% Proposals in Consumer



Panel

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Background

- The Canadian Consumer Debtor is changing, and the Insolvency Industry must adapt to those changes.
- Over the past several years, insolvency practitioners have witnessed a shift in who files, why they file and how they approach financial rehabilitation.
- At the same time, 100% consumer proposals are on the rise, raising questions about the intent and purpose of the insolvency system.

2026 FCT Stats – Average Debtor in MB

	Consumer Proposal	Bankruptcy
Age	44.2 years	48.3 years
Average Monthly Income	\$3,291	\$1,704
Gender Split	Female – 47.6% Male – 52.5%	Female – 48.1% Male – 51.9%
Mortgage on Statement of Affairs	Yes – 18% No – 82%	Yes – 4% No – 96%
Amount owed to creditors	\$50,267	\$116,091

2016: Profile of the Average Debtor

- **Preferred In-Person Support:** Most individuals favored face-to-face interactions, choosing to bring documents to appointments and have someone guide them through the process.
- **How Trustees Were Found:** Typical search methods included Google, local directories, and the Yellow Pages.
- **Appointment Scheduling:** Debtors were willing to wait for their first appointment, provided they had clear information on what to bring and what to expect.
- **Document Preferences:** Strong preference for printed documents—clients chose to receive, complete, and submit paperwork in person rather than online.
- **Need for Discretion:** High value placed on privacy, with many individuals wishing to keep their filings confidential.

2026: Profile of the Average Debtor

- **Prefer Convenience:** Debtors favor virtual meetings and online consultations, prioritizing convenience and flexibility.
- **Locating Trustees:** Individuals actively shop for trustees, comparing options via phone or online. They rely on online reviews, Google reviews, posts, and reels rather than traditional listings like the Yellow Pages.
- **Consumer Research:** Debtors are informed consumers, researching trustee services on platforms such as ChatGPT, Reddit, and trustee websites.
- **Appointment Scheduling:** Debtors expect prompt scheduling and are unwilling to wait a week or more for an initial appointment.
- **Document Preferences:** Clients are tech-savvy and comfortable using online forms, portals, and digital communication to complete and submit paperwork.
- **Less Need for Discretion:** Debtors are open to sharing their experiences online to support others; discretion and privacy are less prioritized than in previous years.

Discussion

In what other ways is the consumer debtor in 2026 fundamentally different from 2016?

- Increase in payday loans – often via online lending
- Increase in Debtors incurring post-proposal debts
- Debtors very focused on their credit score and rebuilding it right away
- Since Covid, access to video assessments is seen as a positive for those in rural areas or those with disabilities as cost of travel for in-person appointments can be prohibitive when they are already struggling financially.

Impact for Trustees

- **Adapting to Technology:** Trustees must embrace digital tools—offering video calls, online scheduling, and electronic document collection to meet debtor expectations for speed and convenience.
- **Consumer Research:** Debtors are informed consumers, researching trustee services on platforms such as ChatGPT, Reddit, and trustee websites
- **Impact of Debtors Using Unreliable Online Sources:** When debtors rely on potentially unreliable websites, forums, or social media for information about insolvency, they may form misconceptions about their rights and options.

Impact for Trustees

- **Challenges for Trustees, Creditors, and Stakeholders**
- Trustees may need to spend additional time clarifying misconceptions, investigating asset transfers, and ensuring all required disclosures are accurate and complete.

Impact for Creditors and Stakeholders

- **Rising Questions re: Trustee Engagement:** With more debtors and trustees engaging through fully digital channels, creditors question whether the quality of the product is being diluted.
- **Information Asymmetry:** With more (mis)informed debtors, and the rising influence of questionable advice online, quality of information is called more regularly into question.

Discussion

- In what other ways is the consumer debtor in 2026 fundamentally different from 2016?

Why are we seeing an increase in filings in MB?

- Rise of gambling:

Percent of Estates Referencing Gambling		
Year	Consumer Proposal	Bankruptcy
2021	1.1%	2.9%
2022	1.3%	1.9%
2023	1.4%	3.2%
2024	1.3%	3.3%
2025	2.2%	3.4%
2026	2.3%	3.1%

Why are we seeing an increase in filings in MB?

- Access to online gambling and sports betting websites. Easier access and ability to hide. Self-banning from casinos is easier to do in-person. Likely the number is much higher than reported in the previous slide.
- The stigma of insolvency is fading away. Especially in the younger generations. Filing a Consumer Proposal is increasingly seen as empowerment and taking control of your future, not failure.
- Health issues, an increase in people reporting anxiety and depression as reasons for struggling with employment and causes of insolvency.
- Age of debtors and access to credit. Are we seeing more seniors with mortgages or vehicle loans after retirement with limited income?
- Any additional reasons?

Is an individual insolvent if their liabilities are less than their total assets, or if their debts can reasonably be settled within three to five years?

Definition of an Insolvent Person – BIA s. 2.

insolvent person means a person who is not bankrupt and who resides, carries on business or has property in Canada, whose liabilities to creditors provable as claims under this Act amount to one thousand dollars, and

- (a) who is for any reason unable to meet his obligations as they generally become due,
- (b) who has ceased paying his current obligations in the ordinary course of business as they generally become due, or
- (c) the aggregate of whose property is not, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all his obligations, due and accruing due;

Ontario Case - *Re Angelatos*: 2025 ONSC 2040

- **Facts:**
- Debtor filed a consumer proposal to repay approximately \$63,000 in unsecured debt.
- Proposal Terms
 - \$28,000 in monthly payments
 - \$36,800 balloon payment at the end (5 years total)
 - the expected returns to creditors would be somewhere around 73%. It was 100% gross.
- The majority of the creditors approved the proposal.
- A creditor (Canadian Tire Bank) opposed approval arguing (i) the debtor's assets exceeded liabilities (due to home equity of +\$100K) and therefore not insolvent.
- **Issues:**
- Was the debtor an "insolvent person" under s. 2 of the BIA?
- Was the proposal fair and reasonable under the Act?

Ontario Case - *Re Angelatos*: 2025 ONSC 2040

- **Held:** proposal was approved, the debtor was insolvent and the proposal was fair and reasonable.
- **Derksen considered:** The Court explicitly considered *Re Derksen* and rejected its application indicating that it predated amendments to the BIA and adopted a narrower approach to insolvency.
- **Summary:** The court approved the consumer proposal despite a creditor's objection that the debtor was not insolvent because his assets (including home equity) exceeded his liabilities. The court held that under s. 2 of the BIA, a debtor need only meet one branch of the insolvency definitions, and found that the debtor qualified because he was unable to meet his obligations as they came due, even if he was technically balance-sheet solvent. In doing so, the court distinguished *Re Derksen*, 1995 CarswellMan 179, noting that the modern definition of insolvency is broader and not limited to a strict assets-versus-liabilities analysis.
- The court also found the proposal to be fair and reasonable, emphasizing that it allowed for an orderly repayment of debts under the protection of a stay of proceedings, and that the majority of creditors had approved it. It rejected arguments that bankruptcy or refinancing would be preferable, highlighting the practical difficulties (including the debtor's inability to access home equity and the costs of forced sale). Overall, the decision confirms that consumer proposals may be appropriate even where a debtor could theoretically repay debts in full, provided they lack the practical ability to do so as obligations become due.

What is a 100% Proposal?

1. A full payment to unsecured creditors after trustee fees are deducted (100% net).
2. A full payment to unsecured debts before fees and expenses are subtracted (100% gross).

Which is more common?

100% Proposals

- Are 100% proposals always in the debtor's best interest, or do they sometimes serve other purposes (e.g., preserving equity in a home, preserving a credit rating, avoiding bankruptcy stigma)?
- How are major creditors responding to 100% proposals — are acceptance patterns changing?
- At what point does a 100% proposal stop being a true insolvency proceeding and become a negotiated repayment plan?

100% Proposals – factors for consideration

- Access to house equity may be limited due to poor credit rating
- Affordability of payment and high interest rate
- Lenders not always willing to consolidate ALL debts, leaving debtors juggling a new payment plus old debts
- Costs of refinancing could include an appraisal and additional legal costs
- If the house is owned jointly, the joint owner may not be willing to allow the refinancing of house equity
- How are major creditors responding to 100% proposals — are acceptance patterns changing?
- At what point does a 100% proposal stop being a true insolvency proceeding and become a negotiated repayment plan?

Professional and Ethical Reflections

- How can trustees maintain ethical and professional integrity while responding to evolving market expectations?
- Are there reputational or systemic risks for the insolvency profession if 100% proposals become too prevalent?
- Is there one practice that insolvency professionals will need to adopt to stay relevant and effective?