



Presented by ...

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How does AI describe our esteemed Registrar?

Here's how ChatGPT describes our esteemed Registrar when it comes to student loan rulings:

- Applies a **fair but rigorous standard** to student loan discharge.
- Expects **clear evidence of financial hardship**, especially if income is present.
- Criticizes **non-participation by student loan authorities** when objections could have been raised.
- Favors **conditional discharges** when debtors can partially repay.
- Procedurally: **careful, consistent, and thorough**.

“Real hardship. Real effort. Real responsibility.”

A balanced reflection of both **compassion** and **public trust**.

POLL

In your opinion, is this an accurate portrayal of our Registrar when it comes to Student Loan matters?

Answer Choices:

- Yes
- No
- I plead the 5th



Student Loan Landscape (Up to 2023)

A brief look at the current (and historical) student loan picture in Canada

- **Total Federal Student Aid Disbursed:** \$6.6 billion
 - Grants: \$3.5B (53%)
 - Loans: \$3.1B
- **Recipients:** 566,000 students
- **Average Loan Balance at Graduation:** \$15,091
- **Repayment Assistance Plan (RAP):**
 - 283,000 borrowers enrolled (~50%)
 - 90% made \$0 payments during assistance period

- **Default Rate:** 7% (three-year rate for borrowers entering repayment in 2020–2021)
- **Loan Portfolio:**
 - \$23.8B total outstanding
 - 1.9 million borrowers in the direct loan portfolio

Student Debt & Insolvency:

- **Prevalence:** 1 in 6 insolvencies involve student loan debt
- **Demographics:** 30% of student loan insolvencies filed by those aged 18–29

(Source: Hoyes, Michalos & Associates)

POLL

Do you believe that student loan authorities are adequately participating in, and opposing when appropriate, discharge applications before the court?

Answer Choices:

- Yes
- No
- Unsure / No direct experience

Piekut Decision Deep Dive

Summary of the Supreme Court's ruling and its implications

Key Highlights – *Piekut v. Canada* (2025 SCC 13):

- **Single-Date Rule Affirmed**

The Supreme Court held that, for bankruptcy purposes, there is only one date on which a person ceases to be a student—the last date of full- or part-time enrollment—regardless of whether subsequent studies were self-funded.

- **Impact on Discharge Eligibility**

Returning to school, **even without new student loans**, resets the seven-year period required before loans can be discharged in bankruptcy.

- **Uniform Interpretation Across Provinces**

Resolves previous inconsistencies on how “ceasing to be a student” is interpreted under the Bankruptcy and Insolvency Act (BIA).

- **Policy Considerations**

Supports government objectives: minimize losses, ensure sustainability of loan programs, and deter opportunistic filings.

- **Dissenting Opinion**

A minority of the Court supported a “seven clear years” approach, allowing for discharge if the debtor had not studied for a continuous seven-year period, even if they returned to school later.

Note on the Dissent:

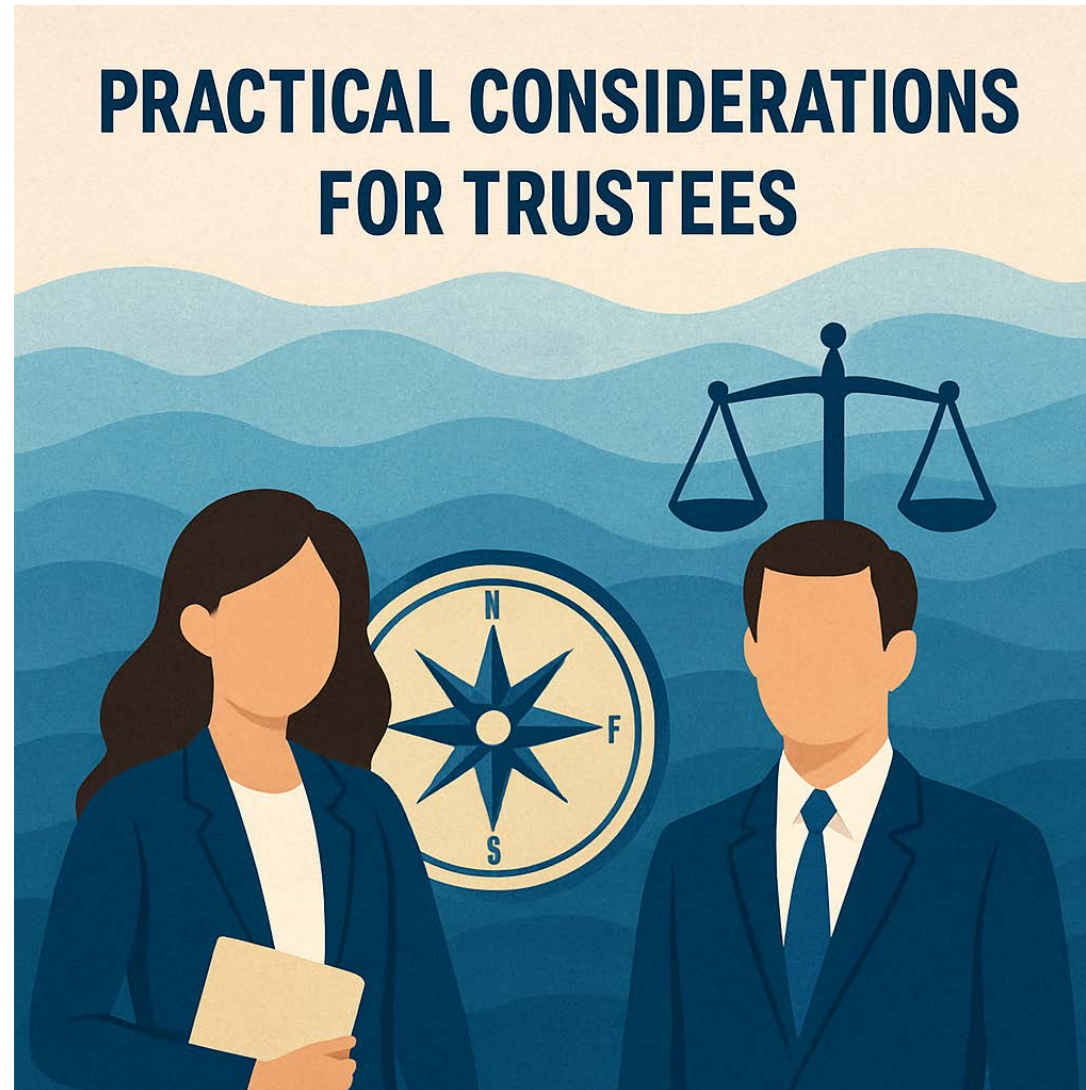
While not binding, the dissent highlights fairness concerns and may influence future hardship applications, legislative reform, or judicial reconsideration.

POLL

Are you in agreement with the *Piekut* ruling?

Answer Choices:

- Yes
- No
- Unsure



POLL

What should Trustees tell student-loan holding bankrupts who are planning to go back to school, especially if their loans are currently dischargeable?

Answer Choices:

- Hold off (until you're discharged)
- Nothing (let them figure it out)
- Only do it if (your current student loan is more than 7 years old)

POLL

Will Registrars (or the court) use s. 172 or s. 178(1.1) more or less readily in student loan files?

Answer Choices:

- More
- Less
- No change

Section 172 — General Discharge Hearing

Section 178 (1.1) – *Hardship Exception (Five-Year Rule)*

POLL

Will student loan debtors be more or less willing to comply with their statutory duties, knowing the stay is in place until discharge?

Answer Choices:

- More
- Less
- Unsure / won't change

Scenarios

The Definition of “Student”

“The term 'student' should be construed according to its ordinary meaning, focusing on active enrollment in a recognized course of study, and not confined to technical funding criteria.”

Scenario #1: The Person Who Has Already Gone Back to School

- Currently in bankruptcy
- Has student loans included that meet the 7-year rule
- Plans to return to school for an unrelated course at a recognized institution

Scenario #2: Back-to-School After 5+ Years

- Student loan debt **not dischargeable** (EOS < 7 years at filing)
- Considering re-enrolling in a new 2-year diploma
- Intends to pursue **hardship discharge** of existing loans

Timing is critical: re-enrollment before discharge could reset the clock under *Piekut*

Scenario #3: Medical Leave & Interrupted Studies

- Originally enrolled full-time
- Took extended medical leave (no coursework), but remained registered
- Seeks to argue clock should run from date of leave

Raises the question: *Is “active attendance” required to count as a student under Section 178?*

Scenario #4: Informal or Non-Accredited Study

- Attended part-time, **non-accredited course** (e.g., private coaching certificate)
- No formal diploma issued; completed just before meeting with LIT
- Existing government loan from accredited university is >7 years old

Raises issue: *Does this informal course qualify as being a “student” under the BIA?*

Scenario #5: The Returning Nurse

- Jane completed nursing school in 2012 with government student loans.
- She returned to school part-time in 2018 to upgrade her certification (no new loans taken), she completed the upgrade in 2019.
- She filed for bankruptcy in 2022, hoping to discharge her original 2012 loans.
- She now applies for a hardship discharge in 2025.

Hardship Provisions (178(1.1)) & Trustee Roles

“If ‘single date’ means 7 years after the last period of study (even if there is no corresponding student loan), it must follow that the hardship relief must also be after five years post-last-study.”

Student Loan Discharge Quick Checklist

- ✓ Has the 5-year (hardship) or 7-year (automatic) period passed since ceasing studies?
- ✓ Was the original end of studies date used correctly (single-date method)?
- ✓ Does the debtor demonstrate genuine financial hardship (income, expenses, health)?
- ✓ Has the debtor made good faith efforts to repay?
(Partial payments, repayment assistance applications, communication with creditors)
- ✓ Were the loan funds used appropriately for educational purposes?
- ✓ Did the debtor complete their educational program?
- ✓ Is the student loan a significant portion of the total debts?
- ✓ Did the debtor responsibly manage the debt (avoiding NSF's, avoiding neglect)?
- ✓ Would granting discharge respect the public policy interest in protecting the student loan system?
- ✓ Are there any extraordinary factors (like a pandemic) that need to be considered?

POLL

Should the LIT assist debtors with student loan hardship applications?

Answer Choices:

- Yes — it is the LIT's duty to assist the debtor to get discharged from provable claims in bankruptcy or proposal
- No — there is no benefit to the general body of unsecured creditors
- No — it is a conflict of interest

Other Points for Discussion

- **Consumer Proposal vs. Bankruptcy**

Is the court's approach to student loan discharge different depending on the insolvency route?

- **Part II Relief – Growing Use?**

Are more debtors attempting to access it?

Are there regional differences in application or success rates?

- **Language Interpretation – English / French**

In *Piekut v. Canada* (2025 SCC 13), the Supreme Court found no material discrepancy between the English and French versions of Section 178 of the BIA.

The Court relied on the plain meaning of both versions, concluding that bilingual statutory interpretation principles were not triggered.

- **Section 173 – “One vs. Many Things”**

Should a single issue (e.g., student loan discharge) be assessed in isolation, or does the court consider broader patterns of behavior?

BEST PRACTICES



Best Practices for LITs

Student Loan Guidance – Key Considerations:

- Provide clear advice to student loan debtors during the **initial assessment**
- Confirm **last day of studies** — debtor should request this directly from NSLSC to determine eligibility clock
- Discuss consequences of **returning to studies** during a bankruptcy or proposal
- Clarify if student loans are eligible for **automatic discharge** or **forgiveness** based on last study date
- Educate debtors on **collection practices** (e.g., default or collections reporting if no payments made during insolvency)

If loans are not eligible for automatic forgiveness:

- Advise debtor to **apply for RAP** or other relief programs **before filing** where applicable

Best Practices for LITs

Post-Bankruptcy or Proposal:

- Encourage prompt **payment arrangements**
- Apply for **RAP, RAP-D, or loan recapitalization** if eligible
- Provide a **self-representation package** for forgiveness application
- Refer to **legal counsel** when appropriate

Strategic Suggestion:

Conduct a **high-level scan of existing files** to identify debtors with student loans who may benefit from proactive guidance.



QUESTIONS & ANSWERS