

Canadian Consumer Insolvency Filings Up Over 9% Compared to Last Year

Canadian Association of Insolvency and Restructuring Professionals: Latest insolvency statistics reflect growing consumer debt struggles and changing debt restructuring choices among Canadians

TORONTO –December 9, 2018 – A new report released this morning by the Office of the Superintendent of Bankruptcy shows that the number of consumer insolvencies (bankruptcies and proposals) in Canada increased by 16.4 per cent in October compared to the previous month. The total number of consumer insolvencies in October 2018 was 9.2 per cent higher compared to October 2017.

“High consumer debt levels and rising interest rates have been a growing concern over the last few years and we are now starting to see this reflected in the number of insolvent Canadians filing bankruptcies or proposals. Furthermore, Canadians struggling with overwhelming debt are becoming more aware of the consumer proposal option,” says Chantal Gingras, Chair of the Canadian Association of Insolvency and Restructuring Professionals (CAIRP), the country’s national association of insolvency and restructuring professionals which represents nearly 1,500 trustees and associates across the country.

For the 12-month period ending October 31, 2018, consumer insolvency filings accounted for 97.2% of total insolvency filings. The proportion of proposals in consumer insolvencies increased to 55.5% during the 12-month period ending October 31, 2018, up from 51.9% during the 12-month period ending October 31, 2017.

A consumer proposal is a legally binding process, administered by a Licensed Insolvency Trustee, in which debtors make an offer to pay back creditors a percentage of what is owed to them or extend the length of time over which the money is paid back.

“Both bankruptcies and proposals provide relief from creditors, but the advantage of a consumer proposal is that the debtor can keep many of their assets. Unfortunately, most debtors wait until they are in a dire situation before seeking professional debt help. The longer you wait, the worse the situation becomes and the fewer the debt relief options available,” she says.

To qualify for a consumer proposal, individuals must have less than \$250,000 in debt, excluding a mortgage, and be able to show they can repay creditors a percentage of the total debt in five years or less.

The rise in consumer filings echoes a recent analysis conducted by CAIRP, which found that there is typically a two-year lag between the time interest rates begin to rise and when consumer insolvency filings start to increase. For example, rising interest rates during the periods of 1996 to 2000 helped fuel a 22 per cent increase in the number of annual consumer insolvency filings from 1998 to 2003. Interest rate increases from 2004 to 2006 fueled a 54 per cent jump in the number of annual consumer insolvency filings between 2006 and 2009.

“With interest rates trending upward since 2017, we expect the uptick in consumer insolvencies to continue into 2019 and beyond,” says Gingras.

Conversely, business insolvencies for the 12-month period ending October 31, 2018 decreased by 2 per cent. The two sectors that registered the biggest decrease in the number of insolvencies were mining, oil and gas extraction; and professional, scientific and technical services. Construction and management of companies and enterprises experienced the biggest increase in insolvencies.

Licensed Insolvency Trustees are the only professionals licensed by the federal government to deal with consumer and business debt restructuring.

ABOUT CAIRP

The Canadian Association of Insolvency and Restructuring Professionals (CAIRP) is the national professional organization representing more than 980 members working in the insolvency system, as well as over 500 articling, life and corporate associates.

CONTACT

Angela Joyce, Media Relations

p. 1.403.681.9286

e. aj@whiterabbitcommunications.com