

CAIRP: Q4 2018 Canadian Insolvency Statistics

Consumer insolvencies up, record number of Canadians opting for consumer proposals

TORONTO – February 8, 2019 – The number of Canadians who filed for insolvency rose in 2018 according to the latest official figures, revealing the toll of higher interest rates and mounting household debt in the country. The Office of the Superintendent of Bankruptcy (OSB) reported that 125,266 Canadians became legally insolvent in 2018 – a 2.5 per cent rise over the year before and the second highest number since 2011. Consumer insolvency filings during the month of December 2018 were 4.1 per cent higher than the number of filings in December 2017.

“While a variety of economic factors affect the number of consumer insolvencies filed in a year, debtors are most sensitive to interest rate changes. There is a lag between interest rate changes and the impact on insolvency filings, so we are just starting to see the effect of the rate increases now. We expect that consumer insolvency filings will continue to rise for at least the next 2 years,” says Chantal Gingras, Chair of the Canadian Association of Insolvency and Restructuring Professionals (CAIRP).

Among the provinces, Newfoundland (+13%), Alberta (+9.6%), Saskatchewan (+8.9%), Prince Edward Island (+8.6%) and Manitoba (+8.4%) experienced the highest increases in 2018. Quebec (+0.2%), Ontario (+1.8%), and British Columbia (+1.8%) saw only nominal increases. Filings were lower in Nova Scotia (-2.3%) compared to 2017.

“The official statistics don’t tell the full story: there is a lot of ‘hidden’ insolvency out there. Some may be technically insolvent, unable to pay their bills, but not yet seeking out debt relief options,” says Gingras.

The OSB figures also show that record numbers of Canadian households are choosing consumer proposals over bankruptcy. These debt relief solutions – where individuals 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 – hit a record high of 70,175 in 2018, up 9 per cent on the year before. Bankruptcies were down 5 per cent over the same period.

“Consumer proposals are often more appealing because those who choose this option can keep some of their assets. They also receive all the same legal protections from creditors as they would during a bankruptcy; if creditors are garnishing wages or have filed lawsuits, these actions are also stopped,” explains Gingras. “There is also less financial stigma associated with a proposal than with a bankruptcy.”

Consumer proposals can only be administered by a Licensed Insolvency Trustee (LIT) and are only available for individuals with less than \$250,000 in debt, excluding a mortgage, and who can repay creditors a percentage of the total debt in five years or less.

“Some may be surprised to learn that Licensed Insolvency Trustees often help individuals and businesses avoid bankruptcy. They can provide advice about all of the debt relief options – including proposals – and they take a customized approach to determine which option is most suitable,” says Gingras. “They are the only federally regulated debt professionals who can provide this kind of guidance and expertise.”

According to the OSB data, business insolvencies in 2018 were slightly lower than the previous year (-0.8%). However, this is the lowest rate of decline in 17 years, suggesting business filings may be on the rise in 2019. Interestingly, the mining, oil and gas extraction sector registered the biggest decrease, down 48.9 per cent.

“After the initial wave of insolvencies in this sector, with oil prices having risen since their low in 2016 we are now seeing a significant slowdown in the number of filings,” says David Lewis, an Alberta-based board member of CAIRP.

The two business sectors that registered the biggest increase in insolvency filings were construction (+9.5%); and real estate, rental and leasing (+9.6%).

ABOUT CAIRP

The Canadian Association of Insolvency and Restructuring Professionals (CAIRP) is the national professional organization representing nearly 1000 members working in the insolvency system, as well as over 500 articling, life and corporate associates. CAIRP is the national voice on insolvency matters throughout Canada.

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