

Bankruptcies increasing, bureau says

"Bankruptcies are increasing, there's no doubt about it," Harry Lockwood, president of the Brampton Credit Bureau, told The Herald.

Mr. Lockwood said personal bankruptcy no longer has the stigma that it once had.

"When I was a young man, there was a stigma to it that if you went bankrupt, you weren't quite as honest as you might be," he said.

The Brampton Credit Bureau has two functions. The bureau keeps credit histories of as many people as possible in its coverage area. The other side of the business is involved in collecting delinquent ac-

counts. Mr. Lockwood estimates that the bureau collects about \$1 million a year.

"You collect a little less than 50 per cent of what's submitted to you," he said.

Mr. Lockwood attributed much of the increase in personal bankruptcies to the government scheme brought in a few years ago whereby a debtor can declare himself bankrupt and pay a fee of \$50 to cover the cost of the paperwork.

"Another reason debt collection is so difficult is because so many government services are provided for people who can't handle their financing. In my opinion, to use an analogy,

that if you put detoxification centres on every corner, you'll have a lot more drunks," he said.

Reporting agencies such as the Brampton Credit Bureau are regulated by law as to their methods of operation. A credit report to a business or individual who is considering granting credit to an applicant must not pass judgement on the applicant. The report must contain only the applicant's credit history. It is up to the credit grantor to decide whether or not the applicant is a good credit risk. Where an applicant has been denied credit by one business, another business might be willing to grant him credit.

If for one reason or another, the credit grantor rejects an application for credit, the applicant has to be told why he was turned down, and where the information came from. Every citizen has the right to see what is written in his or her credit history.

A business which is processing an application for credit and plans on investigating the credit history of the applicant must have the applicant sign a form to acknowledge that he is aware that the credit grantor may investigate his credit history, and gives his permission for such an investigation to take place.

The collection agency branch of the bureau is regulated by the Collection Agency Act, which sets out the do's and don't's, such as no harassment of the person who is delinquent in his

payments. The Brampton Credit Bureau will follow a collection account right through to legal action if the debt is not paid. This could involve a session in Small Claims Court, or following through if the debtor declares bankruptcy. Mr. Lockwood said the bureau issues about ten writs a day.

"When a person goes bankrupt, it's a matter mainly of starting over again," Mr. Lockwood said. Judgments by Small Claims Court and the Supreme Court are recorded in the individual's credit history. But if someone is willing to take a chance on lending money to a person who has gone bankrupt, the whole thing can start all over again, right away.

One important detail which Mr. Lockwood points out is that derogatory information

is retained in the credit history for six years, as required by law, and then deleted from the file. Future credit granters may never know that an applicant once went bankrupt.

Mr. Lockwood said there are still cases where debtors use dodges to keep from losing everything if they are sued. As an example, he cited a case where a businessman asked about collecting a \$300 account from a particular debtor. Mr. Lockwood asked the debtor's name, and when he identified the man, told the businessman to forget the money, that he would never be able to collect it.

"The man said 'You must be joking.' This fellow walks around in \$300 suits, he drives a Lincoln, he wears diamond rings, he owns his own house, and he owns some

excavating equipment," this businessman told me," Mr. Lockwood said. Then he ticked off each item on his fingers. "I told him the bill for the suits is in for collection already, the Lincoln is leased, the diamonds are Zircons, the house is in his wife's name and the excavating equipment is mortgaged with the bank."

"The large companies don't get burned as often as the little guy," Mr. Lockwood said. "The big companies check out who they're lending to before they hand over the any money."

The biggest deterrent to problems with collecting delinquent accounts is to draw a credit report. Mr. Lockwood said:

"Jails are full of nice, good-looking guys," he said. "It's important to know who you're granting credit to." He said the bureau makes 300 to 500 credit reports every day, primarily to department stores, oil companies, banks and finance companies.

Mr. Lockwood made three recommendations in handling credit.

First, he recommended that the applicant be fair and honest in his application and disclose all debts.

Second, if the applicant has had credit difficulties, tell the person to whom he is

applying. If an investigation is carried out, the credit grantor will find out anyway, and he won't think any better of the applicant for hiding any part of his credit history.

Finally, if an individual finds himself or herself in difficulties, and has trouble making payments, visit the

creditor in person, or by phone, and tell him. He wants his money back, Mr. Lockwood said, and the creditor and debtor can probably work out a new payment scheme.

"We have to get back to the stage where people take some of their own responsibility for their finances,"

Sheriff holds record of action

The fact that a member of the sheriff's staff is present when repossessions are made for creditors may tend to give rise to the mistaken idea that the sheriff is involved in bankruptcies, say Halton's deputy sheriff.

Wheldon (Steamer) Emmerson says that the only connection the sheriff's office has with bankruptcy actions is the form which the bankrupt's trustee sends them asking for a list of any executions filed with them against the bankrupt.

When a creditor sues for collection of a bad debt the sheriff's office serves the

summons on the debtor. If the debtor fails to defend himself before a judge, either in person or by counsel, the creditor will automatically get a judgment and that will be recorded in the sheriff's office for six years unless the matter is withdrawn or paid off. If the matter is still unresolved after six years the creditor can file to have it renewed for another six year term. There is no limit to the number of renewals which may be made.

These executions which the sheriff's office records will be reported to a bankrupt's trustee upon request.

Creditors share blame

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living."

"He had to buy his appliances because they went with the apartment. Then his wife wanted some new things like furniture and drapes and if he has that big mortgage you can bet he hasn't any money to get these things. As a result he owes \$13,000 plus his house. He has a wallet full of charge cards and he's using them."

He and his wife both work and their three children are

pre-teens so they aren't quite so expensive to raise just yet. Right now he's able to pay but any sickness, lay-off or a pregnancy would be disastrous."

"He got his mortgage approved because he only had a fair-sized loan on his car, a Sears card, and two gas cards. But look what happened after he got the house."

A lot of customers "conveniently forget" half a dozen credit cards or loans when they fill in their loan

applications, the manager says. For that reason anyone asking for more than \$1,500 will be asked to make out a list of their debts in their own handwriting and write at the top of it that this is their total debt.

If the customer goes bankrupt and forgot to list debts existing at the time he applied for his loan, the agency can then try to prove, and possibly charge him with fraud. This won't happen until after the bankruptcy has been discharged, however.

BUDGET HELP

If you are trying to budget you might try comparing your allotments with those found in a Statistics Canada report of 1972. While inflation has made the actual dollars spent a meaningless sum the percentages still remain useful.

Food	18.1
Housing (including heat, utilities, furnishings)	25.8
Transportation	12.5
Clothing and personal care	9
Medical and health care	3.2
Other consumption (recreation, education, reading)	8.3
Taxes	14.1
Security	4.8
Miscellaneous	3.4

Credit counsellors report more accurate percentages for food, transportation and housing which are higher at the expense of clothing, miscellaneous and recreation budgets.

A Bank of Nova Scotia pamphlet used by one high school, says the price paid for a family home should not exceed three and a half times the family's net income. Housing costs including taxes should not exceed 25 to 30 per cent of a family's gross income. The maximum of all debt payments including mortgages should not exceed 37 per cent of a family's gross income.

DANGER SIGNS OF HOUSEHOLD DEBT

Your revolving charge accounts are climbing steadily. You cease to use your savings account. You consider consolidation of your debts so you have only one bill rather than several. Repossession takes place. A big share of your income is going to pay debts. You trust your savings account as a creditor. Legal action is used or threatened. Delinquency notices come in frequently. New bills are coming in faster than you pay old ones. You choose the longest term you can get and the smallest payments.

What a trustee will do

Lloyd Youngman of Guelph has been a public trustee for 18 years.

Although there are no rules on who can become a public trustee, he says a board of examiners who interview prospective trustees on behalf of the official receiver usually pick chartered accountants or people who have had experience in handling estates through working in trustee offices.

Applicants must have a certain amount of financial standing because bonding is necessary for the position. While a lawyer might become a public trustee this is not common.

Mr. Youngman says trustee fees are set at 7 1/2 per cent of what is realized on the bankrupt's assets, or what the court approves. Since the figure of 7 1/2 per cent has not been changed since 1949 most trustees work out their fees on the basis of the time required to administer the estate and present a bill accordingly to the bankrupt.

His business is about 75 per

cent businesses and 25 per cent personal bankruptcies, Mr. Youngman says. Over the years he has had a number of clients from the north Halton area. He "might handle 40 to 50" cases annually. "No more than two per cent" of his customers have been bankrupt more than once.

He feels his clients are still ashamed to admit their problems.

"Everyone has pride," he says. "Very few are nonchalant about their problems. Most of them are repentant and ashamed."

The amount his clients owe varies, although he admits it is "generally larger than it used to be."

He sees slightly more people going bankrupt these days because of the increased use of credit and because of the higher cost of living.

"Everyone tries to live up to his current income," he says. "Then something happens and he's in trouble."

Having heard that transferring property into

another person's name is an offence and also that businessmen often put property in their wife's name to protect it in cases of bankruptcy we asked Mr. Youngman to explain the situation.

He says that if it can be proved that the person was financially solvent at the time the property was transferred into the other name then the creditors can't touch it. This is also true if the property has been transferred more than five years before the bankruptcy action was taken.

Mr. Youngman says he always recommends that his clients try to work out a way to repay their debts if it is possible.

"If I think it can be done, I'll recommend they visit a credit counsellor and try going on a budget. Sometimes it works. Sometimes they come back and say they can't do it. I've had people come back to me two years after I sent them to an agency. But at least they tried. It's good for their conscience and mine."

feel it will take both parties to make a budget work effectively, Mrs. Josiak says.

Clients are given help to work out a very realistic family budget.

"A working man can't be expected to get by on \$2 spending money for a week," she says, "but neither can the money be wasted needlessly."

The second step is to look at the family's net income and determine what amount is surplus and can be used to pay off debts. When this is worked out the family are put on a pro rate budget.

"Say we find a family has \$200 a month to be used on debts but the monthly credit bills amount to \$350," Mrs. Josiak explains. "We approach all the creditors involved and ask them to accept smaller payments so that each one is receiving an equal per centage of the payments that are being made."

"Usually the creditors will accept such an arrangement because they know we will give them a certified cheque so they're sure of their money. They also know everyone is getting an equal share and no one is being favored."

Unless the situation is hopeless debtors are always encouraged to repay their creditors even though it takes a long time at a very low level of repayment.

Use of credit cards has not exactly increased the use of credit, Mrs. Josiak says, it has simply changed it a bit. Now people aren't having to go to banks for small loans. They use their credit cards instead so it's a little easier and faster. Most of their clients have at least three credit cards with a balance of \$1,000 owing on each she says.

Mrs. Josiak praises the consumer education courses

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