

Changes may make debt recovery harder

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One of the more vocal critics of the federal government's proposal to increase the minimum level at which people can petition for bankruptcy has intensified his campaign by releasing the results of bankruptcy proceedings that recovered thousands of dollars for small businesses.

Roger Mendelson, the chief executive of Prushka, one of the largest privately owned debt collection agencies, has strongly argued that raising the threshold from \$2000 to \$10,000 will eliminate the only practical option small busi-

KEY POINTS

- The federal government wants to increase the minimum level for debtors to petition for bankruptcy.
- Critics of the proposal claim small businesses will find it much harder to recover money owed to them.

nesses have to force difficult debtors to pay their debts.

This week, Mendelson Lawyers, an associate business of Prushka where Mr Mendelson is managing director, released details of six cases

where it had initiated bankruptcy proceedings on behalf of nearly 80 small businesses.

These small businesses included a computer business, concrete operators and cleaning services. The list of debtors comprised accountants, solicitors, property owners, business operators and farmers.

The original claims ranged from just under \$3000 to \$6000, although once a judgement was made the range had increased from \$3600 to about \$7200. In most cases, creditors received payment once bankruptcy notices were issued.

"Creditors don't set out with a

view to actually bankrupt the person who owes them money; it's a process set out on to have the debtor address the problem," a senior solicitor with Mendelson Lawyers, Anthony Hanlon, said.

Mr Hanlon stressed that most small businesses preferred not to use the legal route, hoping that phone calls, letters and other reminders would spur debtors to pay up. But they would take action usually 12 months after the non-legal process had run its course. In some cases, legal action was pursued when it was clear that debtors had assets that could be used to pay outstanding debts.

One case involving a tradesman owed \$3115 by a farmer was pursued when the debtor apparently failed to respond to legal demands for payment. After a bankruptcy notice was served and bankruptcy trustee appointed, one of the debtor's four properties was sold.

As a result, all creditors, including the tradesman who initiated the action, were paid a total of \$34,000.

But Mr Hanlon said this was an exception, with the firm getting results for amounts under \$10,000. In his view, the proposed change "will make it much more difficult for creditors to recover monies".