

# BankingDay

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## **Small business lobby backtracks on bankruptcy**

### BANKING DAY NEWS BITES

Banks, small business lobby groups and debt collection agencies have strenuously opposed the federal government's proposed raising of the minimum threshold for a creditor petition bankruptcy action from \$2000 to \$10,000.

The Opposition and the independent senator for South Australia Nick Xenophon have said they will oppose the bill when it is voted on in the senate, probably later this week. Xenophon has been reported as saying he would accept a threshold of about \$5000.

Now, on the eve of the bill being debated in the Senate, the small business lobby has broken ranks and come out in support of the government's position.

"An increase in the bankruptcy threshold from \$2000 to \$10,000 could cause some nervousness among small business owners with small debts to recover – but is the best chance of repayment results if bankruptcy is not declared," Jaye Radisich, chief executive of Council of Small Business of Australia, said in a statement issued yesterday. Radisich is in Canberra with the rest of the COSBOA board all week and not taking calls from reporters.

"The last thing small businesses need is a fire sale of assets and a liquidator taking a big cut before any creditor gets anything."

The other major point of contention in the bill is the increase in the time allowed for a defaulter to organise her or his affairs after filing an intention to declare bankruptcy.

"It makes much more sense to allow 28 days rather than seven days for a defaulter to get their house in order before bankruptcy proceedings commence," said Radisich.

The largest debt collection agency by client numbers in Australia is **Prushka**, acting for more than forty thousand businesses, medical practices, professional practices, individuals and companies across Australia.

**Prushka's** high-profile director Roger Mendelson has been a critic of the government legislation since day one.

He says two thirds of the debtors that get threatened with bankruptcy by **Prushka** or solicitors acting for **Prushka** end up resolving their debt issues without becoming bankrupt.

In his submission to the attorney general, Robert McClelland, Mendelson says that most debtors who settle would not have paid anything unless they had been pressed to do so through the use of the bankruptcy process. More than half of debtors that **Prushka** chases are in medium to high level qualification jobs.