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Anger over proposed bankruptcy amendments

By [David Olsen](#) on Thursday, 25 February 2010

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Australia's largest privately-owned debt collection agency Prushka has rejected claims by the Council of Small Business that proposed changes to bankruptcy legislation will produce better outcomes for SME's.



CEO of Prushka, Roger Mendelson said the Government's proposal to change the current bankruptcy threshold from \$2,000 to \$10,000 shows an obvious lack of understanding of small business and will make it very difficult, if not impossible in many cases for SME's to enforce judgements against individuals for below \$10,000.

Contrary to comments made by COSBA, Prushka figures show bankruptcy is effective and necessary, but is also judiciously pursued.

In a submission to the Commonwealth Attorney General, Prushka reported that the percentage of debts which trickle through to the bankruptcy process is so small as to be statistically irrelevant. It is the threat that a judgment for over \$2,000 may ultimately result in bankruptcy proceedings which is the catalyst for payment being made.

Of the number of judgments over \$2,000 which are taken out, less than 10% reach the threat of bankruptcy; and of those that do, most (77%) are resolved before bankruptcy is declared.

"Prushka data shows that the threat of bankruptcy is important for getting debts paid from recalcitrant debtors, and that this threat of legal

action works in the majority of cases," said Mr Mendelson.

"It is clear both the Government and COSBA have failed to realise SME's, as the main users of the bankruptcy process, are also the main beneficiaries of a lower bankruptcy limit," he continued.

"By raising the threshold, many creditors who have genuine claims, will be left with no effective redress to recoup debt."

Mr Mendelson has welcomed the Opposition and independent Senator Nick Xenophon's stance against Government proposals to amend the current Bankruptcy Act, declaring it a 'show of support' for small businesses that stand to lose the most if changes to the legislation are passed.

"If passed, the fallout from changes to this legislation will result in millions of dollars in unrecoverable debt", Mr Mendelson said.



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