

## **Insolvencies soar as financial crunch hits – NZ Herald, 18 January 2009**

A record 5000 people were declared insolvent as the credit crunch hit last year - an increase of more than 40 per cent on the previous 12 months.

Insolvency and Trustee Service figures show 4740 people were bankrupted or entered the new No Asset Procedure (NAP) scheme, which wipes the slate clean if the debts are no more than \$40,000.

The NAP was introduced in December 2006 as a less punishing alternative than bankruptcy for those in financial difficulties, aimed at people saddled with consumer debt.

It lasts for a year, and under it the debtor must have no realisable assets, a maximum of \$40,000 debt, and have not previously been bankrupted or used NAP.

Once it came in, the number of bankruptcies dropped significantly, but overall the numbers of debtors being declared insolvent has shot up.

In the first 12 months, 4740 people were bankrupted or entered NAP. This compares with 3314 bankruptcies in 2007 - a rise of 43 per cent.

Ex-Bridgecorp director Rod Petricevic was the most high-profile casualty in 2008, bankrupted by Judge Jeremy Doogue in the High Court at Auckland last August owing \$4.7 million to creditors.

Another was multi-millionaire property developer and reality television star Pat Rippin, bankrupted over a \$250,000 debt.

Other big names battling to stave off bankruptcy include *Once were Warriors* author Alan Duff and property developer Andrew Krukziener.

Duff has been given an extra 18 months to pay back \$3.6m owed to 20 creditors, while five creditors have come out to support Krukziener, whom Hanover Finance has taken bankruptcy proceedings against for a \$4.5m loan.

Robyn Cox, national resource manager of the Insolvency and Trustee Service, believed the huge increase in insolvencies was triggered by the global credit crisis.

"We don't have specific analysis, [but] you don't have to be a rocket scientist to work out this is a worldwide phenomenon," said Cox. "And it's going to keep happening for the next year or two."

As the turbulent economic times had coincided with the NAP provisions, Cox said it was difficult to tell whether the rise could be attributed to the popularity of the new regime.

But she pointed out that 747 applications were rejected, nearly 25 per cent, and a further 56 were terminated after further checks were made.

"So the NAP isn't the 'get out of jail' card it was touted to be," Cox said. "We're very careful to have robust checking procedures. That rejection rate, of one in four, supports that.

"But with the credit crisis, there are more people in difficulty."

Maureen Pitman, president of the Federation of Family Budgeting Services, said many people struggling with finance were simply asking for help to fill out NAP forms, rather than seeking financial advice.

"Bankruptcy is an absolute last resort for our clients," she said. "NAP is next as we normally work hard to keep out of insolvency.

"We want to have a good relationship with creditors. But if all else fails, we suggest they go to the insolvency website."

The credit crunch had seen the number of people seeking budget advice skyrocket, said Pitman, and she expected more of the same this year.

"As soon as the credit card bill arrives after Christmas, we'll get busy. It's going to get worse before it gets better," Pitman said.

Her advice to those struggling to make ends meet was simple: "Come and see us as soon as possible before you get yourself in too deep."

In 2005, household name and multi-millionaire businesswoman Suzanne Paul was declared bankrupt.

Attempts to contact Paul were unsuccessful, but in her autobiography *But Wait, There's More* she said she lost everything.

"You don't just lose your home, money and possessions when you're made bankrupt.

"You lose your self-respect, confidence and dignity. There's not much left after that."

However, Paul managed to get an early discharge from bankruptcy and repay several creditors after relaunching her signature Natural Glow cosmetics range.

"When everything went pear-shaped, I thought about all the other times I'd hit rock bottom and had to start again with nothing," Paul wrote.

"I had a couple of really bad days when I thought: 'What's the point?' I'm not a superwoman.

"I get hurt and angry just like everyone else. I lose hope and give up. But it's like falling off the wagon - you need to get back on again as soon as you can."