



**BUSINESS  
DAY**

## Insolvency growth slows

By REBECCA STEVENSON - BusinessDay.co.nz    Last updated 11:12 12/08/2010

A record year for personal insolvencies, no asset procedures and summary instalment orders has a silver lining for creditors, with most debtors obtaining a summary order repaying more than 50 cents in the dollar.

Figures released by the Insolvency and Trustee Service show 6426 Kiwis were adjudged bankrupt for the year ended June 30, up 14 per cent on the previous year's 5654.

No asset procedures (NAP) rose to 3026 from 2833.

Summary instalment orders (SIO) grew 35 per cent from 257 in the year ended June 2009 to 346. NAPs and SIOs were introduced in December 2007.

A NAP allows borrowers with debts up to \$40,000, with no assets, to have their debts wiped while an SIO allows the payment of creditors in full, or part, over time.

Insolvency and Trustee Service manager of national resources Robyn Cox said the slowing increase in personal insolvencies was pleasing.

"But there is always a lag with insolvency numbers in relation to the economy, it tends to be reactive rather than an indicator."

The increase in NAPs was "not huge" but because of its newness any trends would not be identified until further down the line.

The real success story had been the introduction of SIOs, Ms Cox said.

Of the 346 people who successfully applied for the instalment order almost 45 per cent were repaying their debts in full. Further 15 per cent were repaying more than 51 cents in the dollar.

Almost 20 per cent were paying back 31c to 50c in the dollar with the bulk of the remaining debtors contributing between 20c and 30c in the dollar.

"Summary instalment orders are the win-win of insolvency. Debtors are contributing money back so we are pleased to see growth in this rate," said Ms Cox.

She said the "\$64,000 question" is how long will the growth in SIOs, and the slowing of NAPs and insolvencies, last.

Chief executive officer of the New Zealand Federation of Family Budgeting Services Raewyn Fox said the industry expected that there would be a spike in NAPs and SIOs after their introduction.

"What we are seeing is that people are thinking deeply about their overall situation and analysing the options."