



Financial Rights

LEGAL CENTRE

KNOW YOUR RIGHTS CHECKLIST



Financial Rights Legal Centre Inc.
ABN 40 506 635 273

We provide FREE legal and financial advice about loans, debts and money problems.

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DEBT AGREEMENTS

A Debt Agreement is not a consolidation loan; it is a form of insolvency! Entering into one is a serious step that cannot be easily undone.

Think carefully and get advice from an independent source, not just the person who is trying to sign you up to the agreement!

BEFORE entering a Debt Agreement consider OTHER OPTIONS:

- Repayment arrangements
- Negotiate reduced settlements
- Asking for no interest to be charged for a period of time due to financial hardship.

See a financial counsellor

- People promoting Debt Agreements are usually paid either a commission or significant fees if you enter the agreement (they gain financially from your decision)
- If you are in financial difficulty there may be other options with less serious consequences. Always consult a free, independent financial counsellor before entering a Debt Agreement (call 1800 007 007).

Get legal advice

You should check whether you actually owe your debts. You may not owe some of all of a debt and a Debt Agreement may stop you defending a debt. Contact your local legal aid office or community legal centre or call 1800 007 007 and ask for a referral for legal advice.

Understand the consequences of a Debt Agreement

There is detailed information available at www.afsa.gov.au and a fact sheet at www.financialrights.org.au. Consequences include, for example:

- A listing on your credit report
- Difficulty getting credit (loans) and other services like telecommunications, and
- A potential impact on your ability to work in some professions and licensed trades.

www.financialrights.org.au



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Consider Bankruptcy

Bankruptcy may be a better option if:

- You are really insolvent
- You have no assets, and
- You earn less than the threshold for paying income contributions in Bankruptcy (see www.afsa.gov.au).

Compare this with a Debt Agreement where you will have to make repayments representing quite a substantial proportion of your debts.

Do not stop making your repayments!

You may be told to stop paying your creditors while the agreement is being prepared and voted on. **DO NOT DO THIS!** If your agreement is rejected you will be in worse trouble with your creditors. Try to keep paying as much as you can unless you have decided to go bankrupt.

Can you afford the repayments under the Debt Agreement?

If you cannot comfortably afford the repayments, DO NOT enter the Debt Agreement.

Check how long is the Debt Agreement going to last?

Some Debt Agreements last for 5 or more years, when a standard Bankruptcy is only 3 years

Make sure you understand the amount of fees you will pay

You will be asked to pay upfront fees for the preparation of the Debt Agreement Proposal. This is often between \$1000 and \$2000 (and can be more!). You will NOT usually get a refund if the creditors do not accept your proposal. Ask about this before you sign up.

You will pay ongoing fees for the administration of the agreement. These will come out of the repayments you make. You will not get this money back if the agreement is terminated.

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