

## Being made Bankrupt

This fact sheet is for information only. You s

### Main ideas

- **Bankruptcy is serious. Everything you own (except some protected items) will be sold to pay your debts.**
- **Don't ignore court documents – especially a bankruptcy notice, or a creditor's petition. If you don't respond in time, you could end up bankrupt.**
- **Other people can force you into bankruptcy if you owe more than \$10,000.**
- **You can be made bankrupt without ever turning up to court.**
- **Watch out for strata, school fees, and business debts.**
- **Financial counsellors can help. Their services are free.**

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## Bankruptcy is serious

**Always seek help if you are unable to pay your debts. Don't ignore court documents**

If you receive paperwork, such as a Stateme

**The earlier you act, the more options you usually have.**

**If you ignore court notices, a court can make you bankrupt without you being there.**

Read our website and handbook on Bankruptcy (both here)

## Common causes of bankruptcy: strata, business debts, school fees

You can be made bankrupt if you can't pay your debts. Some of the most common causes of bankruptcy are:

1. **Strata levies.** These debts can be sizeable.
2. **Business or commercial debts.** Some small businesses will take bankruptcy as an option.
3. **School fees.** Some private schools will take bankruptcy as an option.

## Steps a creditor takes to make you bankrupt

The most common way to force someone into bankruptcy is by a creditor taking legal action.

### Step 1. Statement of Claim

The creditor will send you a Statement of Claim (SOC) demanding that you pay the debt.

### Step 2. Default judgment

If you don't respond to the SOC, the creditor can get a default judgment against you. A default judgment debt can seem unfair.

Read our guide on [default judgments](#) for more information.

### Step 3. Bankruptcy Notice

The creditor must serve (send) you a Bankruptcy Notice if you don't pay the debt. What you should do:

Your options include:

#### Get legal advice immediately.

- **Do nothing** by the due date (within 21 days).
- **Pay in full** with the creditor (and start paying any other debts).
- **Negotiate repayments.** It is rare for there to be a payment plan.
- **Oppose the Bankruptcy Notice.** You can apply to the court to set aside a Bankruptcy Notice before a Creditor's Petition is filed.
- **Pay some of the debt to get it under \$10,000.** If you pay some of the debt, the creditor can't take you bankrupt, but a bankruptcy notice is still valid.
- **Apply to the court to pay the debt by instalments before** the creditor files a Creditor's Petition.

### Step 4. Creditor's Petition

A creditor can apply to the court to make you bankrupt. But sometimes the first time you will know about being forced into bankruptcy is the Creditor's Petition.

What you should do:

**A Creditor's Petition is very serious. You will almost certainly be made bankrupt if you do not act. Get legal advice urgently.**

Read our guide on [Creditor's Petitions](#) for more information.

### Step 5. Sequestration Order

They can order you to be bankrupt. What you should do:

When you are made bankrupt, you will have to give up your assets to pay your debts.

Get legal advice immediately if you want to challenge the bankruptcy, or if you have

If you intend to oppose or annul the bankruptcy

## **Need more help?**

[RBOGA 644 s 40 d i o t e D e b t s a g a e s A d v i s e t l o n e U s e f u l](#)

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