

Debt Agreements

This fact sheet is for information only. You s

Main ideas

- Debt agreements are marketed heavily, but may not be the best way out of debt for you.
- There are 2 types of debt agreements:
 - Part 9 or Part IX Debt agreements are an ‘act of bankruptcy’ – know the consequences
 - Informal debt agreements are simply an agreement between you and your creditor/s
- Debt agreements can be expensive, with high up-front fees.
- There are often better options than debt agreements.
- Financial counsellors can help. Their services are free.

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Alternatives to debt agreements

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Negotiate with your creditors
Consider bankruptcy

Informal debt agreements

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The Part 9 debt agreement process

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Debt agreements – pay back less than you owe, but there’s a cost

A debt agreement is when your unsecured credit

Debt agreements are not always the easiest or best way out of debt.

It is a legal arrangement between you and your creditors to pay back less than you owe.

Alternatives to debt agreements

Talk with a free financial counsellor before signing up to a debt agreement.

Keep paying

You may be able to work out a deal with your creditors to pay back less than you owe.

Negotiate with your creditors

Agreeing to pay back less than you owe can help you get your financial situation back on track.

Consider bankruptcy

Bankruptcy is a legal process that allows you to get your debts written off.

Informal debt agreements

These are agreements made between you and your creditors without the help of a court.

Part 9 or Part IX debt agreements

A Part 9 debt agreement is a formal agreement made with the help of a debt agreement administrator.

Other people might try to get you to sign up to a debt agreement through debt agreement brokers.

Be wary of debt agreement brokers

Be careful of debt agreement brokers who charge you a fee to help you get a debt agreement.

The downside of Part 9 debt agreements

Part 9 debt agreements can be a good option, but they can also have some downsides.

How Part 9 debt agreements can help

You can get a Part 9 debt agreement if you are struggling to pay back your debts.

The Part 9 debt agreement process

The Part 9 debt agreement process starts with you getting information from a debt agreement administrator.

Step 1: You are given information

The debt agreement administrator will give you information about the process and what to expect.

Step 2: Lodge the proposal with AFSA

The forms must be received by AFSA within 14 days of being signed.

AFSA will check the proposal and if it is accepted, you will receive a copy of the proposal and a copy of the AFSA decision.

Step 3. Proposal is sent to creditors to vote on

For a proposal to be accepted, it must be approved by a majority of creditors.

If the proposal is accepted:

- Creditors can issue a Creditor's Petition. They can get legal advice immediately if you receive a Creditor's Petition.

Changing a debt agreement

If you want to change your debt agreement, you must apply to AFSA for a variation.

If you default on a debt agreement, you may be liable for legal costs.

If you are having trouble with your debt agreement, you may be able to get a court order.

- You may be able to get a court order, in some cases.

Need more help?

For a list of other resources, visit our Useful Resources page.

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