

## 6. A Personal Bankruptcy Story



When John lost his job due to corporate “downsizing,” he wasn’t too concerned about getting another job. He knew he was well trained and had good references. He was only 45 years old and knew he had 20 years of good job productivity ahead of him.

John is married with two children, ages 10 and 13. John’s wife, Mary, had recently re-entered the job market doing office clerical work.

Six months later John was very worried. He still had no job. He had submitted scores of job applications and been on many job interviews. No one wanted to hire him at even close to his previous salary. His savings were gone and Mary’s income was not enough to live on. They had started to use credit cards to meet their living expenses.

Another six months passed. John now had a job but he was only making half what he had made before the downsizing. Between he and Mary they were still making less than his salary before the downsizing.

John and Mary had cut back on their expenses in order to meet their living expenses, but now had a debt load of \$30,000 spread over six bank and department store credit cards. Some of the cards carried interest of over 18 percent per annum, and John and Mary could not meet the payments.

Collectors started to call. One collector found out where John worked and was regularly calling him at work. John was afraid that if his employer knew he was getting collection calls at work he would lose his job. Worst of all, one creditor got a judgement against him and was threatening to garnishee his wages. John knew if this happened he would lose his job for sure. John felt so much stress that he could only sleep a few hours a night. People were commenting that he didn’t look well.

Fortunately, John’s best friend was aware of the problems and suggested that John and Mary make an appointment to see a trustee in bankruptcy. John and Mary filled out an information form outlining their financial situation and took it to their initial consultation with the trustee.

They were both nervous about meeting the trustee, but after only a few minutes with her they felt much more at ease. The trustee had got coffee for them and told them she needed a few moments to review the financial information they had brought in.

After about five minutes, the trustee finished reviewing the financial information and asked them some questions:

- Who was putting the most pressure on them?
- Have you listed all your debt and assets?
- Have you made any extraordinary payments to any creditors including family in the last year?

The trustee explained how bankruptcy worked and asked if they had any questions. John said he was concerned about his credit rating and said he didn't want to go bankrupt and ruin his credit rating. The trustee had heard this concern many times and gently pointed out that John's credit rating was already so bad that a bankruptcy wasn't going to make it worse. The trustee also reminded John and Mary that they had reviewed the Superintendent's excess income standards and their income was not enough to allow a proposal to be made. In fact, the Superintendent's excess income guidelines did not require John to make any payments from excess income. John was just required to pay the trustee's expenses and costs.

John said his next big concern was that his salary was going to be garnisheed and then he would lose his job.

The trustee told John and Mary that a bankruptcy would prevent a garnishee. The trustee suggested that John and Mary discuss what they felt they should do and then let her know. She reminded them that she could get a bankruptcy in place in a few hours and would phone the judgement creditor, to inform the creditor of the bankruptcy and prevent the garnishee.

John and Mary discussed what to do that evening. The next morning John phoned the trustee and said he would like to proceed as soon as possible. The trustee asked if John could come in at lunchtime to sign the papers. John did this.

It is now 10 months later. John has been discharged from bankruptcy and all his debts have been written off. John was surprised at how smoothly the bankruptcy proceeded. The trustee did prevent the wage garnishee. Creditors did stop calling him for payment. He could now sleep better and concentrate on doing a good job at work.

He had been concerned about the creditors' meeting and thought of creditors grilling him but the trustee said that there would only be a meeting if a sufficient number of creditors requested it. No one did. He had submitted monthly budgets and made his required monthly payments, which over 9 months totaled \$1,700. He had attended his two counselling sessions and that was it!

John knows that in six years the bankruptcy will be erased from his credit record. In fact, he has already started to rebuild his credit by getting a secured credit card.