

**DOOR CRASHER DAYS**  
Over 40 Door Crashers - ends March 26



Check out our great deals online

[CLICK HERE FOR DEALS](#)



**the star.com**

## Personal bankruptcies up 22% in a year

**'Nasty underbelly' of boom emerges in Alberta, B.C. as distress indicators surge nationwide in January**

March 25, 2009

**MADHAVI ACHARYA-TOM YEW**  
BUSINESS REPORTER

In yet another sign that the recession is bearing down, the number of Canadian consumers filing for bankruptcy rose sharply last month, particularly in the Western provinces.

At the same time, the number of businesses across the country filing for bankruptcy fell when compared with January 2008, according to figures released yesterday by the Office of the Superintendent of Bankruptcy.

There were 8,392 bankruptcies in Canada in January, up 19 per cent compared with the year-ago period. The figure does not include bankruptcy proposals, in which debtors make an attempt to pay creditors a portion of what they owe.

Of the 8,392, 7,944 were filed by consumers, almost 22 per cent more than a year earlier.

The jump in bankruptcies comes as the unemployment rolls continue to grow.

The number of people receiving Employment Insurance benefits rose to 560,400 in January, up 4.4 per cent or 23,700 from December, according to figures released separately by Statistics Canada.

The Office of the Superintendent of Bankruptcy reports that Canadians filed a total of 98,116 bankruptcies in the 12-month period ended in January – 13.6 per cent more than in the previous 12-month period.

Personal bankruptcies in Ontario rose 24.4 per cent last month, to 2,952 from 2,372 in January 2008.

The rise is not surprising given that Ontario's unemployment rate is at 8.7 per cent, up from 6.1 per cent a year ago, said Doug Porter, deputy chief economist at BMO Capital Markets.

Personal bankruptcies climbed sharply in the West, to 767 in British Columbia in January, up nearly 52 per cent from January 2008, and to 696 in Alberta.

That's an increase of 60.7 per cent.

"It's a case of the bigger they were, the harder they fall," Porter said. "Both Alberta and B.C. just had tremendous booms in recent years and I think we're seeing the very nasty underbelly of that now."

Overall, businesses filed 448 bankruptcies, nearly 15 per cent fewer than a year ago.

The decline could reflect the fact that this recession was not caused by higher interest rates, and corporations and businesses were mostly in good shape just prior to it setting in, Porter said. "There hasn't been a lot of damage yet on the corporate side.

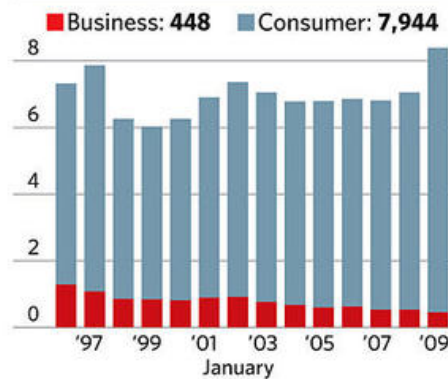
Ads by Google

[Trustee in bankruptcy](#)  
Services for individual & business

### Mixed results

In January, overall bankruptcies reached 8,392, up 19 per cent from January 2008. Consumer bankruptcies jumped, while business bankruptcies fell.

10 THOUSANDS



SOURCE: The Office of the Superintendent of Bankruptcy

"The downside is that they've also been very quick to cut their payrolls to keep their costs in line."

Credit counsellors and trustees in the Toronto area say they are seeing these trends first-hand.

In 2008, the Credit Counselling Service of Toronto served almost 62,000 people, executive director Laurie Campbell said in an interview. So far this year, its numbers are up by about 40 per cent. "We're seeing a lot of people who say, 'I've had a 10 per cent drop in my income because my company is not managing well.'"

There is typically a lag between the start of a recession and an increase in the number of bankruptcy claims. But that doesn't seem to be the case this time, perhaps because Canadians are carrying a higher debt level than in the past.

"I think when they heard the word recession many just threw in the towel. 'I can't manage as it is, I might as well go bankrupt. I've got a job, but who knows if I'll have it next year,'" Campbell said.

Andy Fisher, trustee with A. Farber & Partners Inc. in Oshawa, expects to see an increase in bankruptcies in the coming months as the recession grows deeper. Small businesses, in particular, may bear the brunt of the difficult times.

"With a lot of those small businesses, they probably won't even go bankrupt. They'll just close the business down because there aren't enough assets to go through a bankruptcy," Fisher said.

Over the past 15 years, there seems to have been a steady increase in the number of personal bankruptcies, as well as a decline in the stigma surrounding it, Fisher said.